THE IMPACT OF FINANCIAL INSTITUTIONS ON THE DEVELOPMENT OF THE BYZANTINE ECONOMY (10th–12th CENTURIES)

This article attempts to ascertain the nature of the financial institutions fashioned diachronically to ensure the orderly operation of the Byzantine economy, encompassing the currency in circulation, credit availability, and the nexus of financial services; to analyze their role and evolution over time; to examine their ability to make rational use of the available financial resources; and ultimately to assess their contribution in ensuring the effective functioning of the marketplace and the economy in the 10th–12th centuries. Emphasis is placed on the effectiveness of the monetary system in providing the requisite liquidity to meet the needs of the productive sectors of the economy; the determining factors of money supply and its sectorial penetration; the measures taken to prevent hoarding and alleviate the gold-dependence of the fiscus; the functional distinction between money-changing and moneylending and its rationale; the rules established for the orderly conduct of currency transactions to prevent unsavory practices; the participants involved in lending operations and the extent of market competition; the importance of credit (and hence debt) financing in promoting agriculture, manufacturing, and trade; and the role of the state in safeguarding the soundness of the monetary system, banking services, deals in precious metals and valuables, and in the pricing of capital. Moreover, the paper addresses collateral issues in dispute providing more cogent answers, identifies misinterpreted sources and unsupported assertions, and fills in lacunae. It is hoped that the searching examination of the design and operation of the enacted financial institutional arrangements will provide valuable insights as to their genesis, adaptation over time, and likely performance in light of the Byzantine economic, social and political realities.

*Keywords:* currency, governance, trapezitai, argyropratai, regulations
Currency

The Byzantine monetary system was trimetallic and included full-bodied gold, silver, and token copper coins. Superimposed on and closely related to the monetary system was the credit system involving moneylending and sales credit. The nomisma (hyperpyron, bezant) and its subdivisions served as a unit of account, a yardstick (effectively the price) in terms of which commodities and services were valued, wealth measured, and debts expressed; as a medium of exchange and means of payment in commercial and non-commercial (e.g. tax) transactions; and as a store of value, being a convenient device for safekeeping accumulated wealth (savings) and purchasing power intended for prospective spending. Coinage provided an alternative, more liquid form of holding wealth; it facilitated the efficient organization of the production and consumption activities of economically interdependent individuals; helped the exchange of goods and services; fostered the development of a private enterprise system; made easier economic comparisons and the decision-making process of enterprises and consumers; was pivotal in the administration of the state's finances; and was instrumental in the growth of markets by enabling the establishment of a regime of prices. Significantly, as it has been aptly pointed out, the fact that the state retained the monopoly in the issue of coinage and declared it legal tender throughout the empire contributed to the economic integration of a large territory until the late twelfth century, and to the reduction of transaction costs as it obviated the expense associated with currency exchanges.\(^1\)

The role of money is to provide the economy with an effective and convenient medium of exchange, while the parallel task of a functional monetary system is to provide society with an adequate supply of money. But to be adequate, the supply of money must, first, command the confidence of the people so that it can be accepted freely as a general means of making payments and settling debts; and, second, the supply of money must be large enough and flexible enough to meet the needs of the population, commerce, and economic growth—a tall order. In the Byzantine setup, there always lurked the potential clash between maintaining the people's confidence in the currency, providing an adequate supply of money, and adapting the supply of money to the changing demand for means of payment, as rulers were not always sensitive to or capable of meeting these desiderata concurrently. In the face of a complex nexus of interrelationships and cross-causations among unquantifiable variables, such as the level of economic activity, productive capacity, volume of domestic and foreign trade, quantity of minted precious and base metals, access to supplies of coin, velocity of money circulation, degree of wear, and the price level; the host of unknowable objective facts and human decisions that underlie and ultimately determine the behavior of these variables; the absence of a conscious monetary policy due to the inability of the government to even guesstimate the amount of coinage required to maintain the

\(^1\) Laiou-Morrison, Byzantine Economy, 49, 54, 226. Merchants and lenders were not obligated to accept foreign coins in payment if they were adversely affected, Basilica (hereafter B), B 26.5.99.
cycle of its own induced redistribution patterns and meet the needs of the geographically dispersed market exchanges at any given time; and the uncertainty of fiscal performance, it is impossible to establish with any degree of confidence the adequacy of money supply to meet transaction requirements in a consistent manner over time, so that the stability of the general price level (the resultant of all these forces) could be maintained and the lapse to inflationary or deflationary periods be avoided. An increase in money supply may be offset by an expansion of the volume of transactions, export of bullion to cover an unfavorable balance of trade or further diplomatic and military ends, a decrease in the velocity of money circulation, or heightened hoarding by wealthy individuals in times of economic or political instability. On the other hand, a significant increase of the supply of precious metals (mined or looted) could raise the quantity of money in circulation, ushering in or intensifying inflationary pressures (and vice versa). Employing partial, disparate, and chronologically

