

*Francesca Trivellato*

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## Renaissance Florence and the Origins of Capitalism: A Business History Perspective

From the 1940s to the 1970s, the commercial revolution of the Middle Ages was a historiographical concept with considerable traction. This article revisits the literature that brought about and engaged with that concept, with specific reference to Florence. In so doing, it draws attention to the place once held by business history in the study of Europe's takeoff. It also discusses the preliminary results of an ongoing project on limited partnerships in early modern Tuscany, which reaffirms the relevance of business history for understanding preindustrial economies but steers away from a teleological search for the origins of modern capitalism.

**Keywords:** commercial revolution of the Middle Ages, enterprise forms, limited partnerships, Florence, Tuscany

The question whether what went on in Renaissance Florence was modern capitalism or not seems to me of limited interest.

—Felix Gilbert (1985)

Kenneth Pomeranz's *The Great Divergence*, published in 2000, argues that the most advanced areas of England and China shared equal levels of economic development through the eighteenth century and that colonialism was crucial to propelling England ahead.<sup>1</sup> The book has justly become a must-read for all historians. For specialists of early modern Europe, it shattered the gradualist consensus that had been building up in the course of the preceding decades. According to

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<sup>1</sup> Kenneth Pomeranz, *The Great Divergence: China, Europe, and the Making of the Modern World* (Princeton, 2000).

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that stance, the industrial revolution was the outcome of a slow process of change internal to the English and continental economies rather than, as the proverbial schoolboy invoked by T. S. Ashton would have it, “a wave of gadgets [that] swept over England” around 1760.<sup>2</sup> By the time Pomeranz challenged the gradualist view, most scholars had forgotten that until the 1970s the prevailing academic controversy was not whether Europe’s takeoff had begun in the sixteenth, seventeenth, or eighteenth century but whether it could be located in late medieval Italy.

This article begins by revisiting that older scholarship. In so doing, it shows that business organization was once central to debates about the historical development of Western capitalism. By elevating individualism to a defining trait of modern capitalism, Max Weber and other modern social theorists gave impetus to the study of the relationship between kinship structures and forms of business enterprise.<sup>3</sup> Meanwhile, Jacob Burckhardt’s famous (if often misunderstood) identification of individualism as a hallmark of the Italian Renaissance and the richness of Florentine business archives ensured that the topic held pride of place in the scholarship on late medieval and Renaissance Florence.<sup>4</sup>

The article is divided into three sections. The first reviews the secondary literature that elaborated what by the 1940s was called the “commercial revolution of the thirteenth century.” The chief goal here is to highlight the centrality of business history to this concept and stress the continued relevance of this sort of inquiry.<sup>5</sup> The second section

<sup>2</sup> T. S. Ashton, *The Industrial Revolution, 1760–1830* (London, 1948), 58. No single gradualist school can be identified—some of its advocates stress demographic transformations, others privilege the role of overseas trade; some emphasize an increase in agricultural productivity, others superior legal and political institutions; some regard the process as driven by high wages, others by consumption. A highly selective bibliography of contributions published before and after Pomeranz’s study would include Douglass C. North and Robert Paul Thomas, *The Rise of the Western World: A New Economic History* (Cambridge, U.K., 1973); E. A. Wrigley, *Continuity, Chance and Change: The Character of the Industrial Revolution in England* (Cambridge, U.K., 1988); Jan de Vries, *The Industrious Revolution: Consumer Behavior and the Household Economy, 1650 to the Present* (Cambridge, U.K., 2008); and Robert C. Allen, *The British Industrial Revolution in Global Perspective* (Cambridge, U.K., 2009).

<sup>3</sup> Max Weber, *Economy and Society: An Outline of Interpretative Sociology*, 2 vols., ed. Guenther Roth and Claus Wittich (Berkeley, 1968), esp. 375–80, 635–40. On the preeminence of individualism among other influential social theorists, see William Caferro, “Premodern European Capitalism, Christianity, and Florence,” *Business History Review* 94, no. 1 (2020): 39–72.

<sup>4</sup> Jacob Burckhardt, *The Civilisation of the Renaissance in Italy*, trans. S. G. C. Middlemore (1860; London, 1898). I discuss the different meanings attributed to individualism by Burckhardt and by most economic and business historians of Renaissance Florence in Francesca Trivellato, “Economic and Business History as Cultural History: Pitfalls and Possibilities,” *I Tatti Studies in the Italian Renaissance* 22, no. 2 (2019): 402–10.

<sup>5</sup> The boundaries separating economic from business history were more porous in the past than they are today. Here, for the sake of simplicity and mirroring disciplinary trends, I refer to

discusses landmark studies of the Florentine economy and the organization of merchant bankers in the period from the early fourteenth to the early sixteenth centuries. Some of these works dealt with the question of the convergence (or lack thereof) of periods of economic growth and cultural flourishing; others treated different enterprise forms as yardsticks of Florentine society's degree of individualism (understood as the separation of family and firm) and, by extension, of the city's overall economic and cultural development.

The final section of the article assesses the role that the limited partnership, the enterprise form generally associated with the highest degree of individualism in a traditional society, played in Tuscany from the fifteenth to the eighteenth centuries. Preliminary findings of an ongoing project reveal the surprisingly low incidence of limited partnerships. This evidence prompts us to move away from the genealogical and evolutionary approach to the study of business forms, which has long prevailed among legal and economic historians. In order to begin to speculate on the reasons for the marginality of limited partnerships in early modern Tuscany, we ought to remove them from ideal-type classificatory schemes and immerse them in the landscape of choices and constraints with which contemporary entrepreneurs and investors were met.

To do so also means, more broadly, to relinquish the idea of “origins” that distinguishes most of the literature examined here—an idea that the proponents of the medieval commercial revolution embraced, if nothing else in order to affirm the legitimacy of their controversial chronology. In the 1985 comment cited in the epigraph above, Felix Gilbert disavowed that impulse in no uncertain terms.<sup>6</sup> While I espouse Gilbert's position, I recognize the contributions made by those who excavated the business and economic systems of Renaissance Florence for the purpose of contesting other origin stories. At the same time, I draw attention to the continued research opportunities for business history provided by the Florentine archives, unmatched even in Venice or Genoa, and suggest alternative ways of approaching those archives.<sup>7</sup> Instead of looking for

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economic history as the study of macro phenomena and business history as the study of the forms of organization of economic enterprises, with an emphasis on the private sector and the firm in particular. Oscar Gelderblom and I recently made a case for the continued importance of business history in debates about the so-called Rise of the West in Gelderblom and Trivellato, “The Business History of the Preindustrial World: Towards a Comparative Historical Analysis,” *Business History* 61, no. 2 (2019): 225–59.

<sup>6</sup> Felix Gilbert to John H. Elliott, 25 Oct. 1985, box 61, Felix Gilbert papers, Hoover Library and Archives, Stanford University.

<sup>7</sup> Federigo Melis estimated that some 30,000 account books dating from 1300 to 1500 are kept in archives across Tuscany. Melis, “Banche, trasporti e assicurazioni,” in *Nuovi metodi della ricerca storica: Atti del II Congresso nazionale di scienze storiche* (Salerno, 23–27

the emergence of certain enterprise forms and attributing civilizational meanings to them, I defend the merits of a deeply localized research and argue that such a localized approach is not an impediment to and can, in fact, foster fresh comparative projects.

### The Commercial Revolution of the Thirteenth Century

As industrialization and urbanization, with their corollary social and political struggles, altered everyday life across Europe during the nineteenth century, it was only natural for scholars to argue over the causes and consequences of the rise of modern capitalism. Critics usually analyze the differences between the theories outlined by Karl Marx, Werner Sombart, and Weber. For our purposes, however, it is equally if not more important to stress what these three great thinkers had in common: following a stadial conception of history that they inherited from the Enlightenment and, at least in the cases of Sombart and Weber, from the German historical school, they all dated the birth of capitalism, however defined, to the sixteenth century at the earliest.

