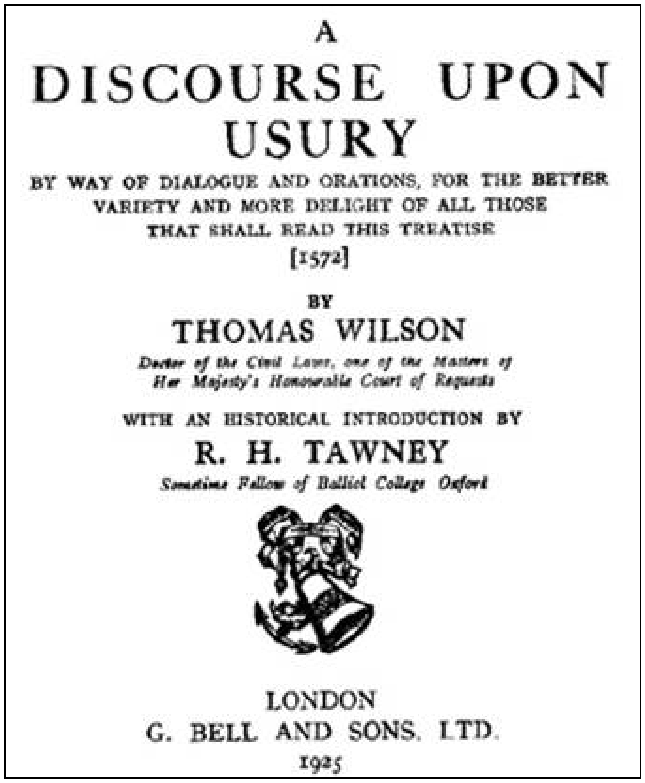
# The Struggle Over the Exchanges

**from**

**The Historical Introduction to A Discourse Upon Usury**

**by**

## R. H. Tawney


A
DISCOURSE UPON USURY
BY WAY OF DIALOGUE AND ORATIONS, FOR THE BETTER VARIETY AND MORE DELIGHT OF ALL THOSE THAT SHALL READ THIS TREATISE
[1572]
BY
THOMAS WILSON
*Doctor of the Civil Laws, one of the Masters of Her Majesty's Honourable Court of Requests*
WITH AN HISTORICAL INTRODUCTION BY
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LONDON
G. BELL AND SONS, LTD.
1925

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edited by Peter Etherden

## June 2008

**a cesc publication**

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The movement began, as might have been expected, not among the *Petty Tradesmen* who had scraped together a few pounds and lent them to their neighbours, but in the *World of Big Business* which was connected with the *Money Market*, *Foreign Trade*, *Public Finance* and other branches of *Capitalist Enterprise*.[1]

Professor Pirenne[2] has contrasted the outlook of the *Medieval Bourgeoisie*, intent on the conservation of local and corporate privileges, with that of the *New Plutocracy* of the sixteenth century, with its international ramifications, its independence of merely local interests, its triumphant vindication of the power of the *Capitalist* to dispense with the artificial protection of *Guild* and *Borough* and to carve his own career.

Naturally the creed of these *Economic* C*onquistadores* was an almost modern *Individualism*. 'No one can deny', wrote the *Foreign Merchants* at Antwerp to Philip II, in protest against an attempt to interfere with the liberty of exchange transactions:

> "…that the cause of the prosperity of this city is the freedom granted to those who trade there."[3]

Antwerp had become the commercial capital of Europe by pursuing, alike towards *Finance* and *Foreign Trade*, a policy of economic freedom at once deliberate and highly unusual; and, as the records of the Commercial *Companies* show, the objection of *Businessmen* to *State Control* was as compatible in the sixteenth century as it is to-day with a jealous insistence on *Monopoly* when monopoly was profitable.

But the words reflected the attitude of the *Commercial Classes* towards any attempt to interfere with *Individual Enterprise* in the name either of *Religion* or of reasons of *State*.

An organised *Money Market* has many advantages, but it is not a school either of social ethnics or of political responsibility. Moving, as they did, in a world where loans were made not to meet the temporary difficulty of an unfortunate neighbour, but as a profitable investment on the part of not too scrupulous *Businessmen*, who looked after themselves and expected others to do the same, they had scanty sympathy with doctrines which had reflected the spirit of *Mutual Aid* not unnatural in the small circle of neighbours who formed the ordinary *Village* or *Borough* in the *Middle Ages*. After a fruitless interview with one of the tribe, Gresham wrote:

> "His answer was that he had concluded a bargain and that he looked to have his bargain kept."[4]

It was a natural result of their experience that, without the formal enunciation of any theory of freedom of contract, they should throw their weight against the traditional restrictions, resent the attempts made by *Preachers* and *Popular Movements* to apply *Doctrines of Charity* and *Good Conscience* to the impersonal mechanism of large-scale transactions, and seek to bring the law more closely into conformity with their economic practices.

"How little," wrote an indignant *English Official*,

> "they [i.e. merchants] regard the commonweal for advancement of their private lucre, I think the world doth see."[5]

The complaint that the *Capitalist* was at once godless and lawless was a conventional one, re-echoed by a score of *Publicists*. The truth was that the enormous expansion in the scale of *Commerce* and *Finance* had created a new body of economic interests, intent on the widening of opportunities rather than the maintenance of privileges.

The individualistic attitude which seemed to conservative statesmen a mere cynical egotism was the natural result of its efforts to impress itself on public policy.

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[1] This is the second of Tawney's two essays on the exchanges in his historical introduction to Dr. Thomas Wilson's *Discourse Upon Usury*. In the first essay, *The Foreign Exchanges*, Tawney explains that: "The public debate upon exchange questions profoundly influenced economic thought. It was as an incident in it that *Bullionists* and *Mercantilists* hammered out their rival theories of *Foreign Trade*. And, since problems of *Currency* and *Credit* lent themselves more readily than other economic questions to discussions in terms of mechanical causation, it was a potent factor in accelerating the transition from the casuistry of economic conduct represented by Wilson to the objective analysis of the *Political Arithmeticians*'. As a footnote he then cites ten references, remarking that 'considerable materials exist…for the study of…the details of the movement in exchange rates'. Quoted extensively in both essays are: Burgon, *Life of Gresham*; Malynes, *The Canker of England's Commonwealth*; and Ehrenberg, *Das Zeitalter der Fugger*. [Ed.].

