WHEN PROPERTY RIGHTS ARE NOT ENOUGH:

LESSONS FROM RENAISSANCE FLORENCE

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International Macro History Online Seminar Series

28 October 2020

1) SECURE PROPERTY RIGHTS ARE INDISPENSABLE TO ECONOMIC GROWTH;

2) PUBLIC-ORDER INSTITUTIONS ARE GENERALLY BETTER SUITED THAN PRIVATE-ORDER INSTITUTIONS TO PROTECT PROPERTY RIGHTS;

3) PROPERTY RIGHTS, ESPECIALLY AFTER THE SIXTEENTH CENTURY, WERE MORE SECURE IN PARTS OF NORTHWESTERN EUROPE THAN IN SOUTHERN EUROPE;

4) SUPERIORITY OF CERTAIN CONTRACTING INSTIUTIONS, NOTABLY LIMITED PARTNERSHIPS AND CORPORATIONS IN LONG-DISTANCE TRADE.

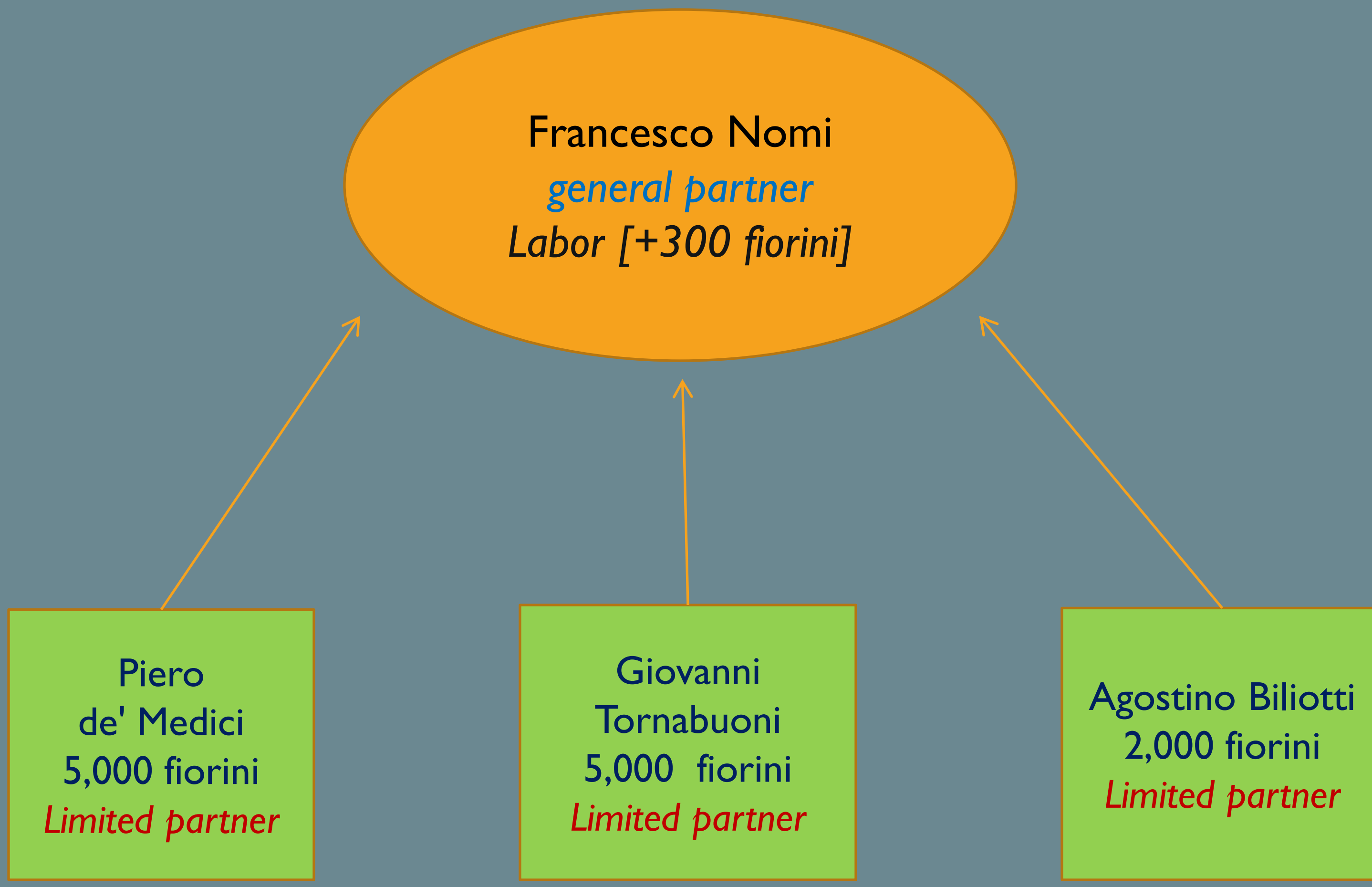
Douglass C. North, *Institutions, Institutional Change, and Economic Performance* (Cambridge, Cambridge University Press, 1990), 127.

…THE COMMENDA ITSELF, FROM ITS JEWISH, BYZANTINE, AND MUSLIM ORIGINS (…) THROUGH ITS EVOLUTION AT THE HANDS OF ITALIANS TO THE ENGLISH REGULATED COMPANY AND FINALLY THE JOINT STOCK COMPANY, PROVIDES AN EVOLUTIONARY STORY OF THE INSTITUTIONALIZATION … AND THE TRANSFORMATION OF UNCERTAINTY INTO RISK.

COMMENDA / ACCOMANDITA / LIMITED PARTNERSHIP / SOCIÉTÉ EN COMMANDITE

Antecedents	**Diffusion**
Byzantium?	1408 Florence
Mudaraba or *qirad* (Arabic)	1673 France (*société en commandite*) 1807 Netherlands via Napoleon
Commenda (Venice, Ge, Pisa)	1822 NY State (US)
	1907 United Kingdom
	1910 China

FRANCESCO DI FILIPPO NOMI (1484)