For Marx, enclosures in the English countryside and the Europe-wide colonial and commercial expansion yielded the transition from feudalism to capitalism.<sup>8</sup> Sombart adopted aspects of Marx's theory even as he stressed the persistence of feudalism and artisanal modes of production well into the eighteenth century.<sup>9</sup> The young Weber came close to suggesting that new forms of business organization in the late medieval Italian maritime republics marked a turning point of epic proportions but is better known for his mature work that traces the birth of modern capitalism to the Puritan theology of the seventeenth century.<sup>10</sup> Sombart's rejoinder was a flawed but highly influential exaltation of Judaism's supposed affinity with capitalism and, more

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aprile 1972) (Milan, 1975), 171–88, reprinted in Melis, *L'azienda nel Medioevo*, ed. Marco Spallanzani (Florence, 1991), 108–25, at 111. More recently, Sergio Tognetti counted some 2,500 of them from the thirteenth and fourteenth centuries in Florence and Prato alone and many more from the sixteenth century onward. Tognetti, "Mercanti e libri di conto nella Toscana del basso medioevo: Le edizioni di registri aziendali dai primi del Novecento a oggi," *Anuario de estudios medievales* 42 (2012): 867–80. Richard A. Goldthwaite lists the secondary literature that has mined the account books of fifteenth-century Florentine firms. Goldthwaite, *The Economy of Renaissance Florence* (Baltimore, 2009), 58n30.

<sup>8</sup> Karl Marx, *Capital: A Critique of Political Economy*, trans. Ben Fowkes, vol. 1 (1867; London, 1976), 873–940 (Book 1, Part 8: "So-called Primitive Accumulation").

<sup>9</sup> Werner Sombart, *Der moderne Kapitalismus*, 2 vols. (Leipzig, 1902); Sombart, *Der moderne Kapitalismus*, 3 vols., 2nd ed. (Munich, 1916–1928). Only an abridged English edition of this major work exists: Sombart, *Economic Life in the Modern Age*, ed. Nico Stehr and Reiner Grundmann (New Brunswick, NJ, 2001).

<sup>10</sup> Max Weber, *The History of Commercial Partnerships in the Middle Ages*, ed. Lutz Kaelber (1889; Lanham, 2003); Weber, *The Protestant Ethic and the Spirit of Capitalism*, trans. Talcott Parsons, with a foreword by R. H. Tawney (1904–1905; New York, 1958).

specifically, of the commercial role played by Iberian Jews in the sixteenth- and seventeenth-century Atlantic.<sup>11</sup>

On the eve of World War I, some medievalists began to mount a concerted attack against the chronological framework on which Marx, Sombart, and Weber largely converged. The most famous today, even if not the first to have questioned the primacy of early modernity in narratives of European economic exceptionalism, was the Belgian historian Henri Pirenne.<sup>12</sup> In 1914, objecting to both Sombart and Weber, Pirenne pronounced boldly that “all the essential features of capitalism—individual enterprise, advances on credit, commercial profit, speculation, etc.—are to be found from the twelfth century on, in the city republics of Italy—Venice, Genoa, or Florence.”<sup>13</sup> In the 1920s, he broadcast these views in a series of lectures delivered at leading North American universities that culminated in a seminal text, *Medieval Cities: Their Origins and the Revival of Trade*.<sup>14</sup>

Pirenne’s synthesis built on and inspired a multitude of studies of municipal and commercial law, credit instruments, and guilds. Working at the intersection of legal and economic history, scholars writing in German, French, and Italian turned up new archival evidence that poked holes in the then conventional chronology for the rise of Western capitalism. In Germany, historians looked at Italian and Hanseatic trading centers, with their wealthy and middling merchants, as the first sites of capitalistic spirit and modes of exchange.<sup>15</sup> In France,

<sup>11</sup> Werner Sombart, *The Jews and Modern Capitalism*, trans. M. Epstein (1911; London, 1913).

<sup>12</sup> Among Pirenne’s predecessors was Heinrich Sieveking, who wrote on the late medieval commercial expansion in both northern and southern Europe and who was equally known at the time. See, for example, Sieveking, *Die rheinischen Gemeinden Erpel und Unkel und ihre Entwicklung im 14. und 15. Jahrhundert* (Leipzig, 1895); and *Genueser finanzwesen mit besonderer berücksichtigung der Casa di S. Giorgio*, 2 vols. (Frieburg im Breisgau, 1898–1899). Alfred Doren, a contemporary of Pirenne, must also be mentioned here given his enormous influence on subsequent controversies about the size and hierarchical organization of the Florentine woolen industry before and after the Black Death. Doren, *Entwicklung und Organisation der Florentiner Zünfte im 13. und 14. Jahrhundert* (Leipzig, 1897); and *Die Florentiner Wollentuchindustrie vom vierzehnten bis zum sechzehnten Jahrhundert*, 2 vols. (Stuttgart, 1901–1908).

<sup>13</sup> Henri Pirenne, “The Stages in the History of Capitalism,” *American Historical Review* 19 (1914): 494–515, at 495–96. See also Pirenne, “Les périodes de l’histoire sociale du capitalisme,” *Bulletin de la classe des lettres et des sciences morales et politiques*, 6 May 1914, 258–299, reprinted in Pirenne, *Histoire économique de l’Occident médiéval*, ed. E. Coornert (Bruges, 1951), 1–50.

<sup>14</sup> Henri Pirenne, *Medieval Cities: Their Origins and the Revival of Trade*, trans. Frank D. Halsey (Princeton, 1925). Pirenne also linked explicitly modern democracy to the medieval urban tradition of the Low Countries in his *Belgian Democracy, Its Early History*, trans. J. V. Saunders (1910; Manchester, 1915).

<sup>15</sup> Lujo Brentano, *Die Anfänge des modernen Kapitalismus: Festrede gehalten in der öffentlichen Sitzung der K. Akademie der Wissenschaften am 15. März 1913* (Munich, 1916); Fritz Rörig, *Hansische Beiträge zur deutschen Wirtschaftsgeschichte, mit einem Plan*

both Marxists like Henri Hauser and anti-Marxists like Henri Sée disputed the importance given by Weber to Calvinism and by Sombart to Judaism.<sup>16</sup> André Sayous impugned Sombart's blanket generalizations about the artisanal, small-scale, precapitalist nature of the late medieval European economy and faulted the German scholar for ignoring or misreading several contributions that had appeared between the first (1902) and second (1916) editions of his *Modern Capitalism*, including Sayous's own studies of *commenda* contracts from twelfth- and thirteenth-century Genoa.<sup>17</sup> In Italy, Gino Luzzatto published an abridged translation of Sombart's *Modern Capitalism* in 1925 and heralded it as a masterpiece but also criticized it for downplaying the advances of late medieval Italy.<sup>18</sup> Decades of work by legal and economic historians such as Enrico Besta and Alessandro Lattes, Luzzatto noted a few years later, attested to (and should have made Sombart aware of) the novelty and impact of an array of institutions and contracts that sustained the expansion of medieval trade.<sup>19</sup> Scholars as different in political orientation as Amintore Fanfani and Armando Saporì agreed in portraying the Italian medieval merchant as both a capitalist and a civic leader, and thus as the protagonist of a new era.<sup>20</sup>

Once subsumed under the rubric of "the commercial revolution of the Middle Ages," this vast if often hyperspecialized literature gained momentum. The expression was introduced in the scholarly vocabulary in the early 1940s by Raymond de Roover, who fleshed out the historical

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*des Marktes von Lübeck* (Breslau, 1928); Jacob Strieder, "Origin and Evolution of Early European Capitalism," *Journal of Economic and Business History* 2 (1929): 1–19.

<sup>16</sup> Henri Hauser, "Les origines du capitalisme moderne en France," *Revue d'économie politique* 16 (1902): 193–205, 313–33; Hauser, *Les débuts du capitalisme* (Paris, 1927); Henri Sée, "Dans quelle mesure puritains et juifs ont-ils contribué aux progrès du capitalisme moderne?" *Revue historique* 52 (1927): 57–68; Sée, *Modern Capitalism: Its Origin and Evolution*, trans. Homer B. Vanderblue and Georges F. Doriot (1926; New York, 1928).

<sup>17</sup> André E. Sayous, "Der moderne Kapitalismus' de W. Sombart et Gênes aux XIIe et XIIIe siècles," *Revue d'histoire économique et sociale* 18 (1931): 427–44, esp. 431, 436–38. See also Sayous, *Le commerce des européens à Tunis depuis le XIIe siècle jusqu'à la fin du XVIe: Exposé et documents* (Paris, 1929); and *Structure et évolution du capitalisme européen, XVIe–XVIIe siècles*, ed. Mark Steele (London, 1989).

<sup>18</sup> Werner Sombart, *Il capitalismo moderno: Esposizione storico-sistemica della vita economica di tutta l'Europa dai suoi inizi fino all'età contemporanea*, trans. Gino Luzzatto (Florence, 1925); Gino Luzzatto, "L'origine e gli albori del capitalismo: A proposito della seconda edizione del 'Capitalismo moderno' di Werner Sombart," *Nuova rivista storica* 6, no. 1 (1922): 39–66, reprinted in Luzzatto, *Dai servi della gleba agli albori del capitalismo: Saggi di storia economica* (Bari, 1966), 485–527.