2 The circulation of coinage was determined largely by the state's available reserves of precious metals and copper for minting, and by the extent of the military and administrative expenses including their regional allocation. Larger quantities of money might be expected to be expended in important administrative centers, towns with military garrisons, and markets used by the military during campaigns. Imperial grants and tax concessions to monasteries and landlords; cash charitable contributions and donations to monasteries; commercial exchanges transacted in cash and potential lending activity between towns and their rural hinterlands; commutation of peasants' obligations in kind and labor services into cash payments; and the fact that most of the taxes levied in the rural areas were paid in cash, helped to further the monetization of the rural economy. On the other hand, the state collected much of the coin it put into circulation through the levy of taxes, thereby instituting a redistributive fiscal mechanism resulting in temporal and spatial variations in coin supplies in the rural communities, Brandes: Haldon, Towns, Tax and Transformation, 153; Haldon, Byzantine Society and Economy, 80–83, 86; Idem, Production, 225–243. Local and regional variations in the availability of and access to markets also affected money circulation. It is very difficult to estimate the degree of monetization and liquidity prevailing in the productive sectors of the Byzantine economy in the absence of quantitative data, and estimates (under heroic assumptions) that have been provided vary considerably. Indicatively, for the entire economy: Laiou, Byzantine Economy: An Overview, 1153–1155: 46%; Morrison, Byzantine Money, 946–959, esp. 950: 45%; Oikonomides, Mesobyzantini oikonomia, 363–370, esp. 370: "to a high degree" (σὲ ἡμηλὸ βαθμό)---the bounds of uncertainty are quite wide, inter alia due to unquantifiable households' propensities (self-sufficiency, barter). The available evidence suggests the existence of extreme variations in the degree of liquidity prevailing in the different sectors of the economy, with the manufacturing and commercial sectors probably monetized to a much greater extent than the rural sector, Hendy, Studies, 299–304; Harvey, Economic expansion, 81–85, 89–95, 101–104, 108–113, 118, 260; Metcalf, Coinage, 7–12. The monetary economy spread unevenly over long periods and very likely embraced short or medium term fluctuations. Barter took place in rural areas and fairs, and was resorted to on a much greater scale in times of monetary or political instability (insecurity, warfare, violent incursions). In the countryside, most exchange was local, cash sales of agricultural products were made largely to meet fiscal obligations, and in many instances peasants paid in kind, or at least partly in kind, even for the purchase of land, e.g., by draft or pack animals, agricultural products, jewelry. Payments for rural, artisanal, medical and miller's services were also made mostly in kind, e.g. in the form of olive oil, grains, produce, poultry, meat on the hoof, wine and even labor. Maniatis, Personal Services, 28–29 and ns. 12, 22, 81; 37; Laiou, Exchange and Trade, 733; Angold, Byzantine Government in Exile, 107; Treadgold, Byzantine Revival, 38; Saradi, Barter Economy, 405–418. Practice of self-sufficiency to a considerable extent by small landholders and paroikoi obviated the need for cash and recourse to the market, as they satisfied most basic needs in dairy products, meat, eggs, woolens, etc., by raising sheep, goats, chicken, pigs, and by growing their own vegetables, wheat and legumes. Also, a good deal of woodwork, e.g., tables, stools, beds, chests, was done in a crude fashion by the peasants themselves when agricultural activities ebbed or were not carried on, Maniatis, Personal Services, 38.
discontinued indices (e.g., wheat, wine, land, slaves, domestic animals) 3 may convey the direction of price changes but they are not helpful in establishing reliable secular price movements and meaningful comparisons, as they are liable to extreme seasonal fluctuations and fail to reflect critical differences in quality, location, or the particular circumstances of exchanges, factors that give rise to significant variations in prices. Moreover, gold, silver and copper coins experienced volatile changes in their alloy, fineness and weight, and more importantly in their value to one another, thereby impacting on the price level to an unascertainable degree. This made it hard to establish definitive relations between coins and prices and to advance credible hypotheses about prevailing price levels and rates of inflation or deflation. In particular, increased or decreased issues of token copper coins, widely used in daily transactions because of their low denomination,4 appreciably affected the price level. Population growth or decline; urban settlements and their density; the state-influenced patterns of demand, extraction, and redistribution of fiscal resources5; and the degree of penetration of coinage in rural areas influenced the demand for means of payments and the velocity of money in circulation. Dispersed production centers, high transport costs, and the inefficient distribution system led to market fragmentation and price differentials from place to place, making it difficult to gauge actual price changes and trends at the national level. Alternating inflationary and deflationary periods of varying intensity were likely followed by periods of relative price stability, the inflection points of which is impossible to pinpoint with any accuracy as the quantity of money supply was basically dictated by the number of mines in operation and their output,6 the balance of trade, the deficits of the fisc, the recipient (native or foreigner) of state disbursements, and the extent of the debasement of the currency. The more robust injection of debased coinage7 and copper coins by the state from the ninth to the twelfth century in the wake of economic expansion and political stability 8 apparently increased the supply of money which, reinforced by an increase in the velocity of money in circulation,

3 Sheynet et al., Prix et salaires à Byzance, 339–374; Morrisson, Monnaie et finances, 291–315.
4 On the importance of the quantity of copper coinage in circulation for everyday transactions, see Harvey, Economic expansion, 80–81, 85–89; Hendy, Byzantium 1081-1204: An Economic Reappraisal, 41–48; Cipolla, Money, 27–37; Metcalf, Coinage, 13–14; Jones, Later Roman Empire, I, 236, 438–444; Idem, Roman Economy, 187–227; Treadgold, Byzantine Revival, 36–39; Métivier- Prigent, Circulation monétaire, 586–618.
6 On mint production, fluctuations in money supply, and the evolution of the Byzantine monetary system, see Morrisson, Byzantine Money, 911–916, 950–962; Hendy, Studies, 378–447.
7 Debased coins increased the flexibility of the monetary system in that they were more suitable for a much wider range of everyday economic transactions as opposed to the high denomination full-value nomisma. Harvey, Economic expansion, 89; Grierson, Debasement of the Bezant, 379-394; Idem, Byzantine Solidus, 91–97; Hendy, Coinage and Money, 14–25.
8 Although reduced, issues of copper coins were not discontinued during the seventh-ninth centuries: Oikonomides, Byzantine State, 978–980; Haldon, Production, 228, 238; Harvey, Economic expansion, 81, 85–89.
helped intensify economic activity and spur economic growth, albeit with appreciable local variations. It is ironic that, by debasing the currency to meet its pressing budgetary needs, by default the state increased the money supply and facilitated the expansion of the production and export capacity of the economy during this period.