[2] *Histoire de Belgique*, vol. III, pp. 282-5.

[3] Quoted by Ehrenberg, *Das Zeitalter der Fugger*, vol. II, pp. 7-8.

[4] Burgon, *Life of Gresham*, I, 136.

[5] Frazer Tytler, *The Reigns of Edward VI and Mary*, vol. I, p. 380.

The special domain of this class was the *International Money Market*, and it was natural that its claim to freedom from antiquated restrictions should first be asserted in connection with *Exchange Business*. Popular opinion, as an official of the *Antwerp Bourse* complained, was apt to regard *Speculators* on the *Exchanges* as 'worse than Jews'.[6]

Even the sophisticated Guiccardini[7] was a little horrified at some of the methods of that famous institution: the law of the *Church* and of most *States*, while allowing mere *Money-Changing*, had by implication condemned *Futures*, *Arbitrage* dealings and *Finance Bills* as usurious, even when it did not, as in England, expressly prohibit them under the name of *Dry Exchange*.

But with the growth of financial business in the sixteenth century, the traditional policy was inevitably modified. In the Netherlands the *Government of Charles V*, which earlier in the century had attempted to suppress usury altogether, gave in 1540 a tardy recognition to economic realities by a proclamation sanctioning interest not exceeding twelve per cent., provided both *Borrower* and *Lender* were *Merchants*, while prohibiting it an non-commercial transactions.[8]

The *Spanish Merchants* on the *Antwerp Exchange* had in 1530 consulted a body of *Parisian Jurists* as to the compatibility of exchange transactions with the *Canon Law*, and had apparently received a favourable reply.[9] The *Papacy* in 1570, explaining what was already the law on the subject, while maintaining the condemnation of *Dry Exchange*, declared that the interest charged by the discounter of a *Bill of Exchange* was lawful as payment for his *Labour* and *Risk*, provided that the instrument actually transferred money from place to place.[10]

The condition was in practice meaningless. The requirement could be met by drawing a bill on one side of the street and getting if accepted on the other.

In *Tudor England* however moralists like Wilson might denounce him, the *Financier* had little need to make terms with the *Canon Law*. But his demand for *Free Trade in Capital* brought him into sharp collision with the traditional policy of *The State*.

From a very early date the convenient machinery which exchange transactions offered for the collection of customs, for insisting on the importation of *Bullion*, and for checking its export, had led *The Crown* to exercise, at least in theory, a jealous control over them.

In the sixteenth century these reasons were supplemented by the desire to keep light *Foreign Coins* out of circulation and to prevent undervalued *English Coins* from being sent abroad, to check the artificial depreciation of the value of sterling, which was believed to be due to speculative buying and selling of exchange by *Dealers* on the *London* and *Antwerp Markets*, and, above all, to keep a hand on one condition affecting the burning question of prices, which were thought to be raised by exchange movements.

Moreover, since it was by exchange transactions that the largest loans were raised, the *Foreign Exchanges*, as Wilson saw, raised the whole problem of *Credit Policy* in a peculiarly acute and difficult form.

We are concerned here with the *Foreign Exchanges* only as part of the *Credit Organisation* of the age, and into the closely connected question of *Currency Policy* we cannot enter.

The methods by which *Tudor Governments* 'controlled the exchanges' did not differ in principle from those applied by their successors between 1914 and 1918. The principal instruments which they had inherited for carrying out the policy, apart from the general control of foreign trade, were four:

- the prohibition of the export of bullion;
- the authoritative determination of the rates at which English and foreign currencies were to exchange;
- the monopolising of exchange business by *The Crown* or by persons licensed by it;

and, an almost necessary corollary,

- the prohibition of dealing by private individuals.

A fifth measure, *Government* buying of sterling in order to peg the exchanges, though often recommended, was rarely, if ever, practised, for it was expensive.

The assumption of all was that, as Wilson thought, the only fair rate of exchange was the mint par, and that

[6] Quoted by Ehrenberg, *Das Zeitalter der Fugger*, vol. II, pp. 22-3.
[7] Lodovico Guiccardini, *Descrittione di tutti i Paesi Bassi.*
[8] Henne, *Règne de Charles V*, Vol. V, pp. 327-8.
[9] Quoted by Ehrenberg, *Das Zeitalter der Fugger*, vol. II, pp. 18-21.
[10] Particulars are given by Neumann, geschichte des Wuchers in Deutschland, pp. 429-32.

when the market rates departed from it sinister influences were at work.

In spite of the growth of a highly organised *International Money Market*, public policy throughout the sixteenth century, and, indeed, almost up to the *Civil War*, was dominated by doctrines born in an age when the typical transaction was simply the *Exchange* of *Bullion* for *Coins*, or of the coins of one country for those of another. The ordinary official view was that afterwards expounded by Malynes:

> "To avoids the cariadge of money, a certain exchange was devised, grounded upon the weight, fineness and valuation of the money…giving always value for value, which therefore was called par. This course of exchange being abused and of late years become, as it were, a trade in rising and falling prices according to plentie or scarcitie of money and distance of time and place, is become predominant and doth overrule the course of commodities and money, and is the very efficient cause…of the decrease of our wealth."[11]

It is in the light of this naive conception that the action of *The State* throughout our period is to be interpreted.