<sup>19</sup> Gino Luzzatto, "The Study of Medieval Economic History: Recent Literature and Tendencies," *Journal of Economic and Business History* 4 (1931–1932): 708–27. See, for example, Enrico Besta, *Il contratto di assicurazione nel medio evo* (Genoa, 1884); and Alessandro Lattes, *Il diritto consuetudinario nelle città lombarde* (Milan, 1899).

<sup>20</sup> Amintore Fanfani, *Catholicism, Protestantism and Capitalism* (1934; New York, 1935); Armando Saporì, *The Italian Merchant in the Middle Ages*, trans. Patricia Ann Kennen (1952; New York, 1979).

circumstances for the emergence of “the sedentary merchant,” whom his teacher and pioneering business historian N. S. B. Gras first pinpointed as a key figure in the development of capitalism between 1300 and 1800.<sup>21</sup> By “a commercial revolution” de Roover meant “a complete or drastic change in the methods of doing business or in the organization of business enterprise just as an industrial revolution means a complete change in the methods of production.”<sup>22</sup> In 1971, Robert Sabatino Lopez popularized this view in his *The Commercial Revolution of the Middle Ages, 950–1350*, in which he linked medieval to modern capitalism with striking confidence and optimism: “if medieval growth was not fast, it was altogether irreversible; it created the indispensable material and moral conditions for a thousand years of virtually uninterrupted growth; and, in more than one way, it is still with us.”<sup>23</sup>

The concept of the commercial revolution of the Middle Ages had at least two profound implications: it crystallized an alternative chronology for the emergence of European capitalism than the one on which Marx, Sombart, and Weber fundamentally agreed, and it placed business history at the core of definitions of capitalism. The latter point is especially important for our discussion. It was the appearance of new partnership forms and accounting methods, as well as bills of exchange and premium marine insurance, in thirteenth- and fourteenth-century Italy that led de Roover to conclude that “any investigations into the origins of capitalism should concentrate on [medieval] Italian practices.”<sup>24</sup>

<sup>21</sup> In 1936 de Roover, a Belgian accountant, went to the Harvard Business School (then Harvard Graduate School of Business Administration) to do a master's degree with Gras and also worked with A. P. Usher at Harvard University. Richard Goldthwaite, “Raymond de Roover on Late Medieval and Early Modern Economic History,” in de Roover, *Business, Banking, and Economic Thought in Late Medieval and Early Modern Europe: Selected Studies of Raymond de Roover*, ed. Julius Kirshner (Chicago, 1974), 3–14.

<sup>22</sup> See Raymond de Roover's “Discussion” of Gras's paper “Capitalism—Concepts and History,” *Bulletin of the Business Historical Society* 16, no. 2 (1942): 34–39, at 34, reprinted as “The Commercial Revolution of the Thirteenth Century,” in *Enterprise and Secular Change: Readings in Economic History*, ed. Frederic C. Lane and Jelle C. Riemersma (Homewood, IL, 1953), 80–85.

<sup>23</sup> Robert S. Lopez, *The Commercial Revolution of the Middle Ages, 950–1350* (Englewood Cliffs, NJ, 1971), vii. It is worth noting that Lopez, once expelled from Italian academia because of the 1938 so-called Racial Laws, was welcomed at the University of Wisconsin–Madison, then the hub of North American scholarship on late medieval Genoa, Lopez's specialty upon leaving Italy. There in the 1920s Eugene H. Byrne had collected photostatic copies of the earliest surviving Genoese notarial cartularies from the twelfth and thirteenth centuries and trained Robert L. Reynolds (who welcomed Lopez) and Hilmar C. Krueger. Although the Wisconsin School, as it is sometimes referred to, did not produce a slogan as successful as the “commercial revolution,” its scholarship on Genoese maritime history has been of considerable significance for medievalists and economic historians, especially in studies of *commenda* contracts, a topic to which I return in the body of the text below.

<sup>24</sup> De Roover, “Discussion,” 36. De Roover gives a fuller account of these business techniques in his “The Organization of Trade,” in *The Cambridge Economic History of Europe*,

## The Business History of Renaissance Florence

The concept of the commercial revolution of the Middle Ages put the issue of periodization and the role of business organization squarely at the center of scholarship on Renaissance Florence. From the 1950s to the 1980s, two sets of questions defined the agenda of some of the most prominent historians of the period: Was the fifteenth century, when humanism and the visual arts reached their pinnacles, a time of economic crisis or growth? And did business practices after the Black Death become more individualistic or did the family remain the core unit of social and economic organization?

While it is indisputable that the Florentine economy boomed between the first coining of the *fiorino* in 1252 and the banking crises of the 1340s, to this day views diverge substantially in regard to the 150 years between 1348 and 1500, the period that coincided with the city's highest cultural flourishing. In 1952, three publications—conceived largely independently of one another but each one highly visible—questioned the temporal coincidence of (and thus the causal relation between) economic growth and artistic splendor. In England, the second volume of *The Cambridge Economic History of Europe* included essays by Michael Postan and Lopez that documented the expansion of both northern and southern European trade beginning as far back as the tenth century.<sup>25</sup> In Italy, Sapori delivered a speech at a high-profile conference on the Renaissance in which he described the period after the Black Death as one of economic decline.<sup>26</sup> In the United States, Lopez was even more provocative: speaking before an affluent lay audience at the Metropolitan Museum in New York City, he affirmed that the artistic masterpieces of fifteenth-century Italy had been paid for by wealthy patrons who shunned risks in times of economic depression.<sup>27</sup>

His thesis ran so contrary to common sense and provoked such clamor that Lopez felt obliged to harness more data in support of it, a task for which he enlisted the help of his student Harry Miskimin.<sup>28</sup>

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vol. 3, *Economic Organisation and Policies in the Middle Ages*, ed. M. M. Postan, E. E. Rich, and Edward Miller (Cambridge, U.K., 1963), 42–118.

<sup>25</sup> Michael Postan, "The Trade of Medieval Europe: The North," in *The Cambridge Economic History of Europe*, vol. 2, *Trade and Industry in the Middle Ages*, ed. M. M. Postan and E. E. Rich (Cambridge, U.K., 1952), 119–256; Robert S. Lopez, "The Trade of Medieval Europe: The South," in *Cambridge Economic History*, 2:257–354.

<sup>26</sup> Armando Sapori, "Il Rinascimento economico [1952]," in Sapori, *Studi di storia economica (secoli XIII–XIV–XV)*, vol. 1 (Florence, 1955), 619–56.

<sup>27</sup> Robert S. Lopez, "Hard Times and Investment in Culture," in *The Renaissance: A Symposium, February 8–10, 1952* (New York, 1953), 19–33, reprinted in *The Renaissance: Six Essays*, ed. Wallace K. Ferguson (New York, 1962), 29–54.

<sup>28</sup> Robert S. Lopez and Harry A. Miskimin, "The Economic Depression of the Renaissance," *Economic History Review* 14, no. 3 (1962): 408–26.

Available macroeconomic data, however, were scattered and far from irrefutable. Carlo Cipolla gathered evidence to substantiate an opposite hypothesis: the post-1348 population decline generated new opportunities, especially for skilled artisans and peasants who now faced lesser competition, and per capita income increased.<sup>29</sup> This debate on the economic performance of the peninsula during the 150 years after the Black Death remained polarized for decades, in part because of the subject's political undertones and in part because of the inconclusive nature of most of the quantitative data deployed by each side of the polemic.

Over time, Lopez's pessimism lost ground.<sup>30</sup> Most scholars now agree with Cipolla that the growth of silk manufacturing compensated at least in part for the considerable decline experienced by the woolen industry, the leading sector of the medieval Florentine economy, as a result of foreign competition.<sup>31</sup> Richard Goldthwaite has done more than anyone else to propagate Cipolla's views, including the emphasis on the role of demand, and to challenge Lopez on his own terrain by stressing the growth capacity of the art market. In the most optimistic reassessment of the fifteenth-century crisis, published in 1993, Goldthwaite argues against the division between fine and minor arts and in favor of the positive spillovers of massive building projects, promoted by secular and ecclesiastical authorities as well as by notable Florentine families, and their associated demand for luxury goods. By giving employment to a large working population of men and women, from masons to wood-carvers, silk weavers, pottery-makers, metalworkers, and more, these building projects sustained the city's economy in times of demographic decline.<sup>32</sup> In this latest reformulation of the commercial revolution of the Middle Ages, Western capitalism is rooted in Renaissance Florence, the home of modern consumerism. Goldthwaite's

<sup>29</sup> Carlo M. Cipolla, "Economic Depression of the Renaissance?" *Economic History Review* 16, no. 3 (1964): 519–24.