Zur Geschichte

der

Handelsgesellschaften

im

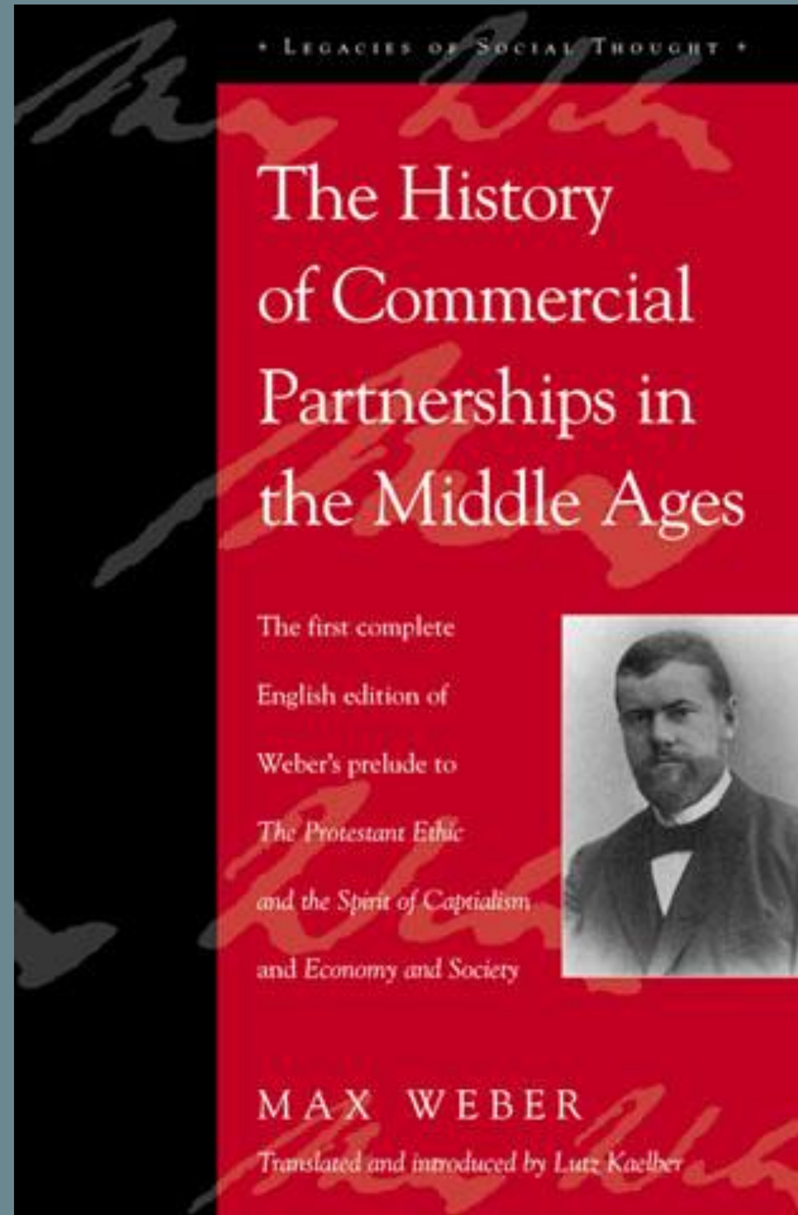
Mittelalter.

Nach südeuropäischen Quellen.

Von

Max Weber.

Stuttgart.
Verlag von Ferdinand Enke.
1889.



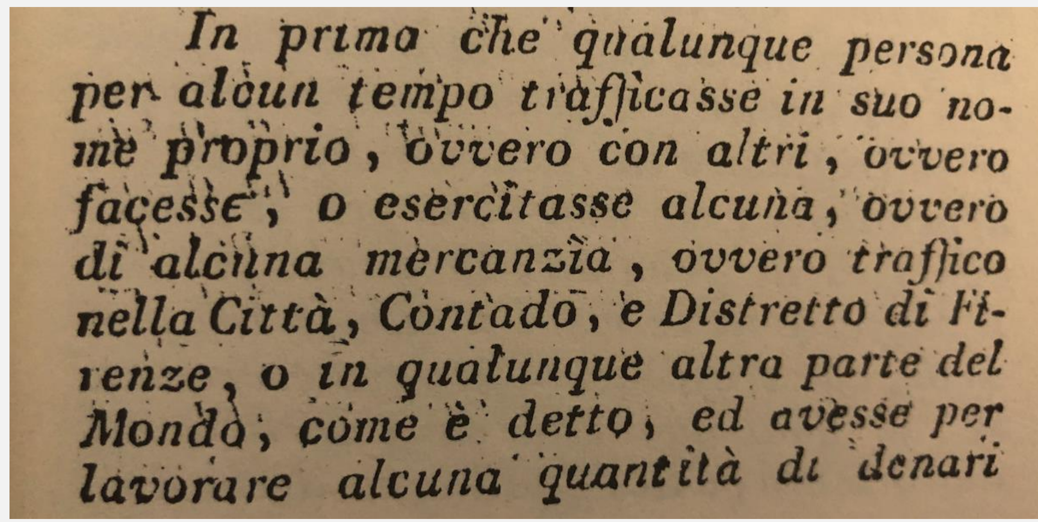
2003

1408 DECREE
RENEWED 1495, 1577, 1713

Official reason:

- to encourage investments of those who fear entering into general partnerships
- to adopt a best practice that exists elsewhere

ORDER:
Any limited partnership
For any sum and
Operating in any place in the world
Must be registered in an appropriate
Book in the MERCANZIA (Florence
merchants' tribunal)



In primo che qualunque persona
per alcun tempo trafficasse in suo no-
me proprio, ovvero con altri, ovvero
facesse, o esercitasse alcuna, ovvero
di alcuna mercanzia, ovvero traffico
nella Città, Contado, e Distretto di Fi-
renze, o in qualunque altra parte del
Mondo, come è detto, ed avesse per
lavorare alcuna quantità di denari

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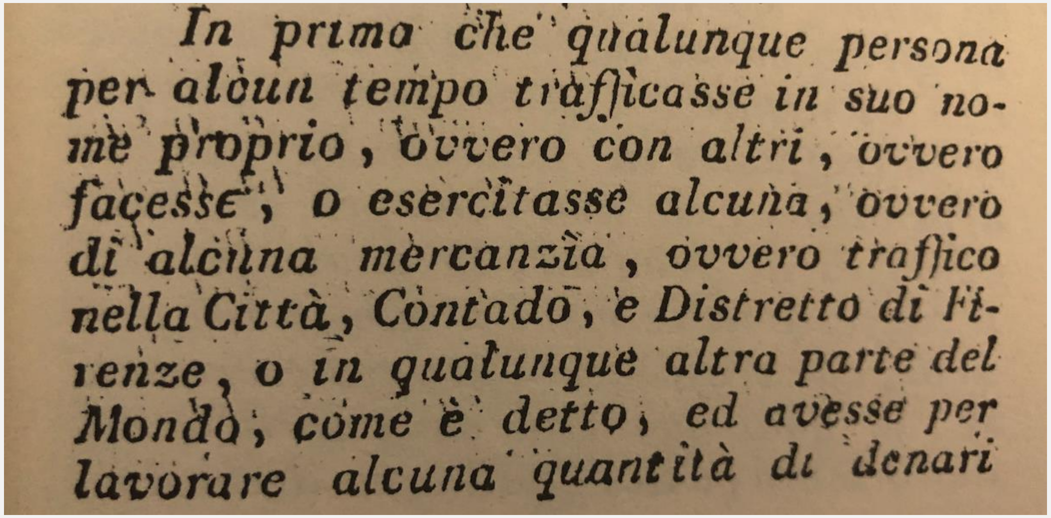
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- No fees mentioned (Low)
- Average number of days between start date and registration: 118 (less than 4 months)
- 28% of investors mentioned in contracts appear via a delegated proxy

STATE ARCHIVES, FLORENCE:

* TOT. 46 REGISTERS (1445-1808):
FIRST ONE LOST, SOME IN DUPLICATE COPIES

* 20 REGISTERS SELECTED FOR DATA COLLECTION

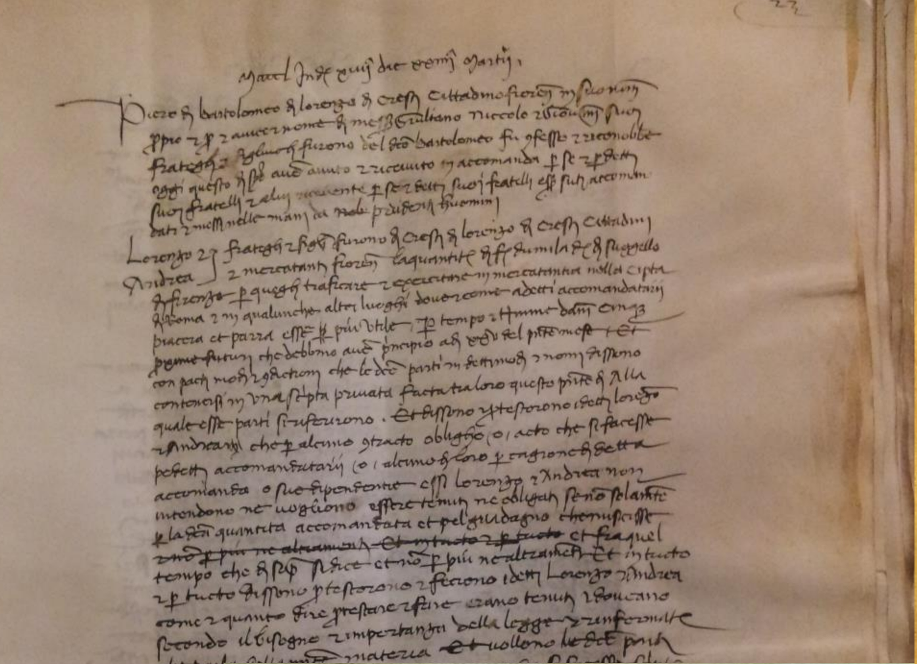
Archivio di Stato, Firenze, *Mercanzia*, 10831, fol. 7v:

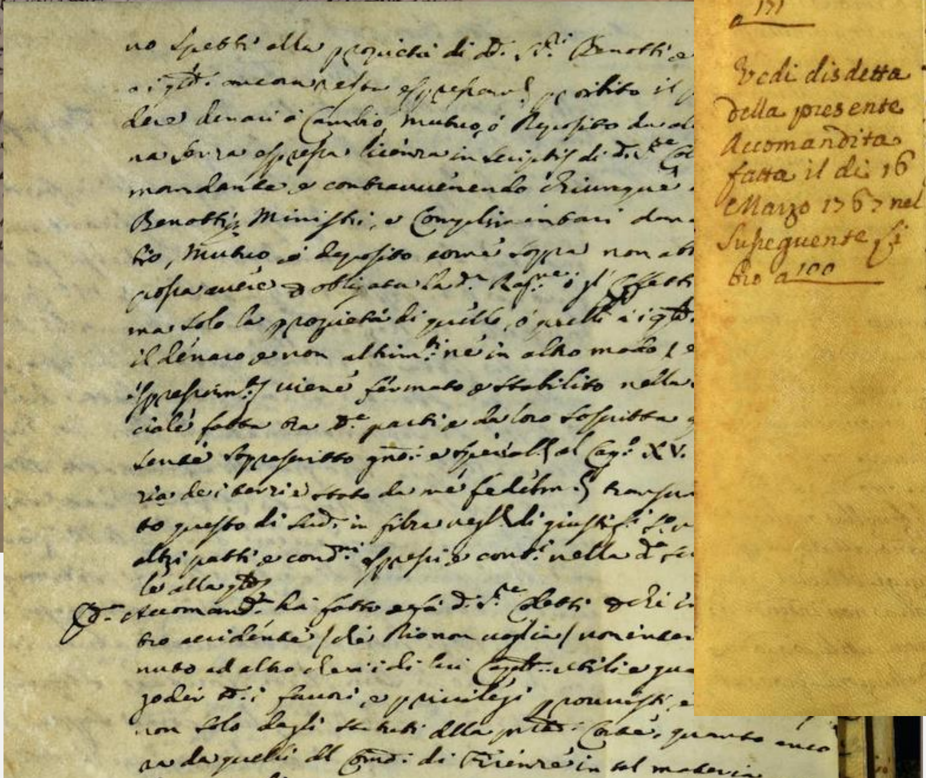
17 August 1445

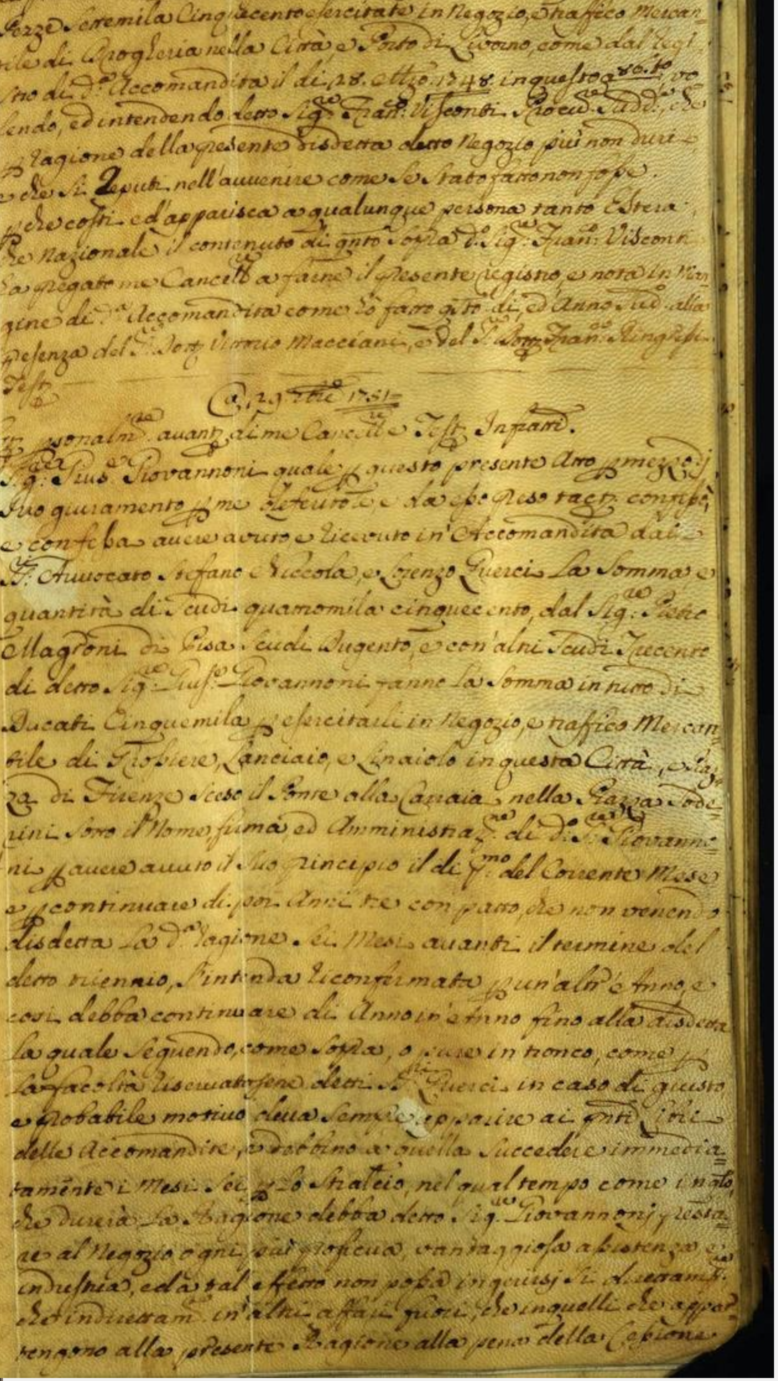
Jacopo son of Lorenzo son of Mr. Jacopo del Biada [GP], citizen of Florence, confesses and recognizes that today he received *in accomandita* from noble and prudent men Antonio son of Bartolomeo Corbinelli [LP1]and Antonio son of Lorenzo son of Piero Lenzi [LP2], citizens of Florence and merchants in Florence and members of the woollen guild in Florence, 1,500 golden florins [$] in order to trade in the city of Trani and/or Barletta [Location], both in the kingdom of the Puglie, and elsewhere in that kingdom, in whatever goods [Econ Activity, discretion] and in whatever ways that Jacopo will choose for the next three years [duration] starting on September 15 [1445] [Start date]. And following the terms set in a private agreement signed by these three parties on July 5th. [Formula from the Statutes of the Marcanzia governing all *accomandite*]
Witnesses: Bartolomeo son of Jacopo son of Giannotto, guardians of the said guild, and Cristiano son of Pietro, young man in the said guild.