Of these four measures the first and second, though frequently evaded, were accepted with little question. It was only an occasional expert who advanced the *Mercantilist Argument* that the free export of English money was desirable in order to steady exchange rates.[12]

The third and fourth raised greater difficulties. The office of *Royal Exchanger*, as Elizabethan antiquaries[13] anxious to magnify its importance in the interests of contemporary political propaganda were fond of pointing out, was of venerable antiquity. It went back, at least, to the late twelfth or early thirteenth century.

Its existent seemed to spring naturally from the *Royal Monopoly of Coinage*, and had been almost a necessary corollary of the prohibition of the *Export of Bullion* in an age before *Bills of Exchange* were in general use.

*Merchants* had to make payments abroad, and large sums required to be remitted to Rome. Neither could be done lawfully by sending the coin of the realm. The *Royal Exchanger*, as his name implied, was intended, among other purposes, to provide public machinery for international payments, and, by so doing, at once to enable trade to be carried on, and to check evasions of the law forbidding the export of *English Money*.

The holders of the office in the *Middle Ages* appear to have been successful *Merchants* or *Goldsmiths*, and occasionally a *Foreign Syndicate*, like the *Frescobaldi* or a firm of *Lombards*.

The *Exchanger's* duties, as set out in a typical indenture,[14] were to receive *Bullion* brought to the exchange, to deduct *Seignorage* and the *Exchanger's* fee, to issue to the party concerned the equivalent of what he brought less deductions, at rates of exchange fixed from time to time, and to pay over his receipts to *The Mint* to be coined.

When, as sometimes happened, his conduct was challenged,[15] he had to show by his accounts that his receipts and payments, including of course the costs and profits of the office, tallied.

A considerable series of statutes had defined the functions of the office and the duties of *Merchants* towards it. Those of 1340, 1352 and 1381 had laid down that foreign buyers of wool were to deposit plate with the *Warden* of the *King's Exchange* in the Tower, who was to give them its value in *English Coin* that no one except the *King's Exchanger*, was to 'take profit for making such exchanges', that all exchange transactions by which payments were made abroad were to be made only on the receipt of *Special Licence* from *The Crown*.[16]

The whole policy had been summed up in a statute of 1487,[17] on which, together with that of Richard II, subsequent writers principally relied. It recited the injury done to the realm by:

> "the inordinate changes and re-changes…without the authority of the *King's* good grace,"

declared that the previous statutes on the subject, in particular those of 1340 and 1381, were to be put in force, forbad the usury practised by certain *Brokers*, and laid down that:

> "no man make any exchange without the *King's License*, nor make any exchange nor re-change of

[11] The Canker of England's Commonwealth, by Gerald Malynes, merchant (1601).
[12] *Harl. MSS*. 660, fo. 107. "Another remedye to meete with the Banker, and to defend or avoyde them to lower the exchange, is to procure and obtayne that Englishe moneye may be currant either in the Lowe contryes or else in France."
[13] E.g. *Harl. MSS*. 251, 57, f. 112; Malynes, *Canker of England's Commonwealth*.
[14] E.g., one of 1422-3, Ruding, *Annals of the Coinage*, vol. IV, pp. 132-4.
[15] Ruding, *Annals of the Coinage*, vol. IV, pp. 187-8 and *Harl. MSS*. 251, f. 96 (see below, p. 150).
[16] 14 Ed. III, st. 2, c. 4 ; 25 Ed. III, st. 5, c. 12; 5 Rich. II, st. 1, c. 2, *see also* 9 Ed. III, st. 2, c. 2 and 18 Ed. III, st. 2, c. 6; 2 Hen. IV, c. 6; 2 Hen. VI, c. 6.
[17] 3 Hen. VII, c. 7.

> money to be paid within the land, but only such as the *King* shall depute thereunto to keep, make, and answer such exchanges and re-changes."

In accordance with these provisions *The Crown* had been accustomed to appoint an official *Exchanger* or *Exchangers* with considerable regularity throughout the *Middle Ages*, and the same practice was continued in the sixteenth century. In 1508, for example, the office was conferred for one year on *Florentine Merchant*, Peter Corcy, and in 1509 on Thomas Boleyn.

In 1511 Henry VIII granted a patent to George Ardeson:

> "to have the custody of the exchange in foreign parts,"

which in the following year was renewed for the term of thirty years, and in 1520 for twenty-three years, the name of Thomas More then being included in the grant.[18] In 1537 the same office was in the hands of Sir Thomas Audley.[19] In 1573 it was given to Sir Richard Martyn, a *Goldsmith*. In 1575, the year before the experiment described below, it was conferred on Lord Burghley.

A writer under Elizabeth, concerned to prove 'the necessity and benefit of that office', probably did not much exaggerate when he professed to have found in the records:

> "…twenty-three patents and ordinaunces for the execution of the office of exchauager from Henry III to Queen Elizabeth's time, about 400 years contynuance."[20]

In spite of the *Statute of 1487*, it is evident that the mere issue of a patent and appointment of a *Royal Exchanger* did not *ipso facto* give him a monopoly of exchange business. That further consequence occurred only when, as on several occasions in the sixteenth century, the *Government* took the additional step of issuing a proclamation suspending private dealings.

In practice, therefore, the activity of the *Royal Exchanger* in controlling, or trying to control, the *Money Market*, as distinct from mere *Retail Money-Changing*, was only intermittent; the *Staplers*, who in the early sixteenth century still did the largest export business, were expressly exempted from the legislation relating to exchange transactions; and since one of the purposes of the office had been to check the remittance of money to Rome, it would seem that it had not been attempted to enforce the statutes so far as dealings between England and Western Europe were concerned.[21]

Whether patents were issued or not, the existence of an official *Exchanger* had not prevented, it need hardly be said, the growth of *Private Exchange* business. The system meant, however, that *The Crown* held in reserve the power of arresting the mechanism of the *Money Market*.

The view of the history and functions of the *Royal Exchanger* held m official circles, at the time when Wilson wrote, is set out in a memorandum[22] laid before the *Government* in 1571, to the practical proposals of which we shall return later, but which gives a good account of the manner in which the problem was envisaged in the reign of Elizabeth.

