The History of Italian Banking

Lesson by Dr. Douglas Gabriel

Douglas Gabriel gives a brief introduction to the summarized article below. We suggest that you listen to his lecture first, then continue reading for details.
Six hundred and fifty years ago came the climax of the worst financial collapse and bank crash in history in the 1340s, which decimated the human population. The crash, which peaked in 1345 when the world’s biggest banks went under, “led” by the Bardi and Peruzzi companies [families] of Florence, Italy, was more than a bank crash -- it was a financial disintegration. In Europe, chroniclers reported, “all credit vanished together,” most trade and exchange stopped, and a catastrophic drop of the world’s population by famine and disease loomed.

In the fourteenth century there were no nations. No governments had the national sovereignty to control the banks and the creation of credit or to force these banks into bankruptcy in an orderly way and replace fictitious bank credit and money with national credit. Nor was the Vatican, the world leadership of the Catholic Church, fighting against the debt-looting of the international banks; in fact, at that time it was allied with, aiding, and abetting them.

The result was a disaster for the human population, which fell worldwide by something like 25 percent between 1300 and 1450 (in Europe, by somewhere between 35 percent and 50 percent from the 1340s collapse to the 1440s).

This global crash, caused by the policies and actions of banks which finally completely bankrupted themselves, has been blamed by historians ever since on a king -- poor Edward III of England. Edward revolted against the seizure and looting of his kingdom by the Bardi and Peruzzi banks, by defaulting on their loans starting in 1342. King Edward’s national budget was dwarfed by that of either the Bardi or Peruzzi; in fact, by 1342 his national budget had become a sub-department of theirs. Their internal memos in Florence spoke of him contemptuously as “Messer Edward” - “we shall be fortunate to recover even a part” of his debts, they sniffed in 1339.
A “free trade” mythology was developed by historians about these “sober, industrious, Christian bankers” of Italy in the fourteenth century “doing good” by their own private greed; developing trade and the beginnings of capitalist industry by seeking monopolies for their family banks; somehow existing in peace with other merchants and expiating their greedy sins by donations to the Church. But, these sober bankers were led astray by kings who were spendthrift, warlike, and unreliable in paying their debts which they forced the helpless or momentarily foolish bankers to lend them. Thus, emerging “private enterprise capitalism” was set back by the disaster of the fourteenth century, noting that 30 million people died in Europe in the ensuing Black Death, famine, and war.

A Study of the Peruzzi Company of Florence establishes that this great bank was losing money and effectively going bankrupt throughout the late 1330s, as a result of its own destructive policies -- in Europe’s agricultural credit and trade in particular -- before it ever dealt with Edward III.

The Bardi and Peruzzi lending to King Edward III was done with such brutal “conditionalities” -- seizing and looting his revenues that his true debt to
them may have been no more than 15-20,000 pounds sterling when he defaulted. Fourteenth century England was a Third World country to the Bardi, Peruzzi, and Acciaiuoli international banks. They loaned Edward II and Edward III far less than their promises -- but their promises have been dutifully added up as total “loans” by historians, starting with their fellow banker Giovanni Villani.

Even if we accept the highest figures ever given for Edward III’s 1345 default against the bankers of Florence, the debt to them of the city government of Florence which they controlled, was 35 percent greater, and those bonds also defaulted.

It was Venetian finance which, by dominating and controlling a huge international “bubble” of currency speculation from 1275 through 1350, rigged the great collapse of the 1340s. Rather than sharing the peace of mutual greed and free enterprise with their “allies” -- the bankers of Florence -- the merchants of Venice bankrupted them, and the economies of Europe and the Mediterranean along with them. Florence was the fourteenth century “New York,” the apparent center of banking with the world’s biggest banks. But Venice was “London,” manipulating Florentine bankers, kings, and emperors alike, by tight knit financial conspiracy and complete dominance of the markets by which money was minted and credit created.

Venice, leading the Italian bankers of Florence, Genoa, Siena, etc., willfully intervened from the beginning of the thirteenth century to destroy the potential emergence of national governments. Venice intervened to stop the accession of the great Alfonso the Wise of Spain, as successor to Emperor Frederick II. This triumph of “free trade” over the potential for national government, rigged the fourteenth century’s global human catastrophes, the worst onslaught of death and depopulation in history. It was not until the
Renaissance created the French nation state under Louis XI, 100 years later, and then England under Henry VII, and the Spain of Ferdinand and Isabel, that the human population could recover.