ASF, *Mercanzia*, 10859, fol. 185r:
4 December 1775
Mr. Antonio Olmi [proxyGP1], representative of Paltiel, Semach, & Co. [GP1], and Vita Funaro [GP2], declares that he received *in accomandita* from Paltiel, Semach & Co. [LP] 4.000 pieces of eight [LP$], which, with an additional 1,800 pieces [GP$] of the said Funaro amount to 5,800 pieces [Total$], in order to run a mercer shop [Econ activity] in Livorno [Location] under the name of "Vita Funaro and company" [Firm name].
The contract will begin on 28 November 1775 [Start date] and will last for 2 years [Duration]. Unless it is rescinded six months prior to its expiration, the contract will be automatically renewed for 2 more years, and to on at every time [Automatic renewal]. All according to the private contract signed on 28 November 1775.
[Formula from the Statutes of the Marcanzia governing all *accomandite*]
Witnesses: Mr. Giuseppe Rossi and Giovanni Fineschi

ASF, *Dipartimento esecutivo della Camera di Commercio*, 1262, fol. 12r:
25 June 1778
Mr Olmi of Florence, authorized by Paltiel, Semach, & Co., and Mr. Vita Funaro, representative of the firm of Livorno called "Vita Funaro & Co.", declares that by mutual consent of all the parties involved, the contract singed on 28 November 1775 and registered on 4 December 1775 is rescinded [TERMINATION] as per the agreement signed on 23 June 1778 and shown in the chancery today.
Witnsses: Mr. dr. Giuseppe Fabbrini and Giovanni Fineschi







Pezze. Tremila Cinquecento esercitate in Negozio, e Traffico Mercan-
tile di Froglieria nella Città e Porto di Livorno, come dal Regi-
stro di d.a Accomandita il dì 28. Ott.re 1748 in questo a 80.to vo-
lendo, ed intendendo detto Sig.re Fran.co Visconti Accom.te Sud.o, che
la Ragione della presente disdetta detto Negozio più non dur-
i, e che si reputi nell'avvenire come se stato fatto non fosse.
E perchè così ed apparisca a qualunque persona tanto Estera,
che Nazionale il contenuto di quanto sopra d.o Sig.re Fran.co Visconti
ha pregato me Cancell.re a farne il presente registro, e nota in mar-
gine di d.a Accomandita come ho fatto questo dì, ed Anno sud.o alla
presenza del S.r Dott. Urrico Macciani, e del S.r Dott. Fran.co Ringhesi
Test.

A dì 29. 7bre 1751

Comparve personalm.te avanti di me Cancell.re e Test.i Infrascri.
Vedi augumento di Capitali del dì 12: Marzo 1755 in q.sto a 171
Vedi disdetta della presente Accomandita fatta il dì 16 Marzo 1767 nel Susseguente lib.o a 100
Il Sig.re Gius.e Giovannoni quale per questo presente Atto, e mezzo di
suo giuramento per me deferitoli, e da esso preso tact. confessò
e confessa avere avuto e ricevuto in Accomandita dal
S.r Avvocato Stefano Niccola, e Lorenzo Querci la somma e
quantità di scudi quattromila cinquecento, dal Sig.re Pietro
Magroni di Pisa scudi dugento, e con altri scudi trecento
di detto Sig.re Gius.e Giovannoni fanno la somma in tutto di
Ducati Cinquemila per esercitarli in Negozio, e traffico Mercan-
tile di Frombiere, Lanciaio, e Linaiolo in questa Città, e Piaz-
za di Firenze presso il Ponte alla Carraia nella Piazza de'
Frescobaldi sotto il Nome, firma, ed Amministraz.ne di d.o S.r Giovanno-
ni, havere avuto il suo principio il dì p.mo del Corrente Mese
e per continuare di poi Anni tre con patto, che non venendo
disdetta la d.a Ragione sei Mesi avanti il termine del
detto triennio, s'intenda riconfermato per un altro Anno, e
così debba continuare di Anno in Anno fino alla disdetta
la quale seguendo, come sopra, o pure in tronco, come
ha facoltà riservatasi detti S.ri Querci in caso di giusto
e probabile motivo dovrà sempre apparire ai pubblici libri
delle Accomandite, e debbino a quella succedere immedia-
tamente i Mesi sei per lo Stralcio, nel qual tempo come in quello
che durerà la Ragione debba detto Sig.re Giovannoni prestare
al Negozio ogni sua più proficua, e vantaggiosa assistenza, ed
industria, ed a tal effetto non possa ingerirsi sì direttam.te
che indirettam.te in altri affari pubblici, che in quelli che appar-
tengono alla presente Ragione alla pena della Cessione

Table 1: Capital raised via accomandite per economic sector

	1620-29	*%*	*1670-79*	*%*	*1720-29*	*%*
Woolen industry	20,250	*7*	13,480	*4*	5,720	*3*
Silk industry	55,250	*21*	98,281	*28*	66,020	*39*
Trade	164,789	*62*	209,826	*61*	78,394	*47*
Other	25,734	*10*	24,986	*7*	18,822	*11*

Source: Malanima 1982: 143. The monetary units are Florentine scudi.