In the *Early Middle Ages*, the author argues, there had been little *Private Exchange* business,

> "…but only the exchaunge then called the King's exchaunge, which was made by the King's exchaungers, that is to say to have presentlye delivered by the exchaungers in any place in this realme whear the sayd exchaunge was keapt, the coyne of this realme for any foregne coynes either of gould or silver or for any molten bullion lykewise thear presentlye delivered, according to the just value of the gould and silver conteyned in the sayd foregne coyne or bullyon, allowinge

[18] Gairdner, *L. & P. Hen. VIII*, vol. I, 1816 and 3265; vol. IV, pt. I, 1073. The patent to Ardeson is printed in Schanz, *op. cit*., vol II, pp. 614-15.

[19] Ibid., vol. II, p. 635.

[20] Harl. MSS. 251, 57, f. 112. *An abstracte owte of Statutes and Recordes showing the inconvenyence of the Merchant's exchange, and the Regulacion of the Royal Exchaunger*. Cotton called it in 1609 (*Manner and Meanes how the Kings of England have from time to time supported and repaired their estates*, in *Cottoni Posthuma*) "an office as auncient as before Henry 3, and so continued into the middle of Henry 8." In fact it continued at least to 1628. Ruding, *op. cit*., vol I, pp. 153-161, prints a list of 'Wardens of the Exchange'. For the sixteenth century it is incomplete, as he omits Ardeson, Audley and More, and probably others. A list is given by the author of *Cambium Regis* (1628) of which Ruding made use. See also Schanz, *Englische Handelspolitik*, vol I, pp. 521-2.

[21] Proclamation of 1537 (Schanz, *op. cit*., II, 634) "and also for that the said statutes have not bine commonly put in use for exchawnges and rechawnges made on this side the Mountains." The patent to Ardeson refers especially to those persons "quae versus curiam Romanum solutions facere volurint." For the exemption of the Staplers, see *Rot. Parl*., vol. VI, pp. 397 and 525.

[22] *S.P.D. Eliz*., LXXV, No. 54.

> only unto the sayd exchaungers a certeyne [sum] for the coynage and other necessary chardges."

*Private Exchange* business, however, gradually developed, partly indeed because of the way obstacles were imposed in the way of exporting *Bullion*:

> "…when any man was willing to have a somme of money exchaunged out of one country whearas he had money, into an other country whearas he would have it, he would seke for a marchaunt which had or should have money dewe, or growinge to be dewe, for wares in the cuntrye whereunto he would make his exchaunge, and deliver unto the sayd marchaunt a certeyn somme of money of the princes coyne whear he delivered his money, to have therefore such like somme of mony nighe thereabouts to be payd of the princes coyne whear he would laye his exchaunge as the somme of mony delivered, if he should have carryed the same thither, would yield at the princes mint or place of exchange."

These transactions - *Natural Exchange* - led in turn to the usurious form of speculation known as *Dry Exchange*. Hence the long series of statutes, culminating in that of Henry VII, by which:

> "…no man should make any exchaunge of money to be payd within this land, but onely such as the king should depute thereunto to keape, make, and answer such exchaunges and rechaunges,"

and the proceedings taken in the same reign against *Merchants* who carried on exchange business without *Royal Licence*.

The author was concerned to press history into the service of his proposed reform, and the details of his story may be discounted. What is significant is his account of the attempt to make the office of *Royal Exchanger* an effective mechanism for meeting the *Commercial and Financial Developments* of the age.

Already in 1477 a comprehensive statute had been passed reinforcing the *Medieval Legislation* and making the export of *Bullion*, except under licence, a felony.[23] The leanings of the *Tudor Monarchy* towards an ambitious economic *étatisme,* currency difficulties, and the popular agitation against usury and high prices made effective interference a more present possibility than it had been in the fifteenth century: the magnitude of the financial operations now carried on in London, and the close interdependence of London and continental markets made the possibility less tolerable.

The machinery designed for controlling mere *Money-Changing* - 'the Lombard that do use…to keepe open shoppes for to exchange unto the people the gould for white money' - [24] was being applied, as the *London Financial Houses* complained, to the very different problem presented by the development of an *International Money Market*, using the *Bill of Exchange* as a credit instrument and only secondarily interested in the exchanging of currencies which excited the apprehensions of *Mint Officials* and of the *Government*.

Almost inevitably, therefore, traditional theories as to *Money-Changing* with their insistence on *par pro pari*, came into collision with the practice of the *Foreign Exchanges* as conducted by *Bankers* and *Discount Houses*.

What we meet, in fact, in the sixteenth century is a multitude of projects for putting an end to *Dry Exchange* and raising the value of sterling, by using the venerable office of *Royal Exchanger* as the machinery for nationalising foreign exchange transactions, recurrent attempts on the part of *The State* to give practical effect to these proposals, and a rising tide of opposition from the financial interests, which had no intention of allowing the profitable business of the *Money Market* to be 'controlled' in the name of antiquated doctrines as to usury.

'The thing', Gresham once remarked with the ecstasy of the expert at his own adroitness, 'is only keppt up by arte and Goddes providence'.[25] *The City*, like Wilson's *Merchant*, had learned to restrain its apprehensions of an evidently patient *Providence*. What infuriated it was the well-intentioned vagaries of *Tudor Political Art*.

Complaints against the interference of the *Government* began soon after 1530. The reason for its action was the state of the currency. In 1526, in order to check the *Export of Gold*, which was rated lower m England than in Flanders, the value of an ounce of gold in terms of silver had been raised from forty to forty-five shillings, and in the same year a new silver coinage had been issued to correspond with the new parity between the two metals, without the old and heavier silver coins being called in. As a result, the better silver coins were naturally clipped, hoarded and sent abroad.