<sup>30</sup> Judith C. Brown, "Prosperity or Hard Times in Renaissance Italy?" *Renaissance Quarterly* 42, no. 4 (1989): 761–80; Franco Franceschi and Luca Molà, "L'economia del Rinascimento: Dalle teorie della crisi alla 'preistoria del consumo,'" in *Il Rinascimento italiano e l'Europa*, vol. 1, *Storia e storiografia*, ed. Marcello Fantoni (Treviso, 2005), 185–200. On the basis of the largest-to-date compilation of data on population, urbanization, prices, wages, and GDP from central and northern Italy, Paolo Malanima recently sided with Cipolla but proposed a more precise periodization, with the post-plague upward macroeconomic trend ending around 1450. Malanima, "Italy in the Renaissance: A Leading Economy in the European Context, 1350–1550," *Economic History Review* 71, no. 1 (2018): 3–30.

<sup>31</sup> Judith C. Brown and Jordan Goodman, "Women and Industry in Florence," *Journal of Economic History* 40, no. 1 (1980): 73–80; Paolo Malanima, *La decadenza di un'economia cittadina: L'industria di Firenze nei secoli XVI–XVIII* (Bologna, 1982).

<sup>32</sup> Richard A. Goldthwaite, *Wealth and the Demand for Art in Italy, 1300–1600* (Baltimore, 1993). For an acerbic criticism of this interpretation as the projection of trickle-down economics onto fifteenth-century Florence, see Lauro Martines, "The Renaissance and the Birth of Consumer Society," *Renaissance Quarterly* 51, no. 1 (1998): 193–203.

argument arrived at a propitious time: by the 1990s, cultural history had displaced economic history from the mainstream of the history profession and the waning of Marxism led to a fondness for demand rather than supply as the driving explanation for economic growth. This timing ensured that many followed in Goldthwaite's footsteps.<sup>33</sup>

Before economic and business history fell out of fashion among scholars of the Italian Renaissance, however, the task of defending the idea of a coevolution of economic and cultural change had fallen on business historians, who celebrated innovations in accounting, marine insurance, and banking as evidence of the emergence not only of new institutional structures supporting commercial enterprise amid a feudal society, but also a new mentality among the merchant elites of those city-states that had risen from the crisis of the Kingdom of Italy in the eleventh and twelfth centuries. Federigo Melis was at once the most empiricist and the most triumphalist of these business historians. Claiming to be uninterested in theoretical discussions about the origins of capitalism and to work solely "with the sources and from the sources," he nevertheless did not shy away from sweeping pronouncements, such as stating that the banking system of mid-fifteenth-century Florence was "truly modern."<sup>34</sup> Unlike Saponi and Lopez, Melis did not see any contraction in commercial ventures during the fifteenth century, or any inconsistencies between those commercial ventures and rising investments in artistic creations.<sup>35</sup> In fact, he linked culture and economics explicitly, as when he wrote that "the atmosphere of that time—the Renaissance—forged particular men even in the economic sphere, raising economic vicissitudes to the dignity of study."<sup>36</sup>

But most of his work, as noted, was highly empirical and detail oriented, and was concentrated on the organization of Tuscan merchant houses. Melis belongs to a long line of business historians for whom the firm, as a nexus of personal ties and contractual obligations, represents a testing ground for the Weberian narrative that regards the

<sup>33</sup> Most notably, Evelyn Welch, *Shopping in the Renaissance: Consumer Cultures in Italy, 1400–1600* (New Haven, 2005).

<sup>34</sup> Federigo Melis, "Considerations of Some Aspects of the Rise of Capitalist Enterprise," in *Studies in Economic History: Essays in Honour of Professor H. M. Robertson*, ed. Marcelle Kooy, with a foreword by H. F. Oppenheimer (London, 1972), 153–186, at 163; Melis, "Industria commercio credito (secoli XIV–XVI)," in *Un'altra Firenze: Ricontri tra cultura e società nella storia Fiorentina; L'epoca di Cosimo il Vecchio* (Florence, 1971), 141–280, reprinted in Melis, *L'economia fiorentina del Rinascimento*, ed. Bruno Dini (Florence, 1984), 31–186, at 60. Melis devoted massive volumes to the history of accounting and marine insurance, including his *Storia della ragioneria: Contributo alla conoscenza e interpretazione delle fonti più significative della storia economica* (Bologna, 1950) and *Origini e sviluppi delle assicurazioni in Italia (secoli XIV–XVI)*, ed. Bruno Dini (Rome, 1975).

<sup>35</sup> Melis, "Industria commercio credito," 184.

<sup>36</sup> Melis, 180.

weakening of family ties and the advent of institutional environments that allowed non-kin to form durable business associations as requirements for the development of modern capitalism. In his first publication, in 1889, Weber posited that the bilateral *commenda* of the twelfth century was the antecedent of limited partnerships (*accomandite*) documented in fifteenth-century Florence and an alternative to general partnerships, in which all partners shared full liability and therefore were usually blood relatives or close kin.<sup>37</sup> Limited liability, as we now know, existed in medieval Islamic law and practice, so much so that *commenda*-like contracts (*mudaraba* or *quirad* in Arabic) are documented as early as the eighth century.<sup>38</sup> This knowledge, however, was not accessible to Weber, whose research agenda was driven by two different questions: whether limited liability existed in Roman law (he concluded that it did not) and whether it facilitated the funding of business enterprises and the participation of non-kin (he claimed that it did). Although rarely cited, this early work by Weber became part and parcel of an increasingly dominant paradigm in the social sciences, according to which the emergence of modern capitalism entailed an evolution from family firms to limited partnerships and, by extension, from collectivist to individualistic societies.

For scholars of late medieval and Renaissance Florence, the timing and import of the introduction and diffusion of limited partnerships turned into a matter of controversy. Until the 1340s, the general partnership was the norm in the city's manufacturing and banking sectors. But the bankruptcy of "super-companies" like the Bardi and Peruzzi exposed the weakness of these family firms, which proved to be incapable of shielding part of their assets, and sent shockwaves across the entire urban and regional economy.<sup>39</sup> Melis argued that in the face of this crisis, the general partnership (*compagnia*) remained the prevalent legal form but that large-scale entrepreneurs began to organize their ventures in what he called a "system of partnerships" (*sistema di aziende*), a

<sup>37</sup> Weber, *History of Commercial Partnerships*.

<sup>38</sup> Abraham L. Udovitch, "At the Origins of the Western Commenda: Islam, Israel, Byzantium?" *Speculum* 37, no. 2 (1962): 198–207; Robert S. Lopez and Irving W. Raymond, *Medieval Trade in the Mediterranean World* (New York, 1955), 24–27; Murat Çizakça, *A Comparative Evolution of Business Partnerships: The Islamic World and Europe, with Specific Reference to the Ottoman Archives* (Leiden, 1996).

<sup>39</sup> In 1310, the Bardi partnership had sixteen partners, ten of whom were related to the Bardi via the male line. In 1331, eight more partners were added, among whom this time only two carried the Bardi surname. A few months later, the partnership was reconstituted with only ten partners at the helm, six of whom were Bardi. Among the factors and salaried employees, of course, the vast majority were not family members. Armando Sapori, *La crisi delle compagnie mercantili dei Bardi e dei Peruzzi* (Florence, 1926), 243–81. See also Edwin S. Hunt, *The Medieval Supercompanies: A Study of the Peruzzi Company of Florence* (Cambridge, U.K., 1994).

combination of individual *compagnie*, each formally independent from the others and therefore no longer subjected to the domino effect of colossal crashes.<sup>40</sup> Melis's prototypical businessman was Francesco di Marco Datini (1335–1410), better known as “the merchant of Prato,” whose voluminous private archives document his system of partnerships in unusual detail.<sup>41</sup>

Independently from Melis, de Roover reached an analogous conclusion by studying the partnership agreements, account books, and correspondence of the Medici bank, which he described as closely resembling a holding company, that is, a series of multiple but separate partnerships in which the senior partners owned more than 50 percent of the capital.<sup>42</sup> The modular business form adopted by Datini and the Medici, the two scholars maintained, enabled these international merchants to balance the need for expansion and control.<sup>43</sup> In 1968, in his first monograph, Goldthwaite went further. From a close examination of four families over six generations, he concluded that after the mid-fifteenth century, the city's business world no longer revolved around the family firm. “The transformation of Florence from an industrial city to a worldwide financial center” engendered the need for new forms of capitalization and a more general process whereby “in the course of the fifteenth century the individual found his political and legal bonds of loyalty to the family, as those to the guild and other communal corporations, slowly loosened and finally dissolved.”<sup>44</sup>

<sup>40</sup> Federigo Melis, “Le società commerciali a Firenze dalla seconda metà del XIV al XVI secolo,” in *Troisième conférence internationale d'histoire économique (Munich, 1965)* (Paris, 1974), 47–62, reprinted in Melis, *L'azienda*, 161–78.