(Basic) Structure of the relational DB

MAIN CONTRACT: One per each new Limited Partnership	
Archival information	
Registration date	according to Gregorian calendar
Firm name	
Place(s) of activity	Up to three
Specific address	within one place (e.g. street in Florence)
Discretion over place of activity	y/n
Economic activity	as reported in the document
Start date	
Duration	in months
Automatic renewal	y/n
Length of automatic renewal	In months
Clauses	y/n
Administrator	y/n (if different from General Partner)
Currency	
Total investment	without sub-multiples
Numerical discrepancy	between partial and total investments
MEMO	Full text of the contract

INVESTOR: each investor is linked to a main contract	
First name	
Last name	
Father's or mother's name	
Grandfather's name	
Nickname	
Woman	y/n
Title	e.g. ser, signor, cavalier, etc
Husband's title	" "
Father's or mother's title	" "
Grandfather's title	" "
Citizen of Florence	y/n
Place of residence	
Place of origin	
Profession	
Widow	y/n
Guardian	y/n
Jewish	y/n
Convert	y/n
Via proxy	y/n
Investment position	General or Limited partner
Joint investment (with another LP)	y/n
Investment in cash	amount [if joint, total only once]
Investment in kind	Amount/description

SUBCONTRACT: when available, a subcontract is linked to a main contract	
Archival information	
Registration date	according to Gregorian calendar
Type of subcontract	Variation/Balance/Renewal/Dissolution
End date	If a termination and if available
Firm name	If different from Main Contract
MEMO	Full text of the contract

DB login page, currently password protected

Accomandite Toscana

- enter a new contract
- find a contract
- add a termination, variation, balance or renewal
- add an investor/investment to an existing contract
- save an existing contract
- add a new place
- add a new economic activity
- add a new title
- add a new currency
- check database

WELCOME!

This website hosts a relational database that stores what is likely the longest and most homogenous archival series of business contracts from pre-industrial Europe. In 1408, the city-state of Florence recognized the legal validity of a contract called accomandita (pl. accomandite), known in English as limited partnership. Soon after, Florence mandated the central registration of all such contracts signed in the territories subjected to its jurisdiction, regardless of the location where the firm was to operate. Those central registers are now preserved starting from 1445 (the first register is lost) and until the abolition of that system of registration in 1808.

A limited partnership involves two sets of partners: (a) one or more general partner(s) who manage the firm, invest their labor and/or capital, and are liable for all its debt, including with their family assets, and (b) one or more external investors who invest a specific sum for a set period of time (usually 3 to 5 years), can only lose as much as they invest, and are not allowed to interfere with the firm's management. Then as today, limited partnerships operate under a collective firm's name and establish a separate fund for their operations with clearly defined rules for the sharing of profits and losses among investors.

current (basic) search engine

MAIN CONTRACT 3243: ASF MERCANZIA 10843 16V-17R

Registration date: 25 Gen 1642
Firm name: Piero Ardinghelli e compagni
Places of activity: Livorno
Place of activity attributed by database? no
Discretion over place? no
Economic activity: negotii di cambi e mercatura
Economic activity attributed by database? no
Discretion over economic activity? no
Start date: 01 Dic 1641
Duration in months: 36
Automatic renewal? yes number of months: 12
Clauses? no
Administrator(s)? no
Currency: ducati di lire 7 di moneta di Livorno Total investment: 11000
Numerical discrepancy? yes
edit this contract

SUBCONTRACT 3500: ASF MERCANZIA 10845 142R-142V

Registration date of sub contract: 07 Nov 1658
End date:
Subcontract type: termination
edit this sub contract

PERSON 5916 INVESTOR 10393

Name: Piero Ardinghelli
Is woman? no
edit this person
Title: signor
Citizen of Florence? no
Is widow? no
Is guardian? no
Is Jewish? no
Jewish attributed by database? no
Convert? no
Via proxy? no
Investment type: gp
Investment in cash (NULL is unspecified, zero is none): NULL
edit this investor and investment

PERSON 12305 INVESTOR 10394

Name: Alessandro Guadagni
Father/mother: Francesco
Is woman? no
edit this person
Title: signor
Place of residence: Firenze
Citizen of Florence? no
Is widow? no
Is guardian? no
Is Jewish? no
Jewish attributed by database? no
Convert? no
via proxy? yes
& C? yes
Investment 9185 is a joint contract; the investment is counted only once
Investment type: lp
Partnership name: Jacopo, Alessandro e Pier Antonio Guadagni e compagni di banco
Investment in cash (NULL is unspecified, zero is none): 0
Investment non cash: 11000 da cavarsi dagl'effetti della ragione che cantò in Lorenzo da Diacceto e Piero Ardinghelli e compagni di Livorno
edit this investor and investment

1421 purchase of Livorno

1530 Republic of Florence

becomes

Grand Duchy of Tuscany

1556 Siena and territories

1747-1801 Lorraine-Habsburg Rule

1801-1807 Kingdom of Etruria

1808 Annexed to France

Republic of Florence (ante 1530)

Grand Duchy of Florence (post 1530)

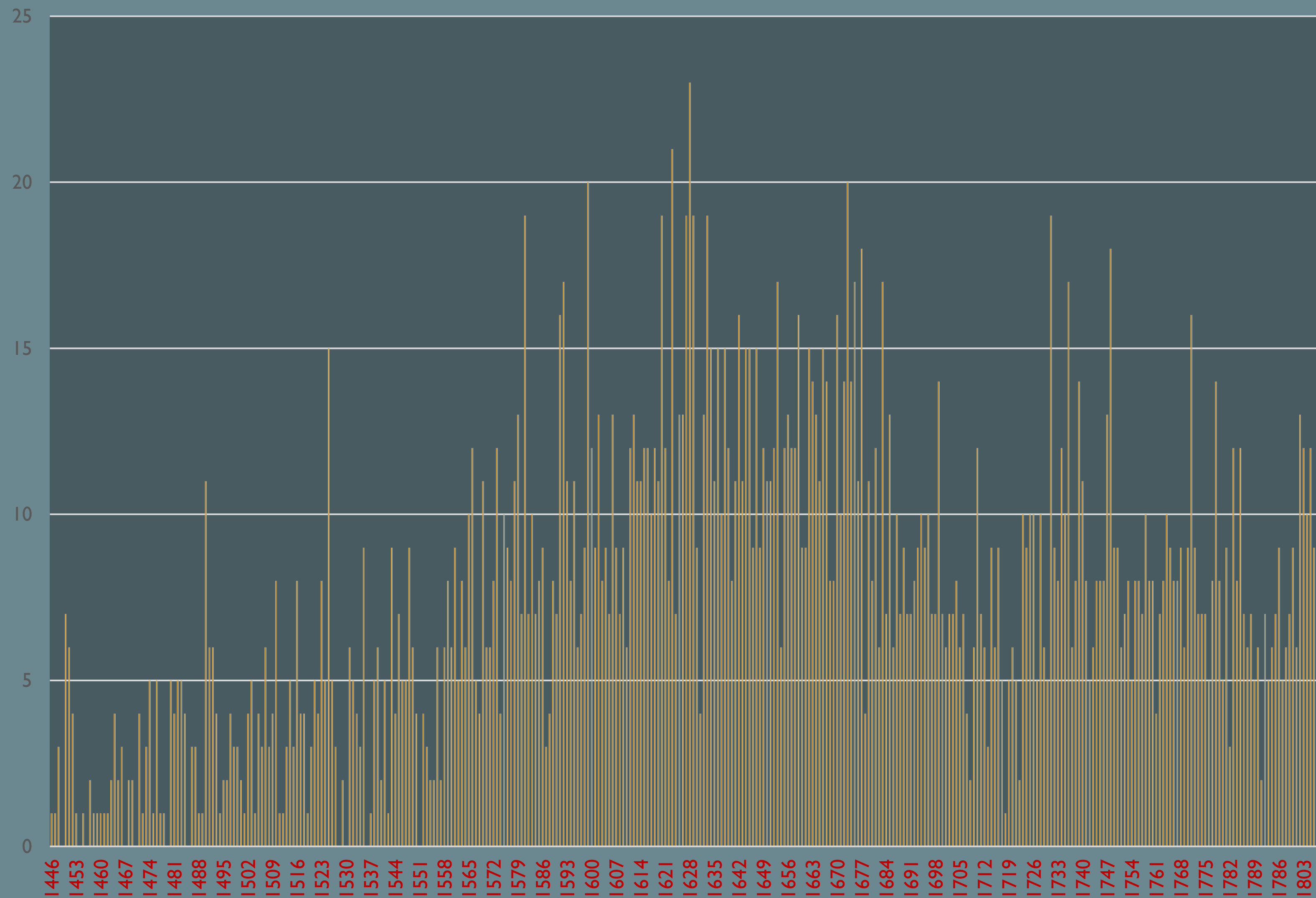
Tot. 4,926 contracts
[eventually fewer]
Over 363 years