To meet the situation, the *Government*, apparently after some hesitation as to the legality of its proceedings

[23] 17 Ed. IV, c. 1.
[24] Schanz, *op. cit*., vol. II, pp. 646-7.
[25] Burgon, *Life and Times of Gresham*, vol. V, p. 261.

issued a proclamation putting into force the *Statute of 1381* and suspending *Private Exchange* business.[26]

But in 1535 an *English Agent* in the Netherlands wrote that the veto on exchange dealing had created surprise and annoyance on the continent,[27] and there was at least equal irritation in London. Sir Thomas Audley, the patentee, who was, of course, interested in maintaining the rights of his office, reluctantly transmitted to Cromwell a petition in which the *Merchants* demanded 'liberal exchanges without licence',[28] and Richard Gresham, as spokesman of *The City*, urged the *Government* to remove the embargo, which, as he said, was ruining the *Cloth Trade*.[29]

In the end, the *Government* gave way, and, in spite of Audley's protests against the infringement of his patent, issued on July 30, 1538 a proclamation[30] which, while reserving the right of *The Crown* to take its profit by *Exchanges* and *Rechanges*, announced that the market was to be free up to November 1 (by which time the autumn shipment of cloth would be over), and promised before that date to announce some permanent policy.

A week later, on August 6, another proclamation removed the time limit. The promise to put the whole question on some stable basis does not appear to have been fulfilled, and in 1546 another proclamation[31] was issued, ordering that the *Act of 1487* should be put in force.

Five years later the *Government* of Edward VI returned to the same policy. Its reasons lay on the surface. It was the crisis to which Gresham referred when he wrote seven years later to Elizabeth,

> "By this it may plainly appear to your highness…the exchange is the thing that eats out all Princes to the whole destruction of their common weal."[32]

Owing mainly, it is to be presumed, to repeated debasement of the currency, the exchange on Antwerp had reached almost, if not quite, the lowest point touched in the course of the century. During part of 1551, if Gresham may be trusted, it stood at between fourteen and fifteen shillings to the pound.

At the same time, as a natural result of the same monetary conditions, prices had risen to a point which threatened *Social Order*, and that at a moment when a dozen counties were still in a ferment of half-suppressed *Agrarian War*.

The modern theorist would regard both the rise in prices and the fall of sterling as common effects of a single cause, debasement. In the sixteenth century even otherwise acute writers[33] explicitly denied a direct connection, and economic acumen was not the strong point of the *Government of Northumberland*.

The position favoured was that the rise in prices was due to the fall in the exchanges, and that the fall in exchanges was due to illegitimate speculation. *Merchants' Practice* was, in short, the obvious explanation, and to prohibit it the obvious remedy. The *Government*, therefore, while taking the reasonable step of calling down the value of the silver money, suspended *Private Exchange* business by a proclamation[34] of June 10, 1551.

The moment was an unhappy one for the experiment. Charles V, presumably with the object of bringing France to reason by a financial blockade, had just forbidden exchange transactions between Antwerp and Lyons.[35] The

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[26] Schanz, *op. cit*., vol. II, 631-2, Hall, *Chronicle*, p. 781. For the proclamations of 1526, see Cunningham, *Growth of English Industry and Commerce, Early and Middle Ages*, p. 542.

[27] Gairdner, *L. & P. Hen. VIII*, vol. VIII, 392.

[28] Gairdner, *L. & P. Hen VIII*, vol. XII, pt. Ii, no. 359.

[29] Schanz, *op. cit*., vol. II, pp. 632-3.

[30] Steele, *Tudor and Stuart Proclamations*, vol. I, nos. 172 and 173; Schanz, *op. cit*., vol. II, p. 634, and for Audley's letter, p. 635.

[31] Ruding, *op. cit*., vol. IV, p. 196, quoting *Cambium Regis*, and Schanz, *op. cit*., vol. I, p. 523, who states that the suspension of business was for one year only.

[32] Burgon, *op. cit*., vol. I, App. XXI, pp. 483-6.

[33] See the views expressed in the remarkable tract *Policies to reduce this Realme of Englande unto a prosperous Wealthe and Estate* (Goldsmith's Library, MS. No. 10). "There be also certen generall cawses why every thinge is now risen to soo high price. One cawse is the fawling of the exchaunge between us and fflandres & between us and other nations. My meaning is not the basing of our coynes to be the cawse as the moste men do affyrme", etc.

[34] Edward VI's *Journal*. Schanz, *op. cit*., vol. I, p. 523, gives June 1552 as the date of the proclamation suspending exchange business, and March 23, 1553 as that of the proclamation withdrawing the prohibition. But these dates are difficult to reconcile with the entries in Edward's Journal, and with Chamberlayne's letter dated June 7, 1551, who had heard rumours of the contemplated prohibition, though he had not received definite notice of it. The date of the first proclamation is given as June 10, 1551 in Steele, *Tudor and Stuart Proclamations*, vol. I, no. 399: the second does not appear there.

[35] *Ibid.*: "Forasmuch as the Exchange was stayed by the Emperor to Lions, the merchants of Antwerp were sore afraid" (under date March 24, 1552. But the emperor's proclamation was evidently earlier).

English veto was the last straw. Chamberlayne, the *English Agent* in the Netherlands, wrote[36] home in June describing the sensation produced in Antwerp by the rumour that the *Council* contemplated this 'remedy for dearth of things'. As one officially bound to put a good face on the matter, he reported the *Flemish Businessman* with whom he discussed it as admitting that, if the two measures, the calling down of the currency and the prohibition of exchanges, were combined, they might conceivably produce some result.