The inexorable reality was that Byzantium depended heavily on accumulated reserves of gold, often exhausted, and mainly on a favorable, but uncertain, balance of trade based on a net export balance with the West (resulting in a net inflow of gold) to meet its heavy budget outlays. Budget expenditures involved remuneration of an expensive bureaucracy and military, financing of public works, fortifications, and the upkeep of churches and the clergy; coping with frequent national emergencies; accommodating the demand for money as a medium of exchange; paying for imports from Asian markets, tributes to rulers of hostile neighbors, subventions to secure military alliances, services of foreign mercenaries, grants to favored landlords and ecclesiastic magnates and institutions, ransom for captive dignitaries, or other politically expedient payments; making up for the large quantities of gold committed to ornaments and hoards by the court, wealthy private individuals, and ecclesiastics (all resulting in a drain of reserves); and the loss of coinage due to wear, clipping, culling and chance events. This precarious situation and dependence on gold put pressure on the authorities to conserve and build up its reserves, by resorting to measures that aimed to increase the inflow of gold (export of high-value commodities


11 Diminished gold reserves led to repeated devaluations of the nomisma from the eleventh century onward. See pp. 105-107.

12 There are indications that imports from Muslim countries exceeded the value of exports from Byzantium, while exports from Byzantium to the West were greater than their imports, thereby offsetting their debtor balance with the Muslim countries. Lombard, L’or musulman, 143–160; Lopez, Dollar of the Middle Ages, 225–228; Idem, East and West, 133–136; Idem, Problema della bilancia dei pagamenti, 434–446; Hendy, Studies, 282; Day, Levant Trade, 807–814.

13 It is estimated that military expenses ca. 1025 accounted for around 70% of the state budget. Treadgold, Byzantium and its Army, 166–167, 198, Table 13; Harvey, Economic expansion, 80; Zakythinos, Crise monétaire, 1947: 164–192, 259–277, 564–591; 1948: 57–66. In this context, complaints were frequently lodged reflecting the view commonly held that the need to meet rising military expenditures was used as a pretext to raise the peoples’ tax contributions. Gautier, Diatribes de Jean l’Oxite, 29–31, 41–43, 49.


15 For examples, see Harvey, Economic expansion, 115–116 and the sources cited therein; Morrisson, Byzantine Money, 3, 939–940. Gold jewelry is more than an ornament; it is a form of saving and safekeeping value as well.
e. g., silks, heavy taxation, import and export duties, forced tax payments in gold), encourage the import of precious metals in ingot form, prevent its export through barter whenever practicable, curb its use and dissipation domestically (jewelry, objects for religious worship, ornaments), and by debasing the currency in order to maximize the available quantity of gold for minting.

The Byzantine monetary system kept adapting to the changing circumstances. Yet, acceptance of the *nomisma* at times was not as far-reaching as when Nicephorus II Phocas (963–969), facing budgetary difficulties, minted *nomisma* with reduced gold content (*tetartera*). To force acceptance of the light-weight *tetartera* in daily transactions on a par with the full-weight *nomisma* already in circulation, he made them legal tender and forbade merchants to refuse to take them in payment. Furthermore, the emperor decreed that payments by the state were to be made in light-weight *tetartera*, whereas payment of taxes to the fisc was to be made in full-weight *nomisma*. It did not take long for people to realize that they were charged 8 1/3 % per *nomisma* when they paid their taxes or received payments from the state. The coercive manner by which the *tetartera* were introduced had serious unintended albeit predictable consequences, as it led to a self-defensive posture by the alert business community and a suspicious public, prompting the former to refuse to accept them without compensation and the latter to hoard the heavy pieces and pass out the debased ones; development of an informal market and exchange rate between the two *nomismata*, with the full-weight ones commanding a premium; and disruption of the provisioning of the marketplace and price rises with detrimental economic and social consequences. To curb these tendencies, the emperor resorted to an unprecedented

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16 To acquire precious metal, when the tax amounted to, for example, 1 2/3 *nomismata*, two whole *nomismata* were demanded as *charagma*, and 1/3 *nomisma* in small change (copper) was returned as *strophe*. Hendy, Studies, 286–288; Svoronos, Recherches, 83–85.

17 In the treaty of 1111, the Pisans were exempted from the duty on gold and silver imported into the empire. The exemption was extended to the Genoese in 1155. Hendy, Studies, 282–283; Jacoby, Italian Privileges, 362.

18 “When they buy goods from barbarians [= foreigners], traders ought not to pay with gold but should exchange them with other goods; for gold should not be given to barbarians but, on the contrary, should be taken from them”, CJ, 4.63.2; Synopsis Minor, JGR IV, II. 112; B. 56.1.20; Synopsis Basilicorum, JGR V, K. 10.2; Epitome, JGR IV 16.49. Nevertheless, the *Book of the Eparch* stipulates that: “commodities imported from other nations, including Bulgaria, upon request of the foreigners, may be purchased through exchange with other domestically produced goods”, Koder, Eparchenbuch, BE, 9.6; Boak, Book of the Prefect, 610–611. On other measures adopted to curb the outflow of gold, see Hendy, Studies, 257–279.

19 The *tetarteron* contained one-twelfth less gold than the *nomisma* which weighed 24 carats and hence had 22 carats. Glykatzi-Ahrweiler, *Nouvelle hypothèse sur le Tetarteron*, 5–8.

20 Linen merchants, perfume dealers, chandlers, and grocers were obligated to accept *tetartera nomisma* as long as the emperor’s effigy was intact, Glykatzi-Ahrweiler, *Nouvelle hypothèse sur le Tetarteron*, 5–8.