<sup>41</sup> Federigo Melis, *Aspetti della vita economica medievale (Studi nell'Archivio Datini di Prato)* (Siena, 1962); Melis, *Documenti per la storia economica dei secoli XIII–XVI* (Florence, 1972). Melis authored scores of articles and book chapters whose content is not condensed in monographs. A full bibliography can be found online: “Federigo Melis' Bibliography,” Fondazione Istituto Internazionale di Storia Economica “F. Datini” website, n.d., accessed 18 Feb. 2020, <http://www.istitutodatini.it/schede/melis/eng/melis2.htm>.

<sup>42</sup> Raymond de Roover, *The Medici Bank: Its Organization, Management, Operations, and Decline* (New York, 1948), 6–7; de Roover, *The Rise and Decline of the Medici Bank, 1397–1494* (Cambridge, MA, 1963), 81.

<sup>43</sup> For some, Melis and de Roover, by focusing on entrepreneurs and their business choices, eschewed the question of class conflict, which was hard to miss given the prominence of the rebellion of the poorest workers in the woolen industry (*ciompi*) in 1378. A Soviet historian accused Melis of assuming that “the owner of capital in the past (and naturally in the present in which he mentally transfers his hero [i.e., Datini]) is the source of all economic and cultural goods that benefit all of his contemporaries.” Victor Rutenburg, “Tre volumi sul Datini: Rassegna bibliografica sulle origini del capitalismo in Italia,” *Nuova rivista storica* 50 (1966): 666–81, at 679. On the Ciompi Revolt in a social and economic perspective, see Alessandro Stella, *La révolte des Ciompi: Les hommes, les lieux, le travail* (Paris, 1993); and Franco Franceschi, *Oltre il “Tumulto”: I lavoratori fiorentini dell'Arte della lana fra il Tre e Quattrocento* (Florence, 1993).

<sup>44</sup> Richard A. Goldthwaite, *Private Wealth in Renaissance Florence: A Study of Four Families* (Princeton, 1968), 253. In support of the importance of limited partnership, Gold-

More recently, extensive quantitative work by John Padgett and his collaborators has fine-tuned Melis's and Goldthwaite's interpretations. Matching data about commercial credit included in the 1427 *catasto* with lists of political appointments and other serial information, Padgett and Paul McLean conclude that in the aftermath of the Ciompi Revolt (1378), when Florentine republicanism became more oligarchic, the city's businessmen adopted a bifurcated strategy: merchant bankers involved in international commerce and finance organized their firms in systems of partnerships more frequently than local traders, who continued to operate as single proprietors or with general partnerships. Like Melis and Goldthwaite, Padgett and McLean also articulate a belief in the convergence of cultural and economic change. They defend "the gradual decline of natal family as an organizing principle of economic partnership throughout the early Renaissance." Speaking more broadly, they argue that "the final product" of innovations in Florence's business organization in the late fourteenth century "was a vibrant financial system that dominated European international finance for a century and . . . an intensely status-conscious but politically permeable merchant elite that created generalists ('Renaissance men') for whom economics, politics, family, art, and philosophy were all refractions of each other."<sup>45</sup>

The work conducted and promoted by Padgett is especially relevant to our discussion because it counters the emphasis on property rights as drivers of economic growth that an older legal and economic scholarship implied and that the new institutional economics has rendered quasi-axiomatic. As the next section will show, that emphasis has led several social scientists to focus narrowly on past menus of enterprise forms and extrapolate larger cultural meanings from them, generally equating general partnerships with collectivist mentalities and limited

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thwaite referenced one of the rare studies available at the time: Maurice Carmona, "Aspects du capitalisme toscan aux XVIe et XVIIe siècles: Les sociétés en commandite à Florence et à Lucques," *Revue d'histoire moderne et contemporaine* 11, no. 2 (1964): 81–108. Francis William Kent took issue with Goldthwaite's emphasis on the rise of the nuclear family in his study of three Florentine elite families (one of them, the Capponi, also covered by Goldthwaite), but his analysis disregarded those families' business organization. Kent, *Household and Lineage in Renaissance Florence: Family Life of the Capponi, Ginori, and Rucellai* (Princeton, 1977). In the 1480s, the Capponi ran their principal businesses together with non-kin but always controlled the majority of the capital. In the mid-sixteenth century, Giuliano Capponi invested in *accomandite* of other Florentines abroad. Goldthwaite, *Private Wealth*, 200–1, 229.

<sup>45</sup> John F. Padgett and Paul D. McLean, "Organizational Invention and Elite Transformation: The Birth of Partnership Systems in Renaissance Florence," *American Journal of Sociology* 111, no. 5 (2006): 1463–568, at 1516, 1473. In a subsequent contribution, the same authors stress the continued importance of family and neighborhood ties, even as they repeat that elite merchant families participated in networks that included fewer kin. Padgett and McLean, "Economic Credit in Renaissance Florence," *Journal of Modern History* 83, no. 1 (2011): 1–47.

partnerships with incipient individualism. Interestingly, Padgett and McLean find a minimal presence of limited partnerships even among the most internationally oriented of the fifteenth-century Florentine merchant bankers. This finding is indirectly corroborated by case studies of successful silk merchants such as Andrea Banchi and Tommaso Spinelli, who operated for the most part with general partnerships and occasionally sealed such types of contracts even with non-kin.<sup>46</sup> One can object to Padgett's way of putting statistical analysis in the service of cultural history, but his insistence on the need to locate the interconnection between social ties, political structure, and business organization is a welcome antidote to the tendency to isolate property rights from other market features.

Given its centrality in all narratives of modernization, the question of when, why, and in which branches of the Florentine economy forms of enterprise other than the family firm began to count remains hotly debated. It is fair to predict that no conclusive verdict will be reached anytime soon. Here I wish to draw attention to an underutilized source—the summary copies of limited partnership contracts registered in Florence from 1445 to 1808—that calls into question the genealogical approach to the study of business forms and its accompanying narrow focus on property rights.

### Limited Partnerships between Law and Practice

In limited partnerships, managing partners were unlimitedly and severally liable (even with their family assets) for all the firm's debts, but passive investors were liable only for the portion of the capital they had provided. In the preface to his 1803 work devoted to the norms that governed this enterprise form in preindustrial Tuscany, the lawyer Gregorio Fierli touted its benefits: it allowed honorable merchants lacking cash reserves, and even women and young men without independent resources, to raise capital and put their skills to work, and it channeled some of the wealth of large landowners into more productive purposes. For Fierli, who had been a staunch supporter of the free-trade legislation and the confiscation of ecclesiastical properties decreed by Peter Leopold (Grand Duke of Tuscany from 1765 to 1790), it was only thanks to limited partnerships that risky private commercial

<sup>46</sup> Florence Edler de Roover, "Andrea Banchi, Florentine Silk Manufacturer and Merchant in the Fifteenth Century," *Studies in Medieval and Renaissance History* 2 (1966): 223–85; William Caferro, "The Silk Business of Tommaso Spinelli, Fifteenth-Century Florentine Merchant and Papal Banker," *Renaissance Studies* 10, no. 4 (1996): 417–39.

and manufacturing enterprises could be financed, and these firms in turn brought revenues to the state.<sup>47</sup>

Fierli based his considerations solely on an examination of statutory law, an approach that some legal historians continue to follow, that new institutionalist economic historians have largely taken for granted, and that, as we will see, tends to exaggerate the role played by limited partnerships in preindustrial Europe. Having laid out his case for the value of this enterprise form, Fierli nevertheless raised an important point that is often overlooked. Whoever wished to invest in a limited partnership, he noted, must find managing partners who were not only skilled at trading (“abili nella mercatura”) but also upright and honest (“probe e oneste”).<sup>48</sup> He did not, however, explain how an investor was to isolate such skilled and honest entrepreneurs from the many who were seeking funds for their small or large businesses. Matching borrowers and creditors remains the goal and the crux of modern credit markets, but the uncertainty that marred the process was obviously far greater in a context, like that of early modern Tuscany, in which no public information was available as to individuals’ creditworthiness.