But his conclusion, a pious hope that the 'mystery' may be 'discovered', is that of a discreet sceptic. The financial interests of *The City* were more plain spoken: they told the *Government* bluntly that 'the mart could not be without exchange'. The *Government*, as in the past, gave way, and the proclamation was withdrawn in March, 1552.[37]

The climax of the struggle was reached some four years after the appearance of Wilson's book. Cecil, a *Conservative Mercantilist*, was much concerned with *The Exchange Problem*. In the heads of an economic programme[38] jotted down by him, after his manner, for the *Parliament of 1559*, there appeared, side by side with notes on vagrancy, the assessment of wages, apprenticeship, the navy and other matters afterwards handled by legislation, a proposal to revive the statutes of 1402 and 1487,[39] with a view to preventing the export of *Bullion*, and about the same time he advised the Queen, as a matter of urgency, to issue a proclamation forbidding 'the making over money by exchange' without royal licence.[40]

Though the rates for sterling never dropped under Elizabeth to the point which they had reached under Edward VI, the question was for the next twenty years almost an obsession. The concern which it aroused was the result less of any aggravation of the economic situation, which, though serious, was, on the whole, improving, than of the pre-occupation of the new *Government* with questions of economic reconstruction.

The *Council* was, in fact, at last making a serious effort to grapple with *The Currency Problem*. The trade of the country had suffered severely from the instability of the exchanges. Moreover, as a *Debtor Nation*, the greater part of whose loans were held abroad (down, at least, to 1575), and as a heavy *Buyer of Foreign Munitions*, it was important to the *Government*, as to a *Modern State*, not to find sterling tumbling down when it had to make payments abroad. The control of exchange transactions was regarded as a necessary element in the *Policy of Deflation*, the first step towards which had been the *Recoinage of 1560*.

The result was a proclamation temporarily suspending exchange business in 1559,[41] the appointment of a *Royal Commission* on the *Foreign Exchanges* in 1564, a series of memoranda submitted to the *Government* by theorists of various schools of opinion, desperate efforts on the part of Gresham to induce it to accept his specifics for propping the market, and finally the drastic experiment of 1576.

Gresham's views are set out in his correspondence. They were those of a *Businessman* who disliked *State Control* in theory, but who in practice enjoyed playing the part of *Controller*. Like his father twenty years before, he was strongly opposed to the policy of laying an embargo on *Private Exchange* business: in 1560, *à propos*, presumably of the action taken two years before, he wrote to Cecil protesting against 'the banishing of the exchange',[42] on the ground that it would cause the export of *Bullion* and depress the rates.

His own policy, as explained, for example, in the elaborate memorandum[43] addressed to the Queen in 1558, was to act on the market indirectly, by improving the currency, reducing the foreign debt, and paying off loans as they fell due instead of renewing; to which must, however, be added the more drastic expedients described in a previous section[44] and his constant attempts, as a loyal *Merchant Adventurer* himself, to induce the *Government* to deprive the *London Hanse* of the social privileges enjoyed by them.

The views of the author of the memorandum;[45] on the exchanges submitted to the *Commission of 1564* were not very different. He attempted to estimate the degree to which sterling had fallen below the mint par, examined the causes and effects of its depreciation, and proposed certain remedies.

His conclusion was that, whereas the mint par of exchange between sterling and Flemish currency was somewhere between twenty-three shillings and fivepence and twenty-three shillings and one penny to the pound,

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[36] Frazer Tytler, *The Reigns of Edward VI and Mary*, vol. I, pp. 375-82.
[37] Edward VI's *Journal*, March 24, 1552.
[38] *Hist. MSS. Com., MSS. of the Marquis of Salisbury*, pt. I, pp. 162-5..
[39] 4 Hen. VI, c. 16 and 3 Hen. VII, c. 7.
[40] Somers' Tracts, I, p. 485.
[41] Camden, *Annals*.
[42] *S.P. For*., 1560-1, 84.
[43] Burgon, *op. cit*., vol. I, App. XXI, pp. 483-6.
[44] See my essay on *The Foreign Exchanges*.
[45] *Harl. MSS*., 660, f. 107.

the rates ruling from 1558 to 1564 had never been above twenty-two shillings and sixpence, that the pound was 'commonly underpriced by the exchange in Lombard Street' by anything from ninepence halfpenny to thirteen pence, and that, therefore, while £100 ought to buy £117 1s 9d., Flemish, it exchanged in fact for £111 13s. 4d - a loss of five pounds eight shillings and sixpence per cent.

The causes, apart from temporary trade movements, he believed characteristically to be a concerted policy on the part of the *Antwerp Bankers*. The remedies were to maintain an excess of exports over imports which would set up a movement of *Bullion* towards England, to permit the export of *English Money*, to put funds at the disposal of the *English Factor* at Antwerp to be used (as Gresham had proposed) in buying sterling, to move the *Cloth Market* from Antwerp to Emden, and to improve the collection of the *Customs*.

Some of these proposals, such as the attempt to maintain an excess of exports, were already part of the traditional policy of the *Government*: some, like the better administration of the *Customs*, it took up later. But it is evident that more ambitious schemes, and schemes thought likely to produce a more immediate result, were being considered favourably in official quarters.

Their general character can be inferred from the memorandum[46] drawn up in 1571, in which the main lines of the policy that the *Government* afterwards attempted to follow are laid down.

In popular sentiment, which included that of nearly all *Officials*, what Edward VI had called the 'using of exchange and usury' went together, and, as was natural at that time - an important *Usury Act* was passed in the same year - the author approached the question of the *Foreign Exchanges* from the angle of a *Reformer* perturbed by the inequities of the *Money-lender*.

The discouragement of *Legitimate Banking*, the writer argued, had played into the hands of the less reputable type of *Financier*. Partly as a result of the prohibition of all interest by the *Act of 1552*, a prohibition which was still in force, there had been a great increase in the practice of raising money by *Finance Bills* - *Dry Exchange* - the result being exorbitant rates of interest and the depreciation of sterling.

The only effective way of dealing with the situation was to return to the policy way of 'controlling exchange transactions', and for this purpose to revive by proclamation the *Act of 1487*, under which they might be carried on only through the *Royal Exchanger.*

Either the *Government* should restrict the business to certain persons licensed by itself and bound to comply with its instructions, or it should nationalise it outright, appoint *Public Officials* through whom alone it should be conducted, and, in order to be in a position to dominate the market, raise capital by mortgaging or selling the *Crown Estates*.