Tot 728 locations
(up to 3 per contracts)

+ 26 contracts
with no identifiable locations

2,799	*56.82*	Firenze	20		Cadice
586	*11.90*	Livorno	20	*0.41*	distretto di Firenze
191	*3.88*	Pisa	18	*0.37*	contado di Firenze
177	*3.59*	Roma	17		Siviglia
97	*1.97*	Napoli	14	*0.28*	fiere di Piacenza
67	*1.36*	Venezia	13		Fiandre
61	*1.24*	Messina	12		Prato
48	*0.97*	Palermo	11	*0.22*	fiere di Besançon
46	*0.93*	Regno di Napoli	11		San Casciano
43	*0.87*	Lisbona	11		terra di Prato
32		Anversa	11		Marsiglia
32		Bari	10		Abruzzo
31		Lione	19		Spagna
29		Ancona	10	*0.20*	Amsterdam
28		Empoli	10		Borgo San Lorenzo in Mugello
27		Sicilia	9		Bologna
24		L'Aquila	9	*0.18*	Inghilterra
24		Madrid	9		Ferrara
23		Londra	9		Valencia
20		Lecce	8		Brabante

Number of Limited Partnerships created per year and operating in the city of Florence and its surroundings (1446-1808)



MENU OF ENTERPRISE FORMS

Form of enterprise	Liability	Formality required
Sole proprietorship	full	none
General partnership	full	none
Limited partnership	GP: full/ LP: limited	Mandated central registration [voluntary: notary]
Ad-hoc partnership (including Holding companies such as Medici Bank)	variable	none/notary

Tot 11,268 individuals (definition in flux; different from investment.)

* some repeated investors, some one-time investors
* 679 (6%) appears as both GP and LP in different contracts
* 247 (2%) are <u>women</u>; 15 as GP; 232 as LPs
  of the 232 women LP, 60 (25.6%) are guardians of minor children

Tot 6,733 GP investments by single individuals (sometimes as head of a partnership) or, less frequently, institutions

Tot 8,602 LP investments by single individuals (sometimes as head of a partnership) or, less frequently, institutions

Number of GPs per contract	
min	1
max	12
average	1.39
median	1
modal	1
stdev	0.678

Number of LPs per contract	
min	1
max	27
average	2.188
median	2
modal	1
stdev	1.738

Partnership duration

Entire period (1445-1808)		
No. observations: 2,233 (45% tot)		
	days	years
Min.	0	
Max.	18,016	49.4
Average	1,704	4.7
Mode	1,095	3.0

(based on start/registration date)

1445-1499		
No. observations: 18		
	days	years
Min.	28	
Max.	6,122	16.8
Average	1,179	3.2

1,164 contracts (24%) early dissolution

1500-1599		
No. observations: 531		
	days	years
Min.	6	
Max.	5,750	15.8
Average	1,194	3.3
Mode	1,095	3.0

1600-1699		
No. observations: 1005		
	days	years
Min.	3	
Max.	15,496	42.5
Average	1,731	4.7
Mode	1,095	3.0

1700-1808		
No. observations: 679		
	days	years
Min.	0	
Max.	18,016	49.4
Average	2,075	5.7
Mode	1,095	3.0

RELATIVES =	AT LEAST TWO INDIVIDAULS WITH THE SAME **LAST NAME** AND/OR **FATHER/SON** AND/OR **BROTHERS** AND/OR **HUSBAND/WIFE**

1,735 contracts (35%)

with relatives among investors

536 contracts (11%)

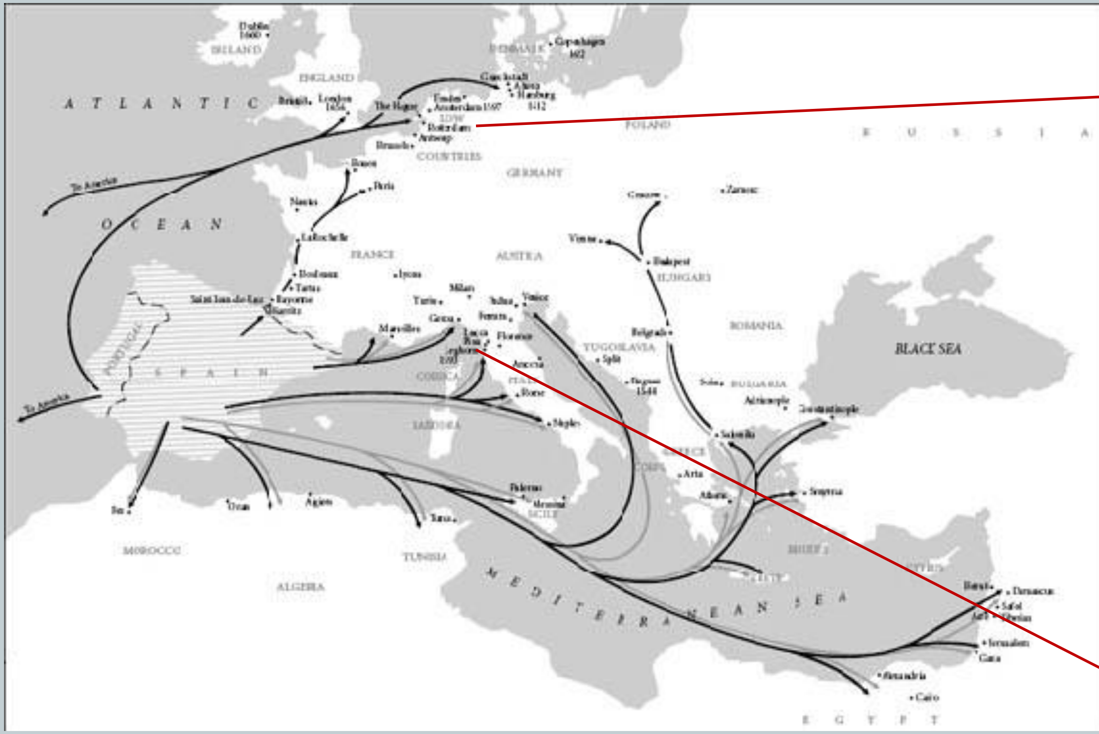
with relatives across GPs and LPs

THE DIVERSITY OF INVESTORS IN THE LIMITED PARTNERSHIPS REGISTERED IN FLORENCE AS AN EXAMPLE OF "FINANCIAL COSMOPOLITISM"

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: (1964): 81-108, at 84.