In England, beginning with the reign of Edward I (1291 to 1310) and reaching a climax with Edward III, the Bardi and Peruzzi had acquired a status that gave them a practical monopoly of the procuring and export of wool. From 1150 onward, the famous Champagne Fairs had been the hub of trading in cloth and clothing, ironwork, woodwork, wool, agricultural implements and food for all of Europe; year-round fairs were held in six cities in the Champagne region around Paris. Merchants had been accustomed to make profits of 34 percent annually in hard cash and goods trading here. The Venetian and Florentine bankers intervened into these fairs with large amounts of credit, bank branches, and with luxury goods “from the East,” and took them over.
Production of the most vital commodities in Europe had been severely reduced, and the trade and circulation of its money completely disrupted, over decades before the 1340s crash, by Italian banks which appeared to be making usurious rates of profit. The Florentine super-companies used loans to monarchs to dominate and control trade in certain vital commodities, especially grain, and later wool and cloth. Their dominance and speculation progressively reduced the production of these commodities.

Keep in mind that the story of the Florentine bankers and the fourteenth century crash and Black Death was itself a cover-up. These bankers were operating on an international scale limited to Western Europe and some Mediterranean islands. The maritime/financial empire of Venice -- and Venice only -- was speculating on the scale of the Eurasian landmass, and on this evidence alone, it had to be the merchants of Venice which rigged the devastation and depopulation of the majority of the human race in the fourteenth century. The Florentine bankers were sharks swimming in Venice’s seas. The catastrophe of the Black Death in Europe, so often described, was exceeded by death rates in China and Islamic regions.

**The Black Guelph** The Bardi, Peruzzi, and Acciaiuoli family banks, along with other large banks in Florence and Siena in particular, were all founded in the years around 1250. In the 1290s they grew dramatically in size and rapaciousness, and were reorganized, by the influx of new partners.
These were “Black Guelph” noble families, of the faction of northern Italian landed aristocracy always bitterly hostile to the government of the Holy Roman Empire. Charlemagne, 500 years earlier, had already recognized Venice as a threat equal to the Vikings, and had organized a boycott to try to bring Venice to terms with his Empire. Venice in 1300 was the center of the Black Guelph faction which drove Dante and his co-thinkers from Florence. In opposition to Dante’s work De Monarchia, a whole series of political theorists of “Venice, the ideal model of government” were promoted in north Italy: Bartolomeo of Lucca, Marsiglio of Padua, Enrico Paolino of Venice, etc., all based on Aristotle’s Politics which was translated into Latin for the purpose. The same “coup” made the Bardi, Peruzzi, etc. Black Guelph banking “super-companies,” suddenly two or three times their previous size and branch structure. Machiavelli describes how by 1308, the Black Guelph ruled everywhere in northern Italy except in Milan, which remained allied with the Holy Roman Empire, and was the most economically developed and powerful city-state in fourteenth century Italy.

The charter of the Parte Guelfa openly claimed that it was the party of the papacy, and with Venice, the Black Guelph openly pushed for the Popes to change usury from a mortal sin to a venial (minor) sin. Lane remarks that the Venetians seemed to enjoy an effective exemption from the Catholic Popes’ injunctions against usury, and also from their ban on trading with the infidel -- the Seljuk and Mamluk regimes of Egypt and Syria.

A century earlier, in the 1180s, Doge (Duke) Ziani of Venice had provoked hostilities between the two leaders of Christendom, the Pope and the Holy Roman Emperor, Frederick Barbarossa, the grandfather of Frederick II. Doge Ziani, in time-worn Venetian style, then personally mediated the “Peace of Constance” between the Pope and the Emperor. The doge got his enemy, Emperor Frederick, to agree to withdraw his standard silver coinage from Italy and allow the Italian cities to mint their own coins. Over the century
from that 1183 Peace of Constance to the 1290s, Venice established the extraordinary, near-total dominance of trading in gold and silver coin and bullion throughout Europe and Asia. Venice broke and replaced the European silver coinage of the Holy Roman Emperors, the Byzantine Empire’s silver coinage, and eventually broke the famous Florentine “gold florin” in the decades immediately leading into the 1340s financial blowout -- which blew out all the financiers except the Venetians.