21 Zonarae Epitomae Historiarum, 3, 506–507; Cedrenus, Historiarum Compendium, 2, 369. *Tetartera* were minted so that the fisc could reap a profit from the mandatory exchange of *tetartera for nomismata*. Zonarae, 506–507; Cedrenus, 368.
legislative prohibition of hoarding heavy nomismata, albeit with questionable results.\textsuperscript{22} Since newly-minted debased nomismata by a reigning emperor had the same value as the circulating heavier nomismata bearing intact the effigy of earlier emperors,\textsuperscript{23} the same initial resistance to their acceptance and demand for a premium might be expected to have been encountered in the course of subsequent dramatic debasements.\textsuperscript{24} For once in circulation, the debased coins found their own value based on the intrinsic worth of the metal content. The fineness of the nomisma declined from 24 carats in 976–1025 to 8 carats in 1081.\textsuperscript{25}

Alexius I Comnenus (1081–1118) carried out a major reform of the monetary system in 1092, and the hyperpyron remained relatively stable during most of the twelfth century;\textsuperscript{26} it depreciated again in the latter part of the century and throughout 1204. Despite its vicissitudes, the gold nomisma played a major role in the Eastern Mediterranean trade during the eleventh and twelfth centuries, while in the West the bezant was widely accepted as an international currency.\textsuperscript{27} The dismemberment of the empire following the ascendancy of the Latins in the thirteenth century led to the creation of new political entities and an array of regional coinages with varying alloys, weights, and denominations, raising transaction costs in commercial deals. The only state to maintain the traditional Byzantine trimetallic monetary system was the restored rump empire of the Palaiologoi in 1261. Nevertheless, the steady debasement of the gold hyperpyron closely associated with mounting budget deficits continued: its fineness dropped from 15 to 12 carats between 1261 and 1308, and after 1353 the issue of gold coins ceased altogether in Byzantium. From the thirteenth century onward, in the wake of the commercial penetration of the Latins, confidence in the depreciating Byzantine currency began to wane. It was ultimately superseded by the proliferation of the more stable Western hard currencies, which were used even by the Byzantines in their domestic transactions.\textsuperscript{28}

\textsuperscript{22} See n. 21 above.

\textsuperscript{23} Coins with a previous emperor’s effigy intact continued to be legal tender, and anyone who depreciated the value of these coins was severely punished, Codex Theodosianus, 9.22.1 ; CJ, 11.10.1 ; B 54.18.1, 3; Synopsis Basilicorum, N. 7.1, 3 ; Novel 52 of Leo VI, 201.

\textsuperscript{24} During his reign, Constantine IX (1042–1055) issued five types of nomismata and two of tetartera, each with diminished real value. Runciman, Byzantine Trade, 163.


\textsuperscript{26} It is noteworthy that Alexios I Comnenus issued a nomisma of copper which, along with the most heavily debased coinage of his predecessors, he used to pay for imperial expenses while taxes were largely collected in gold and silver. Zonarae Epitomae Historiarum, 3, 737–738.


\textsuperscript{28} Laiou-Morrisson, Byzantine Economy, 215–223, 226, 242–243 ; Zakythinos, Crise monétaire, 57–66 ; Day, Monetary Mechanisms, 3, 967–972 ; Ostrogorsky, History, 484.
Credit

Credit existed throughout the history of the empire, but probably expanded more rapidly after the tenth century in line with the increase in economic activity. Credit (and hence debt) served important functions: it made it possible for affluent individuals to transfer their surplus funds to enterprises through bank deposits or direct loans to finance the acquisition of plant, equipment, raw materials, stock up and market their output (industrial and commercial credit); to farmers to buy implements and seeds and meet tax and rent payments (agricultural credit); and to consumers to meet urgent personal needs (consumption credit). More importantly, credit amplified the volume of the financial capacity available to enterprises and, by extension, the efficacy of the quantity of money in circulation. Credit transactions were concluded by contract and in re, i.e. with the delivery of the ownership of a thing (or money) to the debtor, and could take the form of an oral agreement, a promissory note, or by pledging collateral. Besides money loans, there were loans in kind with legally prescribed maxima. As an important institution benefiting a whole range of economic activities, lending fell within the scope of statute law which safeguarded the interests of both creditors and debtors, and facilitated the orderly flow of credit.

The Basilica adopted Justinian's provisions concerning the conditions for lending at interest and the scaled rate structure, which was based on the nature of the capital loaned (currency or commodity), the socio-economic status and occupation of lenders and borrowers and, to a degree, the risk involved. Influenced by ethical principles,

29 Morrisson, Byzantine Money, 3, 909–910; Oikonomidès, Hommes d’affaires, 54–68; Laiou, Exchange and Trade, 2, 710–713, 732–736, 756–758. See also n. 31 below.

30 On the evolution of the interest rate structure in Byzantium and its rationale, see Maniatis, Just Price, 178–186. On the perception of usury in Byzantium, see Laiou, Nummus parit nummos, 583–604.

31 On the legal provisions pertaining to lending, see B 53.5.1–18; Synopsis Basilicorum, A. 62.1; 64.23–25; E. 1–27; N.1.1–34; T. 11.1–27; X. 2.1–76; X. 3.1–30; Ecloga Legum, JGR II 10.1–4; Prochiros Nomos, JGR II, 16.1–14; Epanagoge, JGR II, 28.1–15; Epitome, 17.1–91; 19.1–27; Prochiron Auctum, JGR VII, 17.1–81; Attaleiates, Ponema, JGR VII, 15.1–10, 14–17; 18.1–2; Ecloga ad Prochiron Mutata, JGR VI, 12.1–15; Epanagoge Aucta, JGR VI, 22.1–38; 51.42–46; Ecloga Privata Aucta, JGR VI, 11.1–11, 13; Synopsis Minor, E. 74, 101–107, 133; T. 4–6; X. 5–11, 13, 15, 16; Hexabiblos, 2.2.1–4, 8, 10, 11; 3.5.1–92; 3.6.1–28; 3.7.1–25; Peira, JGR IV, 26.1–29; BE 3, 1–6; Makridaki–Karatzas, Legal Aspects of Financing, 3, 1105–1120.