R. Burr Litchfield, "Les investissements commerciaux des patriciens florentins au XVIIIe siècle." *Annales ESC* 24: (1969): 685-721

Waves of Sephardic emigration after the expulsion from Spain in 1492 and the forced conversion to Catholicism in Portugal in 1497



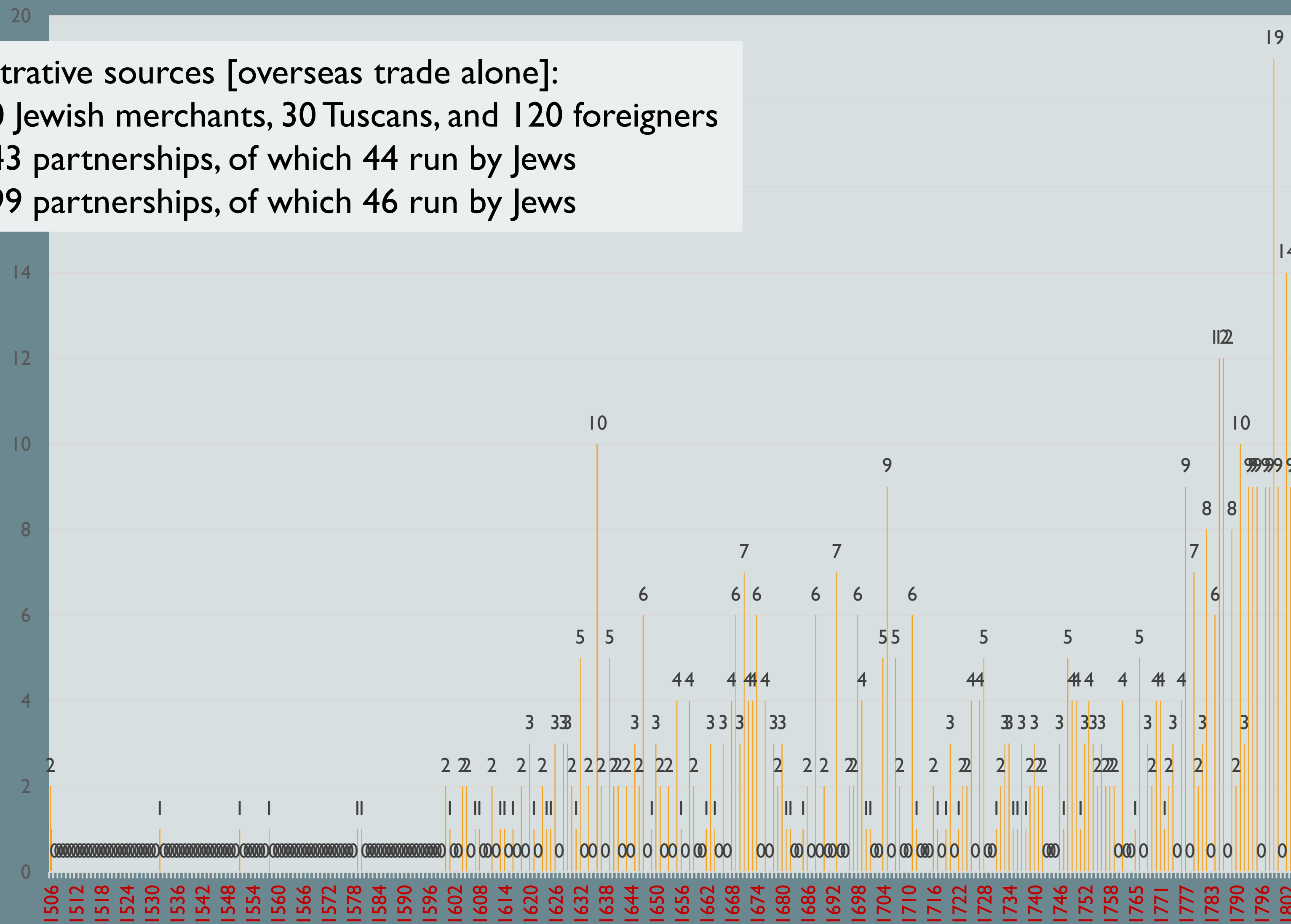
1591-1592 "Livornine" charters

Anonymous
Portrait of Jacob Baruch Carvaglio
(Venice, circa 1687)