**Privatization**

The Black Guelph bankers of Florence did not simply loan money to monarchs, and then expect repayment with interest. In fact, interest was often “officially” not charged on the loans, since usury was considered a sin and a crime among Christians. The primary conditionality was the pledging of royal revenues directly to the bankers -- the clearest sign that the monarchs lacked national sovereignty against the Black Guelph “privateers.” Since fourteenth century Europe, important commodities like food, wool, clothing, salt, iron, etc. were produced only under royal license and taxation, bank control of royal revenue led to, first, private monopolization of production of these commodities, and second, the banks’ “privatization” and control of the functions of royal government itself.

By 1325, for example, the Peruzzi bank owned all of the revenues of the Kingdom of Naples (the entire southern half of Italy, the most productive grain belt of the entire Mediterranean area); they recruited and ran King Robert of Naples’ army, collected his duties and taxes, appointed the officials of his government, above all, sold all the grain from his kingdom. They egged Robert on to continual wars to conquer Sicily, because through Spain, Sicily was allied with the Holy Roman Empire. Thus, Sicily’s grain production, which the Peruzzi did not control, was reduced by war.
King Robert’s Anjou relatives, the Kings of Hungary, had their realm similarly “privatized” by the Florentine banks in the same period. In France, the Peruzzi were the cooperating bank (creditor) of the bankers to King Philip IV, the infamous Franzezi bankers “Biche and Mouche” (Albizzo and Mosciatto Guidi). The Bardi and Peruzzi banks, always in a ratio of 3 to 2 for investments and returns, “privatized” the revenues of Edward II and Edward III of England, paid the King’s budget, and monopolized the sales of English wool. Rather than paying interest (usury) on his loans, Edward III gave the Bardi and Peruzzi large “gifts” called “compensations” for the hardships they were supposedly suffering in paying his budget; this was in addition to assigning them his revenues.

When King Edward tried forbidding Italian merchants and bankers to expatriate their profits from England, they converted their profits into wool and stored huge amounts of wool at the “monasteries” of the Order of Knights Hospitallers, who were their debtors, political allies, and partners in the monopolization of the wool trade. It was the Bardi’s representatives who proposed to Edward III, the wool boycott which destroyed the textile industry of Flanders -- because by 1340 it was the only way to continue to raise wool prices in a desperate attempt to increase King Edward’s income flow, which was all assigned to the Bardi and Peruzzi for his debts! Genoese bankers largely controlled the royal revenues of the Kingdom of Castille in Spain, Europe’s other supplier of wool, by 1325.
In the first few years of the 100 Years War, which began in 1339, the Florentine financiers imposed on England a rate of exchange which overvalued their currency, the gold florin, by 15 percent relative to English coin. Edward III, in effect, now got 15 percent less for his monopolized wool. Edward tried to counterattack by minting an English florin: the merchants, organized by the Florentines, refused it, and he was defeated. By this action, the Bardi and Peruzzi themselves, in effect, provoked Edward’s famous default, and demonstrated his complete lack of sovereignty at the same time.

Even the famous account, by banker and chronicler Giovanni Villani, of Edward III’s default which triggered the final crash, acknowledges that his debt to the Bardi and Peruzzi included huge amounts he had already paid.

Even larger revenue flows came to the Vatican in the collection of its church contributions and tithes. Under John XXII, the Black Guelph Pope from 1316-1336, “papal tithes sky-rocketed,” reaching the apparent value of 250,000 gold florins per year. All were collected by agents of the Venetian banks (for France, the largest source of papal revenue) and the Bardi bank (for everywhere else in Europe except Germany). They charged the Vatican sizable “exchange fees” to transfer the collections.
Only they [the Venice-allied bankers] had the reserves of cash at Avignon [in France, temporary seat of the papacy for about 70 years] and in Italy, to finance papal operations. They transferred collections from Europe and loaned them to the Popes in advance. Thus, Venice controlled the papal credit, and the continuing hostilities between the papacy and the Holy Roman Emperors.