32 Dignitaries were not permitted to charge more than 4% interest annually; bankers, manufacturers and merchants could stipulate a rate up to 8%, and all other lenders up to 6%; sea loans could command up to 12%. Loans in kind (e.g., grain, olive oil) extended to farmers could not exceed 12%, while interest in money loans was fixed at 4% per annum. The creditor was not allowed to take as collateral the farmer's land, livestock or slaves (the provision fell into desuetude in the 13th century as impractical: Prochiron Auctum, 17.21, 27; Hexabiblos, 3.7.5, 11 and scholium, 12, 20, 22.23; 6.15.5). Furthermore, compounding of interest was prohibited; the sum total of interest paid could not exceed the principal; and if paid, it was counted against the principal. The use of fronts or other devices to exact a higher interest (e.g., commissions, local customs) was forbidden, and the excess over the legal rate could not be claimed. CJ 4.32.26; B 23.3.71 and scholium; B 23.3.19, 74, 75 scholium, 76 and scholium, 78; B 53.3.48; Synopsis Basilicorum, T.11.17 and scholium (p), 19, 21, 23; Epitome, 17.86–90; Epanagoge Aucta, 22.13, 23, 37; Peira, 16.61; 19.1, 15, 25, 40, 57, 59, 62; Attaleiates, Ponema, 15.15–17; Prochiron Auctum, 17.18, 19, 38, 40, 41; Synopsis Minor, T. 6; Ecloga Privata Aucta, 11.13; Hexabiblos, 3.7.5, 11 and scholium,
emperor Justinian set maximum legal rates to remedy a situation he thought was unjust. The continued excess demand for funds, and the attendant upward pressure on interest rates, prompted the state to intervene and cap rates to protect financially weak borrowers from lenders quick to exploit their predicament. However, the establishment of the price of capital by fiat on the basis of the social stratification and financial means of the parties led to a compartmentalization of interest rates which lacked economic rationale. Though politically expedient, the measure was counterproductive as it tended to reduce the supply of funds, since at decreased market rates potential lenders were disinclined to make capital available to those in need, or forced them to lend under various schemes at rates exceeding the capped rates. Whenever there was excess demand for loanable funds, the borrower was in financial distress or his creditworthiness was shaky, or the creditor could not obtain collateral, effective interest rates tended to exceed the legally set maxima, the more so since there were devices to conceal usury that were difficult to detect and police: payment of the interest in advance, disbursement of an amount less than the contracted principal, repayment of the principal before the maturity of the loan. But a more convenient scheme, apparently widely used, was not to mention at all interest or commissions in the contract, thereby making it impossible for the borrower to claim that he had made such payments. The adopted artificial rates were impracticable, as market forces would shift the entire rate structure toward a unified equilibrium rate. This base rate would be further adjusted for inflation, maturity, and the risk associated with the creditworthiness of the individual borrower or the hazards of the undertaking for which the loan is granted. And since only the lender is in a position to assess the magnitude of the risk involved in each instance because of his personal knowledge of the prospective borrower and his surrounding circumstances, it is unrealistic to expect interest rates set by fiat to reflect consistently and unerringly the ever-changing demand and supply conditions and individual situations. Moreover, rates fixed by decree created incentives to circumvent the arbitrary rate structure, and tended to give rise to a busy and uncontrollable informal credit market which, in effect, surreptitiously helped to satisfy pressing demands for loanable funds. To be sure, the authorities acknowledged the economic necessity of interest. Yet, it is ironic that, in their eagerness to achieve a

12, 20, 22, 23; 6.15.5. In the 11th century, in the face of growing economic activity, rising demand for capital, creeping devaluations, and dearth of loanable funds, the legal interest rate maxima were raised substantially by the practice of converting six percentage points into six nomismata per pound of gold (seventy two nomismata). Thus, the rates 4%, 6%, 8%, and 12% effectively became 5.55%, 8.33%, 11.11%, and 16.6% per annum, Gibbon, History, Appendix 13, 533–534; Ostrogorsky, History, 190.

33 Oikonomides, Entrepreneurs, 167.
34 Basically, the authorities entertained the notion that interest bearing loans were legitimate as long as the charge was not excessive. Apparently, practical men prevailed over doctrinaires, such as Cavasilas, Logos, PG 150, col. 728–745, and canonists, Laiou, God and Mammon, 282–285, who disallowed interest taking. It should be noted, however, that Cavacilas’ position was that the law allowing interest bearing loans should remain in force during normal economic and peaceful conditions as it was just and beneficial for the orderly function of the credit market; but, in times of social unrest and economic crises, when people were destitute and businesses were ruined, demanding interest was unjust and should not be allowed. Congourdeau-Deluis, Supplique, 216–218, 222, 224–232.
harmony of interests, they entertained the false conviction that they could devise and implement a set of stable prices for loanable funds, which would accommodate the neatly segmented by fiat economic interests of lenders and borrowers—clearly an unrealistic premise and an impractical sense of fairness. In this context, it is worth noting that, because loan repayments were made at the nominal value of the currency, to ensure against unpredictable inflationary pressures which might render payments in devalued coins worth much less (pacta sunt servanda), lenders usually extended loans with short-term maturities (e.g., up to a year) which could be rolled over at maturity.