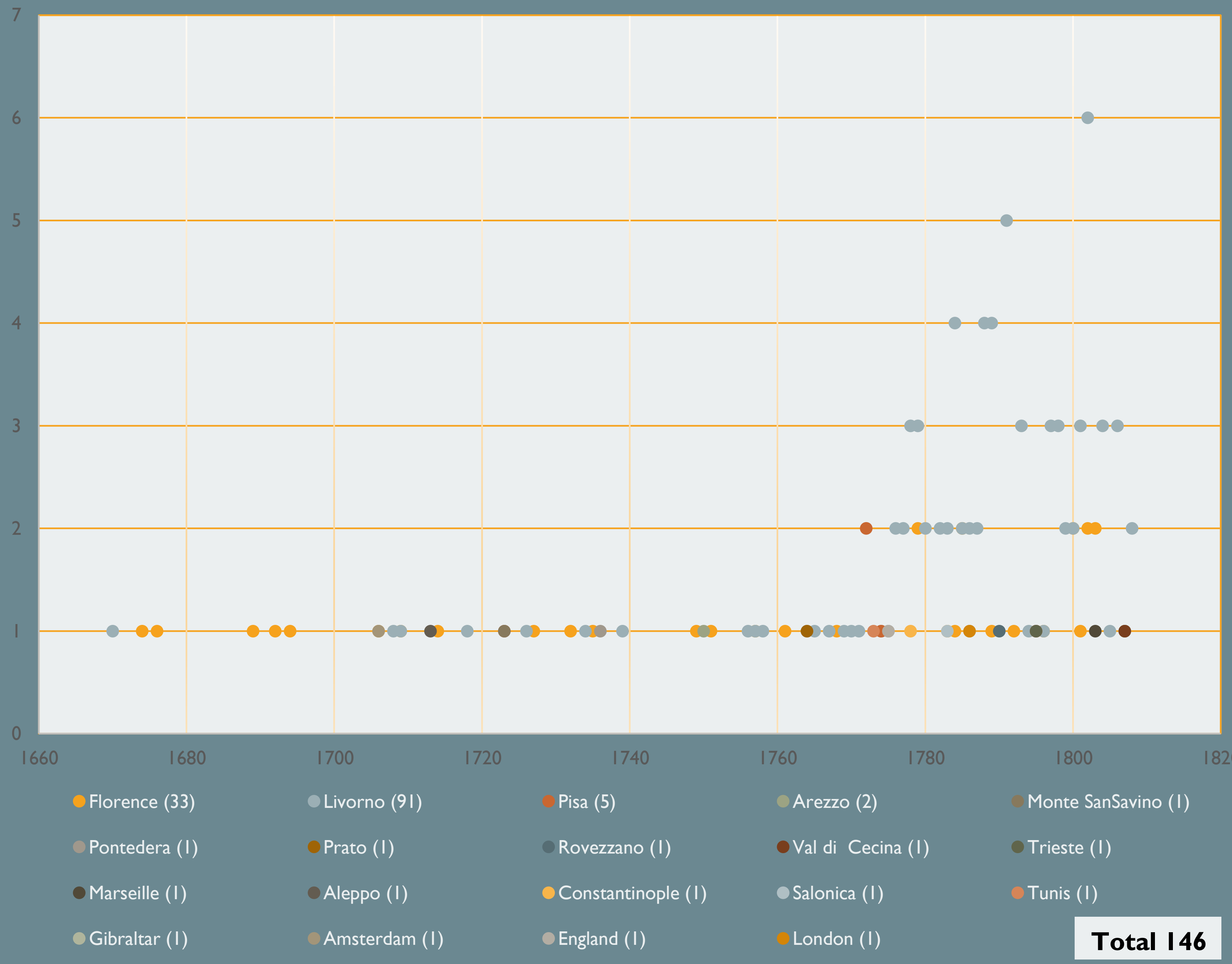
Map of Livorno, 17 century

Number of Limited Partnerships Created/Registered per year and operating in the city of Livorno and its surroundings (1506-1808)

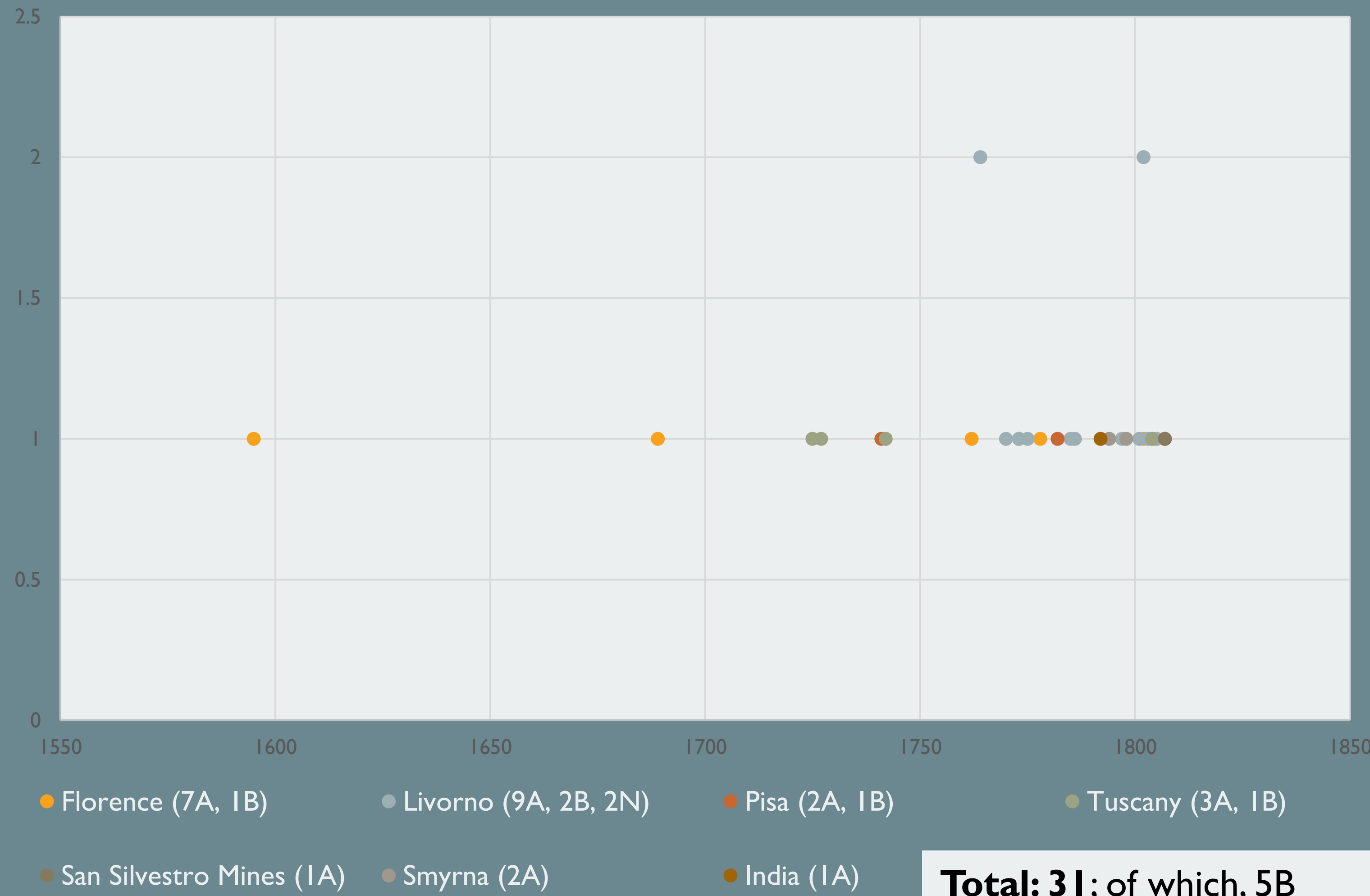
Administrative sources [overseas trade alone]:
1765: 50 Jewish merchants, 30 Tuscans, and 120 foreigners
1793: 143 partnerships, of which 44 run by Jews
1796: 199 partnerships, of which 46 run by Jews



Limited Partnerships with only Jewish GPs and LPs (1670-1808)



Limited Partnerships with both Jewish and non-Jewish Investors (1595-1808)



Total: 31; of which, 5B

A = GP(s): Ch/ LP(s): J or mixed

B = GP(s): J / LPs: Ch or mixed

N = GP(s): J / LPs: tradable shares

CONCLUSION:

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(1) Advantages of the general partnership

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(2) Lack of public information on personal credit standing

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(1) Advantages of the general partnership

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(3) Where some individuals better placed to captures the advantages of LPs than others?

CONCLUSION:

WHY DIDN'T THE DOG BARK?

(1) Advantages of the general partnership

(2) Lack of public information on personal credit standing

(3) Where some individuals better placed to captures the advantages of LPs than others?

(4) Alternative investment opportunities

MENU OF INVESTMENT OPPORTUNITIES

Sector	Contract	Risk Factor	Rate of return
Commerce	Marine insurance	medium	medium
	Sea loans (bottomry)	high	high
	Bills of exchange	medium	medium
	Foreign investments (VOC, EIC, …)	medium	medium
	Limited partnership	low	low
Public debt		low	low
Land/real estate		low	low