**Perpetual Rents**

In Italy itself, these bankers loaned aggressively to farmers and to merchants and other owners of land, often with the ultimate purpose of owning that land. This led by the 1330s to the wildfire spread of the infamous practice of “perpetual rents,” whereby farmers calculated the lifetime rent-value of their land and sold that value to a bank for cash for expenses, virtually guaranteeing that they would lose the land to that bank. As the historian Raymond de Roover demonstrated, the practices by which the fourteenth century banks avoided the open crime of usury, were worse than usury.

In the Italian city-states themselves, the early years of the fourteenth century saw the assignment of more and more of the revenues of the primary taxes (gabelle, or sales and excise taxes) to the bankers and other Guelph Party bondholders. From about 1315, the Guelph abolished the income taxes (estimi) in the city but increased them (estimi) on the surrounding rural areas into which they expanded their authority. Because the bankers, merchants, and wealthy Guelph aristocrats did not pay taxes -- instead, they made loans (prestanze) to the city and commune governments. In Florence, for example, the effective interest rate on this Monte (“mound” of debt) had reached 15 percent by 1342; the city debt was 1,800,000 gold florins, and no clerical complaints against this usury were being raised.

The gabelle taxes were pledged for six years in advance to the bondholders. At that point, Duke Walter of Brienne, who had briefly become dictator of
Florence, canceled all revenue assignments to the bankers (defaulted, exactly like Edward III).

Some of the famous banks of Tuscany had failed already in the 1320s: the Asti of Siena, the Franzesi, the Scali company of Florence. In the 1330s, the biggest banks, with the exception of the Bardi, (the Peruzzi, Acciaiuoli, Buonacorsi) were losing money and plunging toward bankruptcy with the fall in production of the vital commodities which they had monopolized, and which their cancer of speculation was devouring. The Acciaiuoli and the Buonacorsi, who had been bankers of the Vatican before it left Rome, went bankrupt in 1342 with the default of the city of Florence and the first defaults of Edward III. The Peruzzi and Bardi, the world’s two largest banks, went under in 1345, leaving the entire financial market of Europe and the Mediterranean shattered, with the exception of the much smaller Hanseatic League bankers of Germany, who had never allowed the Italian banks and merchant companies to enter their cities.

**Venice, the World’s Mint**

Between 1250 and 1350, Venetian financiers built up a worldwide financial speculation in currencies and gold and silver bullion. This ultimately dwarfed and controlled the speculation in debt, commodities, and trade of the Bardi, Peruzzi, et al. It took all control of coinage and currency from the monarchs of the time.

The banks of Venice were deceptively smaller and less conspicuous than the Florentine banks, but in fact had much greater resources for speculation at their disposal. The Venetian financial oligarchy as a whole, which ruled a maritime empire through small executive committees under the guise of a republic, centralized and supported its own speculative activities as a whole. The “Republic” built the ships and auctioned them to the merchants; escorted them with large, well-armed naval convoys of their empire, with naval commanders responsible to the “Committee of 10” and the magistrates for the
convoys’ safety. This same oligarchy maintained several public mints and did everything possible to foster the centralization of gold and silver trading and coinage in Venice; this was the dominant trade of Venice by no later than 1310. The Venetian banks and bullion-dealers were backed by large pools of capital and protection.

The size of the Venetian bullion trade was huge: twice a year a “bullion fleet” of up to 20-30 ships under heavy naval convoy, sailed from Venice to the eastern Mediterranean coast or to Egypt, bearing primarily silver; and sailed back to Venice bearing mainly gold, including all kinds of coinage, bars, leaf, etc.

The profits of this trade put usury in the shade, though the merchants of Venice were also unbridled in that practice. Surviving instructions of Venetian financiers to their trading agents in these fleets, specify that they expected a minimum rate of profit of 8 percent on each six-month voyage from the exchange of gold and silver alone: 1,620 percent annual profit.
**Crusades and Mongols**

The so-called Christian Crusades (the first in 1099, the seventh and last major one in 1291) had had only one strategic effect: expanding and strengthening the maritime commercial empire of Venice to the East. Venice provided the ships to take the Crusaders to the Middle East; Venice loaned them money, and Venetian Doges often told them what cities to try to capture or sack. Through the Crusades, Venice gained effective control of the cities of Tyre, Sidon, and Acre in Lebanon and Lajazzo in Turkey, and strengthened its domination of commerce through Constantinople. These were the coastal entry-points for the “Silk Routes” through the Black Sea and Caspian Sea regions to China and India.