Ability of firms to finance economic activities by debt was vital for their growth and the flow of commerce. In this context, the view has been expressed that the state deliberately did not allow private individuals to manufacture “on a more than petty scale”, 35 that private initiative and capital accumulation were stifled by expedient administrative devices, and that the economy was “restraint”. 36 In small-scale, largely “labor-intensive” activities occupying the lower end of the spectrum, but even in relatively “capital-intensive” industries occupying the upper end of the spectrum, the entrepreneur/master craftsman, being a hands-on worker as well, ensured effective control of the work process and obviated the need for supervisory labor. The close master-worker relationship ensured low labor turnover, work discipline, and relatively high performance as the owner could mobilize the worker’s full potential (at times probably abusively). Coordination of sourcing, production and marketing required the owner’s personal attention and was manageable as long as the level of activity was modest. The critical point in the growth of an industrial establishment was reached when it became essential to delegate operational and managerial functions, even if access to capital through self-financing, borrowing or formation of a partnership could be ensured. For an increase in the scale of operations placed heavy demand on organizational and managerial skills, and many owners might not have been capable of taking this bold step because they had moved up from the shop floor, lacked such innate capabilities, had no access to financing, or became risk-aversers above a certain threshold of enterprise size. Concern that competition from lower cost and more efficient enterprises could chip away at their competitors’ market share also played a role. As a result, enterprise growth—but not sector growth—was held back, as the response to the growing demand for an industry’s output tended for the most part to be met through the horizontal proliferation of small-scale workshops, based on new

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35 Runciman, Byzantine Trade, 153; Idem, Byzantine Civilisation, 173–174; Guerdan, Byzantium, 91; Francès, L’état, 239, 241, 243; Idem, Disparition des corporations, 95; Kazhdan, Derevnja, 320; Idem, Tsekhi, 140; Kazhdan-Epstein, Byzantine Culture, 22; Litavrin, Vizantijskoe obshchestvo, 146.

36 Oikonomides, Entrepreneurs, 156–157; Idem, Byzantine State, 3, 973; Ostrogorsky, History, 253, 288; Macri, Organisation, 53; Talbot Rice, Everyday Life in Byzantium, 121, 123; Mickwitz, Organisationsfomen, 76; Mango, Byzantium, 56; Toybbee, Constaninte Porphyrogenitus, 40, 42–43, 57, 69; Lopez, Silk Industry, 18; Angold, Byzantine Empire, 93–94; Kazhdan, Tsekhi, 137, 140, 149, 153; Idem, Derevnja, 320, 330–331, 344; Lindsay, Byzantium into Europe, 159; Francès, L’état, 239–241, 243; Diehl, Byzantium, 89; Runciman, Byzantine Civilisation, 173–174, 176; Haldon, Byzantium, 158–159; Laiou, Overview, 3, 1149, 1164; Laiou-Morrisson, Byzantine Economy, 57–58, 60, 155.
entry of master craftsmen, well-to-do merchants, or vouched-for slaves. Also, in many instances the ebbs and flows of demand favored smaller units affording operational flexibility. This is a more plausible explanation for the largely small-scale structure both of guild-organized and unorganized manufacturing in Byzantium. Indeed, there is no evidence in the legal or primary sources that the size of workshops or the number of employed workers was ever fixed in manufacturing. State interference in the operations of a multitude of establishments would have been not only impracticable, but such micromanagement would have been counterintuitive, counterproductive, and contrary to the entrenched free market system in force.

The obstacles to setting up shop even in relatively “capital intensive” manufacturing activities were not insurmountable, particularly for enterprising skilled laborers and merchants in good standing and with personal savings or ability to borrow, as legal barriers to new entry were nonexistent and economic barriers to entry (e.g., capital requirements, minimum economic plant scale) were relatively low. Start-ups could be financed by family members and/or by borrowing from relatives, friends, or commercial lenders. Formation of a partnership was a convenient way to raise capital and minimize or avoid borrowing, with one partner contributing his skilled labor and the other providing capital, marketing ability, or the workplace. Nevertheless, to run or expand their operations, small scale business owners often had to resort to debt financing to meet their fixed and working capital needs, frequently paying moneylenders above statutory interest rates because of the lack of collateral, the higher risk of illiquidity and default, and the protracted and expensive litigation to collect in case of default.

Financial Services

The financial services sector comprised the guild of the *argyropratai* (goldsmiths, silversmiths, jewelers), the guild of the *trapezitai* (bankers, money-changers), and private money lenders. The *argyropratai* dealt in precious metals and stones, undertook appraisals of valuables for a fee, and made, sold or repaired jewelry in their workshops, while the *trapezitai* concentrated on the business of money-changing.

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37 On provisions dealing with partnerships, see: B 8.2. 101; B 12.1.1–89; B 60.32.3, 4; Synopsis Basilicorum, K. 21.1–25; Σ. 12.1, 3; Ecloga Legum, 10.5; Prochiro Nomos, 19.1–19; 20.1–3; Epanagoge, 26.1–22; Prochiron Auctm, 20.1–29; 21.1, 3, 7, 10–12; Ecgola ad Prochiron Mutata, 12.16–18; Epanagoge Aucta, 25.1–20; 26.1–4; Ecloga Privata Aucta, 11.12, 14; Epitome, 10.1–27; Attaleiates, Ponema, 6.1–5; Synopsis Minor, K. 1–4, 83, 86–93; Hexabiblos, 3.10.1–30; 3.11.1.

38 On the uneven dispensation of justice in Byzantium, see Maniatis, Just Price, 157–168.

39 BE 2.1–11. For compelling evidence that guilds were never established in the provinces and that they ceased to exist in the capital by the end of the twelfth century, see Maniatis, Domain of Private Guilds, 351–369.