The procedure of the *Public Department* thus proposed was defined in some detail. Three *Queen's Exchangers* were to be appointed in suitable places to administer and disburse the funds raised. The *Merchant* desiring to make payment abroad was to deposit security, instruct the *Officials* as to where and at what date payment was to be made on his account, and to have six months' grace in which to pay them the necessary sum.

Similarly, if he held bills which he needed to get discounted, he would take them to the *Officials* and receive ready money, paying usance, double usance, or treble usance, as the case might be. The rates of exchange between London and Hamburg - it must be remembered that the *Merchant Adventurers* had abandoned Antwerp for Hamburg in 1569 - should be pegged at twenty-four shillings and sixpence in German shillings to the pound, and the interest charged for discounting bills should be at the not immoderate rate of between nine and ten per cent.

There is a type of mind for which the *Foreign Exchanges* are clothed with the unfading romance of a prosaic miracle. No one who has met it will be surprised to learn that the effect of these operations was to be magical:

> "…a great nomber of her highness subjectes eased and saved from impoverisshinge by borrowlnge upon usury, the realme yearly enriched, and a great masse of threasour allwayes with very short warnings in a readinesse for any her highness weightie affaires."

These were golden promises: what *Tudor Statesman* could have resisted them? The *Government's* intention of taking up in earnest the policy of nationalising exchange transactions was revealed by its action in 1575 in conferring the office of *Royal Exchanger* - for the last few years in the hands of a *Goldsmith* - on no less a person than Burghley himself, with power to appoint *Exchange Brokers*, to grant *Licenses to Merchants*, and, in short, to conduct the *Business of a Banker*.

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[46] See p. 140 (*S.P.D. Eliz*., LXXV, no. 54).

On September 20 and 27 of the following year it issued two proclamations.[47] The first ordered that the existing statute with regard to exchange business should be put in force: the second contained a series of rules ‘for the government and order of the exchaunge’, embodying the substance of the previous suggestions, with the exception of that for raising an initial fund.

After reciting that ‘by the laws and statutes of the realme no man ought to make anie exchaunge or rechaunge of money but such as her majesty shall authorise, or their leeful deputies’, it appointed two *Haberdashers* and a *Grocer* - ‘men well acquainted with the manner of exchaunges and rechaunges from and to *The City of London* and to and from foraigne parts - as the *Agents* through whom alone *Exchange Business* should be carried on, forbad private dealing by unauthorised persons, declared that exchanges should be made at par ‘as near as possiblie may be and as times of trade may suffer’ and only ‘for the use of known marchauntes’, and imposed a tax of one farthing in the noble upon each party to the transaction, or in all three halfpence in the pound.

We have not any evidence to show the financial aspects of the proposed arrangement. But how it was intended to work can be inferred from the accounts returned by the *King's Exchanger*, at that time a *Goldsmith*, in 1613, when a similar, though less ambitious, experiment had been for a short time set on foot.

In answer to a charge of overcharging customers for his own profit, brought by another *Goldsmith*, he gave particulars of money changed, sums paid to *The Crown*, and sums retained by himself as costs and profits for three periods, September 16, 1608, to Michaelmas, 1609; Michaelmas, I609, to Michaelmas, 1610; and Michaelmas, 1610, to Michaelmas, 1611.

In the first the total sum changed was £138,875 in gold and £3,845 in silver; *The Crown* was paid £400, and the *Exchanger* kept £246, 11s. 5d.: in the second the corresponding figures were £60,163 (gold) and £3,466 (silver), £200 and £138 13s. 4d.: in the third they were £33,300 (gold) and £1,118 (silver), £10 and £2 9s.[48]

The proclamation of 1576 discreetly veiled the Crown's financial interest by representing the fee of three halfpence in the pound as a reduction on the sum - sixpence - which, it alleged, had been charged in the past. But it was anticipated, no doubt, that it would yield similar agreeable pickings.

Attempts at stabilisation, the pegging of exchanges, a *Public Exchange Department* or *Devisencentrale*, the prohibition of business except on a certificate showing *bona fide* commercial transactions - such expedients are no longer today the unfamiliar heresies which they would have appeared in the Arcadia of economic harmonies whose funeral oration has been rehearsed so often since 1914 by the mournful admiration of *Economists*.

In the sixteenth century, which was the victim of a milder attack of that *Disease of Disordered Currencies* which poisons the twentieth, the suspension of private exchange transactions was, as we have seen, part of the traditional policy for raising the value of sterling, and there was nothing surprising in the *Government of Elizabeth* reverting to it.

But this particular attempt to make *Foreign Exchange* business a *State Monopoly* aroused a storm of opposition in *The City*, and appears to have been a complete fiasco. The attack on it was ostensibly concentrated on the proposal to tax exchange transactions. In reality, however, as is shown by the arguments[49] used both by the *Italian Merchants* who still in a special degree represented the interests concerned in exchange business, and by the *English Financial Houses*, it was directed against any attempt to bring the *Money Market* under the control of *The State*.

The idea that the fall in the exchanges is caused by the sinister operations of *Merchants* is dismissed as a vulgar error. The rate depends, it is insisted, on ‘the abundance of deliverers and takers’. The London rates are ruled by those obtaining on the *Money Markets* of the continent. The way to raise the value of sterling is to increase exports and to lower the tariff.

The measures proposed by the *Government* might have been practicable in the days when the main consideration was to control the *Export of Gold* in the shape of fees to the *Papal Curia*, and when the business on which the tax fell consisted of the small transactions of *Lombard Money-Changers*.

To apply it to the *International Money Market*, which had developed since *the Middle Ages*, and in which *London Financial Business* was inextricably involved, would be to paralyse the *Foreign Trade* of the country. The *Bill on London* would lose its standing, for no *Foreign Merchants* would face the tax.