I highlight these two sets of comments by a near contemporary observer of the data I am about to discuss because they bracket the predicaments I wish to address. For a long time, scholars’ reliance on normative sources rather than business archives fed a desire to trace the origins of various enterprise forms and classify them according to a hierarchy of efficiency and cultural sophistication that put general partnerships at the bottom, as the most atavistic type of association.<sup>49</sup> The importance that new institutional economic historians attribute to the protection of property rights (of passive investors, in this case) for economic growth has exacerbated or at least replicated this tendency. Thus, Douglass North insists on the need to chart “an evolutionary story of the institutionalization of risk” and places the emergence of the medieval *commenda* “at the hands of Italians” at the beginning of a sequence culminating in “the English regulated company and finally the joint stock company.”<sup>50</sup>

<sup>47</sup> Gregorio Fierli, *Della società chiamata accomandita* (Florence, 1803), 4–5.

<sup>48</sup> Fierli, *Della società chiamata accomandita*, 6.

<sup>49</sup> For some early and recent criticism by legal historians of their discipline’s tendency to frame limited partnerships in terms of genealogical and classificatory schemes, see Henri Lévy-Bruhl, *Histoire juridique des sociétés de commerce en France aux XVIIe et XVIIIe siècles* (Paris, 1939), 33–40; and Umberto Santarelli, *Mercanti e società tra mercanti* (Turin, 1998), 115–17—although even Santarelli treats *accomandite* as the point of origin of a “genetic process” that led to the creation of joint-stock companies (pp. 182–83).

<sup>50</sup> Douglass C. North, *Institutions, Institutional Change, and Economic Performance* (Cambridge, U.K., 1990), 127.

Very few studies, by contrast, analyze who used which contracts and for what endeavors. Part of the problem is source based. Because privately drawn partnership agreements were recognized in court, we do not possess comprehensive series of such agreements for pre-1800 Europe. As a result, it is impossible to count the fraction of firms that were organized as limited partnerships in a given time or place. The few scholars who have examined serial records documenting limited partnerships in various regions of early modern Italy have faced this major hurdle. Implicitly or explicitly, they have also shown that nowhere in the peninsula were limited partnerships the predominant enterprise form; in fact, limited partnerships seem to have been quite rare.<sup>51</sup>

The same holds true for early modern Tuscany, where we encounter the longest surviving series of limited partnership agreements from pre-industrial Europe. In November 1408, upon request of the city's merchant tribunal (Mercanzia), the commune of Florence passed a law ordering that all limited partnerships, no matter where they operated, be noted down in a public register kept by the tribunal's chancellor.<sup>52</sup> The upshot of this statute is a collection of thirty-two bound volumes, some in duplicate, that contain summaries of roughly five thousand limited partnership contracts dating from the mid-fifteenth century to the first few years of the nineteenth century (the first volume in the series is lost). Scholars of Tuscany have long known of the existence of this massive trove of records, but no one to date has examined them in their entirety.<sup>53</sup> Having completed the transcription of all these

<sup>51</sup> Walter Panciera, *Fiducia e affari nella società veneziana del Settecento* (Padua, 2001), 36–38; Mauro Carboni and Massimo Fornasari, "Finanziare l'impresa: Innovazioni societarie nella Bologna d'antico regime," in *Reti di crediti: Circuiti informali, impropri, nascosti (secoli XIII–XIX)*, ed. Carboni and Maria Giuseppina Muzzarelli (Bologna, 2014), 125–47; Cinzia Lorandini, "Financing Trade through Limited Partnerships: Evidence from Silk Firms in Eighteenth-Century Trentino," in *Financing in Europe: Evolution, Coexistence and Complementarity of Lending Practices from the Middle Ages to Modern Times*, ed. Marcella Lorenzini, Lorandini, and D'Maris Coffman (Cham, Switzerland, 2018), 73–103.

<sup>52</sup> The law is reproduced in Fierli, *Della società chiamata accomandita*, 14–18. According to Melis, it only established the legal validity of limited liability; it did not speak of limited partnerships in the sense of firms designated by the name of "& Co.," an innovation that can be observed only in the sixteenth century. Melis, "Le società commerciali a Firenze," 170–73; Melis, "Industria commercio credito," 43. Melis's distinction, however, is fictitious. Limited liability had long been used in Tuscany (in *commenda* contracts, for example) and did not demand official recognition. Moreover, not all limited partnerships after the sixteenth century had a collective firm name, nor did the absence of such a name prior to that time affect the obligations of active and passive partners.

<sup>53</sup> José-Gentil Da Silva and Maurice Carmona were the first to compile summary statistics on the basis of the contracts kept in the Mercanzia, but their results are limited in scope, sometimes imprecise, and omit any discussion of the partial view given by their source. Carmona, "Aspects du capitalisme toscan"; Da Silva, "Au XVIIIe siècle: La stratégie du capital florentin," *Annales: ESC* 19, no. 3 (1964): 480–91; Da Silva, *Banque et crédit en Italie au XVIIIe siècle*, vol.

summary contracts and begun its computerized analysis, I am able to offer some basic information.<sup>54</sup>

Fewer than fourteen limited partnerships were registered on average every year in these public records, of which roughly half were for firms operating in the city of Florence (where zero were registered in some years and a maximum of twenty-two in 1628). These numbers are so low that it is legitimate to wonder whether the order to notify public authorities was often evaded. A number of counterarguments and pieces of evidence, however, quell this doubt. The law had built-in incentives for those who complied with the obligation to register limited partnerships: the public registers were kept in the same tribunal where potential lawsuits between investors would be adjudicated, and registration fees were low (although those who did not reside in Florence incurred the additional cost of sending a proxy to the office). Moreover, where a comparison between private business archives and public records is possible, we find a high (if admittedly not perfect) rate of compliance. In other words, the same limited partnership usually appears both among a merchant's papers and in the volumes of the *Mercanzia*.<sup>55</sup>

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1 (Paris, 1969), 97–109; Da Silva, “Fructification du capital et dynamique sociale dans les sociétés commerciales (XVIe–XVIIIe siècles),” in *Troisième conférence internationale d'histoire économique* (Munich, 1965), vol. 5 (Paris, 1974), 63–132, esp. 124–30. R. Burr Litchfield used the same records for a more rigorous study of aristocratic investments in the eighteenth century. Litchfield, “Les investissements commerciaux des patriciens florentins au XVIIIe siècle,” *Annales: ESC* 24, no. 3 (1969): 685–721. Others have drawn from the registers of the *Mercanzia* to assess the expansion of the silk manufacturing in the sixteenth and seventeenth centuries but with no ability to determine the fraction of the market that was organized in limited partnerships. See Jordan Goodman, “Financing Pre-modern European Industry: An Example from Florence, 1580–1660,” *Journal of European Economic History* 10, no. 2 (1981): 415–35; and Malanima, *La decadenza di un'economia cittadina*, 130–48.

<sup>54</sup> I designed a relational database to input the information contained in each contract using the following volumes: *Mercanzia*, 10831, 10832, 10833, 10835, 10838, 10839, 10842, 10843, 10845, 10846, 10848, 10850, 10852, 10854, 10856, 10858, 10859, Archivio di Stato, Florence (hereafter, ASF); *Dipartimento esecutivo della Camera di Commercio*, 1262, 1263, 1263bis, ASF. The database is presently hosted in a password-protected website but, when completed, I plan to make it publicly available.