40 BE 3.1–6.

41 BE 2.1, 3. The *argyropratai* also accepted gold, silver and copper from private individuals to produce works of art for them for a fee (μισθὸς). B 20.1.2; Epanagoge, 24.1; Prochiro Nomos, 17.17; Epitome, 7.31; Prochiron Auctum, 18.17; Attaleiates, Ponema, 12.1; Epanagoge Aucta, 23.14; Hexabiblos, 3.8.1, 24.
and moneylending, a division of labor sanctioned by the *Book of the Eparch*. Certain scholars maintain that the *argyropratai* were also money-changers. Yet, the *Book of the Eparch* clearly separated the functions and obligations of the two guilds, with money-changing being reserved exclusively for *trapezitai*. A money-changing activity by *argyropratai* would have meant intra-guild competition in the delivery of the same financial service with *trapezitai*, which was contrary to the established division of labor within the guild system, in the sense that no guild was allowed to undertake the economic activity assigned to another. Also Novel 71 of Manuel I Comnenus refers to prospective money-changer appointees in the bankers’ guild as *trapezitai* and not as *argyropratai*.

The *Book of the Eparch* outlines only the rules of conduct applying to *trapezitai* but provides no information on their moneylending activities. At first sight, this is odd and the omission has puzzled historians. Nevertheless, it is clear that the state was interested in regulating through the guild system only the part of their activities that had to do with *money-changing* in order to safeguard the integrity of the monetary system and currency transactions and, to this end, assigned this activity exclusively to the guild-organized *trapezitai*, and forbade its practice by anyone else inside or outside the guild organizational structure. *Moneylending*, on the other hand, was an *optional* activity governed by statute law which the *trapezitai* could pursue in open competition with members of the other guilds and private money lenders outside the guild system. Thus, besides exchanging local and foreign currencies, the

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42 The terms *argyroprates* and *trapezites* in texts preceding the *Book of the Eparch* were used interchangeably, probably because there was no division of labor. For a list of such texts, see *Stoeckle*, Byzantinische Zuenfte, 21. However, with the passage of time, the *argyropratai* limited themselves to the trade of precious metals and jewelry, while the *trapezitai* concentrated on the business of money-changing. *Christophilopoulos*, Eparchikon Biblion, 80; *Zoras*, Corporazioni bizantine, 162. The distinction was not always made in common use, and in the literary sources and legal texts issued in the 10th century and beyond *trapezitai* habitually continued to be referred to as *argyropratai*. B 6.4.3; B 7.18.10; B 22.1.80; B 23.3.74; B 23.4.1; Peira, 19.62; *Attaleiates, Ponema*, 15.16; *Epitome*, 17.86; *Epanagoge Aucta*, 22.37; *Prochiron Auctum*, 17.38; *Ecloga Privata Aucta*, 11.5; *Hexabiblos*, 3.7.23; *Choniatae Historia*, 120; *Cantacouzeni Ex Imperatoris Historiarum*, 40. Such inconsistensies were not uncommon. For instance, guilds (*συστήματα*) were confounded with associations (*σωματεῖα*), as chroniclers and legal texts paid no attention to subtle distinctions and used descriptive terms loosely or interchangeably. *Maniatis*, Domain, 347–348.

43 *Ebersolt*, Arts somptuaires de Byzance, 6; *Freshfield*, Roman Law, para.2.3 (p. 11); *Lindsay*, Byzantium, 157, 159; *Odo of Deuil*, De profectione Ludovici VII, 73, 75.

44 B. 60.32.1; BE 18.5. Although the *Book of the Eparch* does not explicitly enjoin the *trapezitai* from concurrently practicing another trade, they were subject to the blanket capital provision BE 18.5, which prohibited guild members to simultaneously ply another craft.

45 JGR I (1152 or 1167) 416–417.

46 Basilica, Bks 9, 12, 23, 24, 26; *Synopsis Basilicorum*, title X; *Prochiros Nōmos*, title 16; *Epitome*, titles 17, 19; *Prochiron Auctum*, title 17; *Ecloga ad Prochiron Mutata*, title 12; *Hexabiblos*, Bk 3, titles 5, 7.

47 BE, 3.3.5. The assertion by *Tailboat Rice*, Everyday Life, 67, 130, that the “only” institution in which “people could buy and sell money” was the “state bank”, and that if they were found doing so elsewhere the sum involved was seized, is not substantiated.
trapezitai received mandated deposits of surplus funds from other guild members,\textsuperscript{48} opened business and individual accounts, extended business and consumption loans, and possibly financed maritime ventures. It cannot be established whether they acted as intermediaries between parties in localities outside the capital or were involved in state financing. Distant banking services in Byzantium were probably not as developed as in the West or in the Muslim East.\textsuperscript{49}

The view has been expressed that there is no evidence that the trapezitai served as moneylenders in the 10\textsuperscript{th}–12\textsuperscript{th} centuries.\textsuperscript{50} Yet, certain provisions in the \textit{Book of the Eparch}, as well as other legal sources, strongly suggest that the trapezitai did make loans. First of all, lending money at interest was an age-long practice. At the time of Justinian, trapezitai received deposits paying interest and loaned out these funds at interest not to exceed 8\% per annum. Such loans were valid even if they were not put in writing. Bankers were allowed to obtain a lien on the financed immovable or movable properties to secure the debt, as the law painstakingly safeguarded the interests of the banking community against the risks they assumed. Moreover, before, during, and beyond the period under review there are explicit references to bankers as money lenders.\textsuperscript{51} Also, the \textit{Basilica} set the upper limit of the interest bankers, manufacturers, and merchants could charge when making loans, thereby confirming their involvement in money lending. Second, since the argyropratai (= trapezitai) received mandatory deposits from other guilds on which apparently they paid interest, one must assume that they had to loan out these funds at a higher rate to defray their costs and make a profit. Indeed, it would make no sense to forbid guild members to hoard coins\textsuperscript{52} only to let the money lay idle with the trapezitai. Moreover, in the capital there were well-to-do persons (noblemen, military, landowners) with liquid funds who would be inclined to put their money to work and remain inconspicuous, as well as traders, artisans, and private individuals with some spare cash, all willing to lend at interest and entrust their funds to trustworthy trapezitai, earning up to 4\% or 6\% a year depending on the status of the depositor---not counting the lower risk and convenience. Thus, with ample cash on hand, the trapezitai were well-positioned to become active in moneylending. Third, when certain courtiers attempted to seize

\textsuperscript{48} BE, 9.5 ; 10.4.