The strategic alliance between Venice and the Mongol Khans, up to and through the financial collapse of the 1340s, has been treated as a historical curiosity of the adventures of Marco Polo’s family. But it gave Venice final control of the trade to the East, and along with the trade through Egypt for the gold mined in Sudan and Mali, it gave them huge amounts of gold with which to dominate world currency trading in the decades leading to the financial disintegration of the fourteenth century.

Mongol middlemen met Venetian merchants at the Mongol-ruled Persian trading cities of Tabriz and Trebizond, and the Black Sea port of Tana, and traded gold for silver from Europe. A large-scale trade in slaves from Mongol domains was associated with this currency trading. The Venetians were able to raise the price of silver despite the existence of record quantities coming to Venice from Europe.

The Crusades also consolidated the alliance of Venice and its allied Black Guelph-ruled cities, the Papacy, and the Norman and Anjou kings, against the Holy Roman Empire centered in Germany, which Dante and his allies were struggling to restore to its potential. By the late thirteenth century, the Mongols
were a conscious part of this Venetian-led alliance, and the Mongol rulers of Persia even proposed Crusades to the European kings and the Popes! Pope John XXII granted Venice alone the license to trade with the infidel Mamluk sultans of Egypt in the 1330s. This was overvalued European silver and Mongol slaves for gold from Sudan and Mali.

Thus, in the late thirteenth and fourteenth centuries, Venice provided all the coinage and currency-exchange for the largest empire in history, which was looting and destroying the populations under its rule. Venice had taken over the currency trading and coining of what remained of the Byzantine Empire, and also of the Mamluk Sultanates in North Africa. Venice, over this period, took the East off a gold standard and put it on a silver standard (it was the richer region of the world, and being more intensively looted). It took Byzantium and Europe off a 500-year old silver standard and put them on gold standards.
Venetian financiers and merchants were making annual rates of profit of up to 40 percent on very large, overwhelmingly short-term (six-month) investments. The other Black Guelph Italian bankers’ operations were subsumed by Venetian financial manipulations, but they were also realizing rates of profit far above the rate of physical reproduction of the economies of Europe. Because of the dominance of these speculative cancers, all the major real physical economies were shrinking.

What was the effect of this Venetian global currency speculation on the European economies before the 1340s crash and the Black Death? It was the short-term vise that caught the other European bankers and rigged the crash itself.

In this process of quickening speculation, Venice “ensnared all the surrounding economies, including the German economy” where production of silver, iron, and iron implements was concentrated. By the 1320s, Venetian merchants no longer even travelled to Germany to trade: they compelled German producers and merchants to come to Venice and take up lodgings near the large Fondaco dei Tedeschi (“Warehouse of the Germans”) where their goods were stored for sale. Venetian bankers on the Rialto (and Venetian bankers alone in the world at this time) made cashless bank transfers among merchants’ accounts, allowed overdrafts and gave credit lines on the spot, created “bank money,” and speculated with it. They did this not out of cleverness, but by simple control of currency speculation worldwide: they had the reserves.

In fact, the famous “bills of exchange” of the Florentine bankers, were really a crude form of the “derivatives contracts” of the 1990s speculative cancer. The Bardi, et al. charged fees to those involved in trade, for exchanging currencies, since there were so many regional and city currencies. These exchange fees
were a cost looted out of all production and trade, and a usurious profit to the bankers. But the banker made the “bills of exchange” even more expensive, to hedge against their own potential losses in currency fluctuations being manipulated by Venetian bullion merchants. Thus, bills of exchange in the fourteenth century cost 14 percent on average, worse than borrowing at interest (usury).

Venice switched Europe to gold by force of looting silver. England, for example, from 1300-1309 imported 90,000 pounds sterling in silver for coining; but from 1330-1339, it was only able to import 1,000 pounds. But in Venice there was no lack of silver at all in the 1330s. The Florentine bankers, with their famous gold florin, enjoyed great speculative profits in this process.