The financing of the imports and exports by *Bankers* would come to a standstill, for the extra charge would eat

[47] Steele, *Tudor and Stuart Proclamations*, vol. I, nos. 706 and 707. The text of the latter is given in *Harl. MSS*. 38, 29, f. 228, from which the above account is taken.
[48] *Harl. MSS*. 251, 57, f. 96.
[49] Printed by Schanz, *op. cit*., App., pp. 64-6, and 646-7.

up the profit. The *Bill of Exchange* had hitherto been an *International Currency* which enabled *Merchants* to pay debts in one country by means of *Credits* in another, and had passed freely from hand to hand by endorsement so that:

> "…one parcell of £100 may be exchanged six or eight times in a year."

If the *Government* charges sixpence on each transaction, the total tax will come to fifteen per cent., or more than the whole profits of the trade.

If, on the other hand, the *Merchants* try to evade the tax, they can do so only in one of two ways, either by sending exports to their *Creditors* to the value of the goods bought by them, or by shipping *Bullion*. If they do the former - if, for example, instead of paying for French wine and lace in the cheapest way, by means of credits acquired by exporting cloth to Antwerp, they must export direct to Rouen and Bordeaux - the effect will be a glut which will compel them to sell at cut-throat prices; if they do the latter, the consequence must be the very movement of *Gold* from England which it is the object of the *Government* to prevent.

These arguments were not received kindly: Burghley took the trouble to secure a list of the Italians who decline to obey 'the new order for the exchange' and a report on their 'unlawful traffic', and there are some indications of a disposition in official quarters to treat the leaders of the opposition as disaffected persons. But it appears that their protests produced the desired effect, and that the proclamation was withdrawn.

This occasion was by no means the last on which the *Royal Exchanger* took hold of the market and burned his fingers. Though, after the failure of the experiment of 1576, the grandiose policy of pegging the exchanges by *Nationalising Exchange Business* was abandoned, the *Government* continued for another half century to make spasmodic attempts to use the *Royal Exchanger* to check illegal dealing in *Coin* and *Bullion*.

In 1601, on the ground of the difficulties caused by the difference between the English and Irish currency, Sir George Carey was appointed *Master of her Highness' Exchange* between England and Ireland.[50] In, or about, l607 James I conferred the office of *Royal Exchanger* on Lord Knyvett, who, as was complained by the *Goldsmiths*, on this occasion the protagonists in the agitation,

> "…pretending himself by patent to be warden of his Majesty's exchange seeketh…to erect an exchange and to obteyne a prohibition from his Majestie by proclamation to all persons (other than himself) to buy gold and silver bullion or to exchange gold money for profit."[51]

Their argument was, in brief, that the *Medieval Statutes*, though they might have been advantageous 'in the tyme of ignorance, when *Goldsmiths* were few and poor', were now out of date, that the import of *Bullion* would be discouraged by the lower price offered, and that the *Goldsmiths' Company* would be ruined.

It is certain, however, that in spite of their opposition, the *Royal Exchanger* was active at least from 1608 to 1611, since his accounts of *Bullion* received during those years are available.[52] In 1611 Sir Robert Cotton produced a memorandum in defence of the office, which is printed among his works, and there were renewed protests from the *Goldsmiths*, which, if he was correct in stating that 'the profit…being now engrossed among a few *Goldsmiths* would yield about £10,000 a year, if it were lawfully regarded', are not surprising.

The final crisis was reached in 1627. On May 25 of that year another proclamation[53] was issued, which, after reciting that the *Goldsmiths* were in the habit of exporting heavy coins, prohibited the exchanging of gold and silver by unauthorised persons within three miles of London, and vested the office of *Royal Exchanger* in Lord Holland. The result was a storm of considerable violence.

The *Goldsmiths* protested. The case for *The Crown* was set out in a book published[54] in 1628, giving an account of the history of the office, which, it was suggested, was a necessary corollary of the *Royal Monopoly of Coinage*, and exposing with considerable vigour the economic effects of the alleged malpractices of the *Goldsmiths*.

In the end, as was to be expected in the political conditions of the moment, the *House of Commons* took the matter up, appointed a *Select Committee* to hold an inquiry, and passed a resolution that both patent and proclamation were a grievance.

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[50] Ruding, *Annals of the Coinage*, vol. IV, pp. 199-20.

[51] Camden Society, *The Egerton Papers*, Jan. 30, 1608, *The Gouldsmiths petition against the creating of an exchange*.

[52] *Harl. MSS*. 251, 57, f. 96.

[53] Steele, *Tudor and Stuart Proclamations*, vol. I, no. 1512. *Ibid*, no. 1240 and 1332 gives Proclamation of 1613 and 1622 forbidding the exchange of monies for profit and exportation of bullion, but not, apparently, reviving the office of Royal Exchanger.

[54] Cambium *Regis, or the office of his Majesties Exchaunge Royall, Declaring and justifying his majesties Right and the Convenience thereof*. The history of the whole episode is summarised by Ruding, *op. cit*., vol IV, pp. 201-10.

These Stuart experiments differed, it will be seen, from that of 1576. The latter had aimed at prohibiting all *Private Exchange* business whatever; the former did not prevent dealing in bills, but merely required all *Bullion* to be taken to a *Public Official*. They were designed to protect *The Mint* rather than to control the *Money Market*, and it is this difference, no doubt, which explains the fact that under James and Charles it was the *Goldsmiths*, not the *Merchants* engaged in *Foreign Trade*, who led the opposition.

Both in the one form and the other, the *Royal Exchanger* seems after 1628 to vanish from history. In reality, it may be suggested, the battle had been lost half a century before. 'Sicke or dry exchange' might, as Wilson wrote, 'be none other than manifest cankered usury'; but by the last quarter of the sixteenth century it had shown that it had a high survival value, and it had come to stay.

**Public Policy and the Money-Lender**
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