<sup>55</sup> Andrea Banchi's *accomandita* of 1455, for example, appears in both his private records and the public registers. Edler de Roover, “Andrea Banchi,” 232; *Mercanzia*, 10831, f. 34r, ASF. Melis wrote that most, but not all, limited partnerships are included in the public registers of the *Mercanzia*. Federigo Melis, “Il commercio transatlantico di una compagnia fiorentina stabilita a Siviglia a pochi anni dalle imprese di Cortés,” in *Estudios del V Congreso de Historia de la Corona de Aragón*, vol. 3 (Zaragoza, 1954), 131–206; Melis, “Industria commercio credito,” 53–54; Melis, “Le società commerciali a Firenze,” 175. For an example of noncompliance in the 1570s, see Sergio Tognetti, “L'industria conciararia nella Firenze del Cinquecento: Uno studio sulla contabilità aziendale,” *Archivio storico italiano* 170, no. 2 (2012): 61–110, at 72. Conversely, Ilario Mosca finds that no copy of a privately drawn agreement registered in the *Mercanzia* in 1572 survives among the extant business archives of that limited partnership's passive investors. Mosca, “La genèse d'une compagnie en commandite hispano-florentine de Marseille, entre écritures publiques et écritures privées,” in *Les actes de sociétés commerciales*, ed. Christian Borde and Eric Roulet (Aix-la-Chapelle, in press).

Finally, partnership contracts of any kind are virtually absent from the protocols of Tuscan notaries, who did not function as an alternative registration system.<sup>56</sup>

No records allow us to obtain a full picture of the distribution of enterprise forms in early modern Tuscany, but even if under-registration existed, the number of summary contracts preserved by the Mercanzia is so small that it excludes the possibility that limited partnerships were ever the preferred form of organizing business. This is a sobering conclusion given the advantages that commentators like Fierli attributed to this type of arrangement. A closer analysis of surviving limited partnership contracts curbs expectations even further: their average duration grew over time from three years in the fifteenth century to six in the eighteenth but did not ensure intergenerational survival except in exceptional cases; the average number of both general and limited partners per contract was below two; and women made up less than 1 percent of all general and limited partners.<sup>57</sup> In all these respects, limited partnerships did not differ in any significant ways from the general partnerships that, in the absence of serial documentation, we have come to know from myriad case studies.

A number of reasons may account for the infrequency with which Tuscan businessmen resorted to limited partnerships. Passive investors could not rely on public sources of information to assess the financial standing of managing partners. It is fair to assume that in Florence, the problem became more rather than less acute over time, because

<sup>56</sup> Specialists have long noted that, after the thirteenth century, Tuscan merchants used notaries only rarely to register their business transactions and even more infrequently for their partnership agreements. Goldthwaite, *Economy of Renaissance Florence*, xv, 67. To put any doubt to rest, I checked all surviving notarial deeds for Florence in 1751 and for Livorno in 1674–1675, 1751, and 1761. I found a total of two partnership agreements, both in Livorno and neither a limited partnership. *Notarile Moderno: Protocolli*, 19942, notaio Giovanni Alessandro di Francesco Catelani, ff. 160r–v (1674), ASF; *Notarile Moderno: Protocolli*, 20037, notaio Pier Antonio di Francesco Mutti, ff. 72r–73v (1675), ASF. A similar pattern can be observed elsewhere. In Antwerp, scholars have identified only 141 partnership agreements in the city's notaries for the period from 1480 to 1620 and 69 for the period from 1794 to 1814. See Bram van Hofstraeten, "Limited Partnerships in Early Modern Antwerp (1480–1620)," *Forum Historiae Iuris* (2015), <https://forhistiur.de/2015-11-van-hofstraeten/>; and Fred Stevens, *Revolutie en notariaat: Antwerpen, 1794–1814* (Leuven, 1994), 281. Slightly different figures are given in van Hofstraeten, "The Organization of Mercantile Capitalism in the Low Countries: Private Partnerships in Early Modern Antwerp (1480–1620)," *Tijdschrift voor Sociale en Economische Geschiedenis* 13, no. 2 (2016): 1–24.

<sup>57</sup> Historians commonly cite three to five years as the duration of most private businesses in early modern Europe. Rarely did family partnerships survive beyond the third generation. Cinzia Lorandini, "Looking beyond the Buddenbrooks Syndrome: The Salvadori Firm of Trento, 1660s–1880s," *Business History* 57, no. 7 (2015): 1005–19. At present, I am not able to illustrate the role of non-kin or the patterns of capitalization by economic sectors in this series of contracts, which ranged from small firms (such as a bakery or a bricklaying business) to banking companies active abroad.

with the end of the republican regime in 1530 the public disclosure of the tax returns of adult men who once participated in elections for public office ceased to be required. Meanwhile, passive investors could choose from a variety of other low-risk investment opportunities, including the public debt and annuities backed by real estate, or they could hire licensed brokers (if they were not themselves professional merchants) to trade in commercial credit instruments. For their part, entrepreneurs had other ways of raising funds. They could accept a cash deposit (known as *sovraccorpo*, because it added to the *corpo*, as the principals' capital was called), which was treated as a limited liability investment and in the fifteenth century normally yielded a 7 to 8 percent annual interest.<sup>58</sup>

In short, it is impossible to reconstruct the incidence of limited partnerships relative to other enterprise forms in early modern Tuscany or measure the precise impact of the overall institutional framework and financial market on the choice of one business form over another, but it is clear that multiple considerations, aside from the protection of investors' property rights, influenced this choice. In eighteenth-century Livorno, for example, merchants belonging to different ethnoreligious groups sealed a multiplicity of short- and medium-term credit contracts together, ranging from IOUs to bills of exchange and agency. However, it was extremely rare for Christians to become passive investors in Jewish firms, in spite of both the latter's strong market position and the absence of legal impediments to the formation of limited partnerships between Jews and non-Jews.<sup>59</sup>

## Conclusion

Just as criticisms of the gross domestic product (GDP) as a measure of the overall performance of modern economies began to take hold of the economics profession, economic historians of the preindustrial period latched onto that very index to debate the timing and patterns of the so-called great and little divergences.<sup>60</sup> The trend has accelerated

<sup>58</sup> Lopez and Raymond, *Medieval Trade in the Mediterranean World*, 198; Sergio Tognetti, *Il banco Cambini: Affari e mercanti di una compagnia mercantile-bancaria nella Firenze del XV secolo* (Florence, 1999), 148, 219. In the absence of any serial records of general partnerships, account books are the principal source in which we can identify these deposits. This also means that it is difficult to determine their frequency.

<sup>59</sup> Francesca Trivellato, *The Familiarity of Strangers: The Sephardic Diaspora, Livorno, and Cross-Cultural Trade in the Early Modern Period* (New Haven, 2009), 142–44.

<sup>60</sup> For an early criticism of macroeconomic growth measures as metrics of economic welfare, see William D. Nordhaus and James Tobin, "Is Growth Obsolete?" in *Economic Research: Retrospect and Prospect*, vol. 5, *Economic Growth* (Cambridge, MA, 1972), 1–80, available online at <https://www.nber.org/books/nord72-1>. For a more accessible discussion, see Diane Coyle, *GDP: A Brief but Affectionate History* (Princeton, 2014).

since Angus Maddison's GDP statistics for most regions of the world beginning in 1000 CE have become available.<sup>61</sup> This and other macroeconomic indicators feed the current preference among economic historians trained as economists for documenting long-run economic development in a European and global perspective.

Until some fifty years ago, however, faith in macroeconomic indicators was shakier and business history was at the heart of debates about the origins of Western capitalism. Many participants in those debates assumed that certain forms of enterprise paved the way for modern economic development. Today, the corporation remains a touchstone in the scholarship on global economic history insofar as some authors attribute the underdevelopment of regions outside of northwestern Europe to the absence of corporations before the nineteenth century.<sup>62</sup> Most business historians resist such simplifications, but they are preoccupied with the Anglophone world in the recent, if not very recent, past.<sup>63</sup>

To engage once again with the complex and once venerable question of the Italian origins of Western capitalism, as the editors of this special issue have asked us to do, means, among other things, to restore the place of business history in the study of preindustrial Europe. The commercial revolution of the Middle Ages was first and foremost a transformation in business organization. New partnership contracts, financial instruments, and legal institutions facilitated the operations of sedentary merchants and broadened the range of investment opportunities, thereby expanding the geographical scope of international commerce and the social milieu of those directly or indirectly involved in it. Rare among economists studying the past, Avner Greif has returned to examine this earlier moment for the purpose of offering his narrative of the Rise of the West. Armed with game theory and access to scholarship on medieval Islamic societies that Weber lacked, Greif nevertheless echoes (without citing it) Weber's account of the

<sup>61</sup> Angus Maddison, *The World Economy*, 2 vols. (Paris, 2006). For further data and analysis, see "Maddison Historical Statistics," Groningen Growth and Development Centre, University of Groningen, last modified 11 Jan. 2020, <https://www.rug.nl/ggdc/historicaldevelopment/maddison/>.