After 1400, in the years which led to the Golden Renaissance, political forces turned against the methods of the Italian free enterprise bankers. In 1401, King Martin I of Aragon (Spain) expelled them. In 1403, Henry IV of England prohibited them from taking profits in any way in his kingdom. In 1409, Flanders imprisoned and then expelled Genoese bankers. In 1410, all Italian merchants were expelled from Paris. When Louis XI became King of France in 1461, he organized national forces to make it the first strong and sovereign nation state. Along with the development of ports, roads, and support for the cities, Louis XI insisted on a single, standard national currency, created and controlled by the crown. For both Louis XI and England’s Henry VII in the same period, mercantilist forms of economic nationalism were combined with a pronounced hostility to Italian techniques of credit and clearing.
Dr. Douglas Gabriel summarizes *The History of Italian Banking* and its relationship to Mammon. The evolution of Warlord Bankers will not be found in history books and must be investigated through the path of evil taken by money-mongers who put the greed and desire for riches above the love of their fellow human being.

Venetian bankers, who funded all of the Crusades, became some of the most ruthless worshipers of Mammon in history. This influence of Venetian bankers spread throughout Europe destabilizing economies, kingdoms and even religion.

**Italian Weaponized Banking**

Paul Gallagher’s article above is the most succinct summary of the birth of Venetian banking and the origins of Warlord Bankers that we have found. This condensed version of the article was created to support the direction of the themes of the larger article which is focused on the evil uses of money and the worship of the demon Mammon. Paul is one of the best economic historians who understands that a whitewashing of history helps no one.

The plain truth is shocking and painful to hear for the first time as the revelations of Warlord Banking Families comes into sharp focus. The simple greed of these evil families has fomented and funded war throughout modern times but is hidden by the propaganda of bankers and brokers that always accompany their machinations. Envy, jealousy, lust, greed, and eventually anger and hatred are part of unbridled desire. When materialism, as an unconscious philosophy of life, also accompanies the pursuit of the seven
deadly sins, the Mammon tends to win the soul of the greedy and miserly Warlord Bankers who have shaped history all too dramatically, and with fatal results.

We will not go into the depth of the evil worship of Mammon that often is part of the beliefs of warlords and warmongers. Suffice it to say that those who do not hesitate engendering war for profit, also do not mind killing people. In fact, after Mammon has provided these murderers with tremendous wealth and power they often worship Mammon along with other demons and the devil Satan himself. Satanism is quite common among the worshipers of Mammon and those who place the acquisition of money above the love of human beings.

The evil god Moloch was part of Canaanite beliefs and this worship involved the sacrifice of children from the sons of “Ammon.” The Greeks believed in Chronos, the god who ate his own children. In Carthage, the demon god
Moloch demanded human sacrifice to guarantee a bountiful harvest. These death cults were common in ancient times in the Levant. Babylon became the home of such ideas and practices were debtors prison was invented.

The central banking system of Venice had a committee of Ten who oversaw the “Republic” while an inner subset of that committee was the committee of Three, who had the power to order the death of anyone who might be harming the Republic. The power of death was given to bankers as well as the power to imprison people who did not repay loans on time – debtors prison. Bankers became powerful forces in the lives of those who used them; and as time wore on, bankers entered into every aspect of personal and civic life. Bankers came to control not only land and money, but also became civil and political powerhouses who controlled life and death circumstances.

We read in Paul Gallagher’s article above how Venetian banking families became Warlord Banking Families through the circumstances of the Crusades and the wars that followed. Bankers found out that war was big-business and quite profitable. The prohibitions of usury did not slow down the clever tricks of bankers to play both sides of a war against each other. Eventually, banking became synonymous with corruption, evil, subterfuge, propaganda, war, and demonic practices. Looking closely and objectively at the history of money and banking is an exploration of the worship of anti-human forces that have created some of the worst pages in history.

Webster Tarpley is a writer who always opens the eyes of the reader with new insights and his profound depth of understanding of the symptomology of history. We selected the article below as a bridge to connect Venice with London, just as Paul Gallagher’s insight showed us a similar path which leads to the eventual Italian control over British economics, war, and politics.