<sup>62</sup> Timur Kuran, *The Long Divergence: How Islamic Law Held Back the Middle East* (Princeton, 2011). For an opposite view, see Pomeranz, *Great Divergence*, 166–86. Jean-Laurent Rosenthal and R. Bin Wong also downplay the difference between European and Chinese organization of long-distance trade. Rosenthal and Wong, *Before and beyond Divergence: The Politics of Economic Change in Europe and China* (Cambridge, MA, 2011), 67–98.

<sup>63</sup> On the dearth of recent studies of pre-1800 business history, see Gelderblom and Trivellato, "Business History of the Preindustrial World," 4–5; Jari Ojala, Jari Eloranta, Anu Ojala, and Heli Valtonen, "Let the Best Story Win: Evaluation of the Most Cited Business History Articles," *Management and Organization History* 12, no. 4 (2017): 305–33, esp. Appendix.

importance of *commenda* contracts in his contrast between European individualism and Muslim collectivism.<sup>64</sup>

In such schematic terms, this view no longer holds sway among historians. Already a decade ago, taking stock of new literature and of his ongoing research, Goldthwaite revised his earlier statements. He now describes *accomandite* as “the only formal innovation of any consequence” in Renaissance Florence, but recognizes that this business form was “not used very frequently” and “never realized its potential for evolving into something like a joint-stock company.”<sup>65</sup> These observations are welcome cautionary notes against the propensity to place limited partnerships along a linear continuum of enterprise forms and an invitation to dig deeper into their actual role in the organization of commercial and financial ventures during the early modern period.

Further data mining and archival research are necessary to ascertain whether limited partnerships were preferred in certain types of economic activities, by certain groups, or at certain conjunctions in early modern Tuscany.<sup>66</sup> For now, their paucity need not be equated to cultural traditionalism but rather weighed against the suitability of general partnerships to the conditions of contemporary credit markets and the availability of complementary investment schemes. Comparisons with regional realities near and far are still in their infancy, but what we know is sufficient to free limited partnerships from the straight-jacket of an older literature that used them to divide the world into civilizational blocs. Limited partnerships did not play any role in early modern England, were uncommon in both sixteenth-century Antwerp

<sup>64</sup> Avner Greif, “On the Interrelations and Economic Implications of Economic, Social, Political, and Normative Factors: Reflections from Two Late Medieval Societies,” in *The Frontiers of the New Institutional Economics*, ed. John N. Drobak and John V. C. Nye (New York, 1997), 57–94, esp. 73; Greif, *Institutions and the Path to the Modern Economy: Lessons from Medieval Trade* (Cambridge, U.K., 2006), esp. 269–93. Weber’s influence is more readily acknowledged in Ron Harris, “The Institutional Dynamics of Early Modern Eurasian Trade: The Commenda and the Corporation,” *Journal of Economic Behavior and Organization* 71, no. 3 (2009): 606–22; and Harris, *Going the Distance: Eurasian Trade and the Rise of the Business Corporation, 1400–1700* (Princeton, 2000), 17, 130–47.

<sup>65</sup> Goldthwaite, *Economy of Renaissance Florence*, 67.

<sup>66</sup> For Tognetti, limited partnerships represented “a more elastic and less risky” form of investment but also coincided with the most aggressive phase of the expansion of the fifteenth-century firm he studied. Tognetti, *Il banco Cambini*, 193, 203. Relevant sources also survive outside of Florence. The Tuscan city of Lucca remained an independent republic throughout the early modern period. A series of registers with summary contracts of partnerships operating both locally and abroad lists 635 partnerships for the period from 1579 to 1770 (obviously only a fraction of the total in operation), of which 248 (39 percent) had at least one limited partner. *Corte dei Mercanti, Libro delle Date*, 88–92, Archivio di Stato, Lucca. These registers demand further investigation. For preliminary considerations on how to compare enterprise forms in different Italian towns and what generalizations to draw from such an exercise, see Edoardo Grendi, “Associazioni familiari e associazioni d’affari: I Balbi a Genova tra Cinquecento e Seicento,” *Quaderni storici*, n.s., 31, 91(1) (1996): 23–39.

and eighteenth-century Bilbao, and—contrary to a long-held view—could be found in eighteenth-century China.<sup>67</sup>

In a rare comparative study, Amalia Kessler has stressed the nearly identical structure that limited partnerships had in Old Regime France and the nineteenth-century United States but also the different socio-legal contexts in which they operated. In prerevolutionary France, the archetypical society of status, passive investors were permitted to remain anonymous in the public registration of limited partnerships so that the aristocracy, preoccupied by the need to preserve its image as a leisure class, would not shun certain investment opportunities solely for fear of having their names publicized. By contrast, in nineteenth-century New York State, one of the earliest formal societies of contract, all partners were required to register their names with the county clerk and limited partnerships served a more egalitarian society.<sup>68</sup> Indeed, in a separate study, Eric Hilt and Katharine O'Banion show that in New York City from 1822 to 1858, limited partnerships performed as expected, in ways they did not in Renaissance Florence (and probably in Old Regime France): not only were they a growing enterprise form, but when compared to general partnerships, they had on average more capital and a larger number of partners, among whom many were non-kin, and were less likely to fail.<sup>69</sup>

Both Kessler's essay and Hilt and O'Banion's work have the merit of moving us away from a story of origins and diffusion and toward a localized understanding of limited partnerships. Kessler draws on normative sources (laws, legal commentaries, and the occasional trial proceedings) and stresses the divide between status- and contract-based societies, although she has little to say about who used limited partnerships, for

<sup>67</sup> On eighteenth-century England, see Ron Harris, *Industrializing English Law: Entrepreneurship and Business Organization, 1720–1844* (Cambridge, U.K., 2000), 29–31. Of the 141 partnership agreements that survive in the Antwerp notarial registers from 1480 to 1620, fewer than 25 can be categorized as limited partnerships. Van Hofstraeten, "Limited Partnerships in Early Modern Antwerp." The author rightly insists on the ambiguity of certain clauses and the need to ascertain the obligations of active and silent partners specified in each agreement. In another set of 26 partnership contracts from Antwerp registered between 1526 and 1588, only 4 include liability clauses. Joroen Puttevels, *Merchants and Trading in the Sixteenth Century: The Golden Age of Antwerp* (London, 2015), 96. In Bilbao, the 21 limited partnerships that Carlos Petit identified in the years 1737–1829 are estimated to represent no more than 8 percent of all partnerships operating in the period. Petit, *Compañías mercantiles en Bilbao (1737–1829)* (Seville, 1979), 50. On China, see Kenneth Pomeranz, "Traditional' Chinese Business Forms Revisited: Family, Firm, and Financing in the History of the Yutang Company of Jining, 1779–1956," *Late Imperial China* 18, no. 1 (1997): 1–38.

<sup>68</sup> Amalia Kessler, "Limited Liability in Context: Lessons from the French Origins of the American Limited Partnerships," *Journal of Legal Studies* 32, no. 2 (2003): 511–48.

<sup>69</sup> Eric Hilt and Katharine E. O'Banion, "The Limited Partnership in New York, 1822–1858: Partners without Kinship," *Journal of Economic History* 69, no. 3 (2009): 615–45.

what purposes, and how frequently. Hilt and O'Banion link the benefit of limited partnerships to the availability of public or semipublic information about firms' operation, in the forms of almanacs and the earliest credit ratings.

We will do well to return to the study of early modern Tuscany armed with both lessons: one about the role of social and legal hierarchies and one about information asymmetries. The latter is too easily overlooked, in spite of the fact that historians of Renaissance Florence have long shown that information about an individual merchant's financial standing was principally an in-group asset, which circulated orally or via private business letters. The broader point we may wish to retain is that instead of looking for antecedents of modern forms of business organization, we should ask what bundle of contracts was better suited to different groups and different activities in any given context and which constraints and opportunities economic actors faced both within and beyond the market. Doing so will also help us bring business history to bear once again on debates about economic and cultural change in a long-term historical perspective, but this time without the distortions that derive from applying a priori classifications to any time and place.

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FRANCESCA TRIVELLATO is Andrew W. Mellon Professor in the School of Historical Studies at the Institute for Advanced Study in Princeton, New Jersey. Her recent publications include a book on European cultural perceptions of bills of exchange across the medieval, early modern, and modern periods, *The Promise and Peril of Credit: What a Forgotten Legend about Jews and Finance Tells Us about the Making of European Commercial Society* (2019), and, with Oscar Gelderblom, "The Business History of the Pre-industrial World: Towards a Comparative Historical Analysis," *Business History* (2019).