\textsuperscript{49} Lopez, Dollar of the Middle Ages, 221 ; Day, Monetary Mechanisms, 3, 971.


\textsuperscript{51} Novel 19, 1–6 of Justinian referring to contracts by bankers ; B 23, 4.1.1 ; Synopsis Basilicorum, A. 62.1. “Whenever bankers go bankrupt, the accounts of the depositors must first be protected”, Digest, 16.3.7 (2). “Where a partnership has been expressly formed to carry on a banking business, any profit a partner earns which is not related to banking transactions by law does not belong to the partnership”, Digest. 17.2.52(5) ; B 12.1.50 ; Epitome, 10.19 ; Prochiros Nemos, 19.16 ; Epanagoge, 26.7 ; Prochiron Auctum, 20.21 ; Epanagoge Aucta, 25.16 ; Hexabiblos, 3.10.25. Loans at interest made by bank officers need not be put in writing. B 23.4.1 ; Synopsis Basilicorum, A. 62.1. In the Epitome, 8.13, 14, there is mention of deposits in banks (τράπεζαι).

\textsuperscript{52} BE 9.5 ; BE 10.4 and pp. 114-115 below.
the property of the wealthy and active money-lender _trapezites_ Kalomodos, his fellow guildsmen rallied to his support and frustrated their plans. 53 Fourth, although canon law prohibited clerics from lending at interest, 54 the rule was not observed 55 as they continued lending throughout the 12th century privately and as members of the guild of _trapezitai_. 56 Fifth, _trapezitai_ and private lenders loaning money secured by a guaranty or the promise of a third party, in case of default and unless otherwise agreed, had to try to secure repayment first from the borrowers; only if they could not collect they could proceed against the guarantors. 57 Sixth, Romanus I (914–944) paid up the outstanding debts of rich and poor residents in the capital amounting to a substantial sum, apparently owed to guild-organized _trapezitai_ and private moneylenders for commercial and consumption loans, and burned the acknowledgements of their debts (δομολογίαι) in a public celebration. 58 Seventh, prior to ascending to the throne, Michael IV (1034–1041) and his brothers were money-changers (hence members of the guild) and moneylenders. 59 Eighth, in practicing their profession, the _trapezitai_ were viewed as discharging a quasi-public function (_τὸ τῶν ἀργυροπρατῶν [τραπεζιτῶν] ὑπάρχειν δήμους ἀπίαν ἐχεῖ_ to be fulfilled only by men. 60 In this capacity, they had to keep accounts recording their lending operations (_ἀργυροπρατικὰ βρέβια_) and all other documents (_πυκταὶ_) diligently and, upon request, produce them as evidence before a court. 61 Finally, in disputes arising from bank loans (_τραπεζιτικῶν λόγων_), the testimony of one _trapezites_ before the court was deemed as sufficient proof instead of the three normally required. 62

Scholars have pondered, on the other hand, whether the activities of the _argyropratai_ included lending at interest. 63 The fact that the _Book of the Eparch_ does not prohibit explicitly or implicitly moneylending by members of the guilds; that

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53 _Choniatae Historia_, 523–524.
54 _Rhalle-Potles_, Syntagma, IV 451–452; _Hexabiblos_, 3.7.25.
56 Canon law cautioned clerics against joining the guild of _trapezitai_ because they could not serve two masters and because money-changing and moneylending was unbecoming to the status of the clergy. If they disobeyed, they would be cashiered, _Rhalle-Potles_, Syntagma, IV 451–452, 468–469. Apparently, clerics defied the ban, as evidenced by the Novel 71 of Manuel I Comnenus (see n. 45 above), whereby he enjoins clerics to give up the banker stalls they had purchased.
57 B 23.4.1; B 26.2.1; Prohrios Nomos, 16.10; _Epanagoge_, 28.11; _Epitome_, 19.5.7; _Hexabiblos_, 3.6.1. For statutory regulations pertaining to lending operations and judicial practices in Byzantium, see: _Makridaki–Karatzas_, Financing of Trade, 3, 1106–1112.
58 _Theophanes Continuatus_, De Romano Lecapeno, 429; _Scylitzae Synopsis Historiarum_, 3, 231.
59 _Cedrenus_, Historiarum Compendium, 2, 504; _Scylitzae Synopsis Historiarum_, 390.
60 B 7. 18, 10, 12.
61 B 7. 18.10; B 22.1.80. _Hexabiblos_, 1.2.19; 1.6.23.
62 _Epitome_, 13.30, 36; _Hexabiblos_, 1.2.19; 1.6.23.
63 _Freshfield_, Byzantine Guilds, xvi; 13; _Guerdan_, Byzantium, 95; _Dagron_, Urban Economy, 2, 436–437; _Runciman_, 'Byzantine Trade, 156.
moneymaking was governed by statute law and freely practiced outside the guild system; and that moneymaking was an optional and probably occasional activity of the business community, leave no doubt that not only the argyropratai but all guild-organized merchants like their unorganized counterparts were permitted to make loans, and that the prerogative was not exclusively limited to argyropratai. Simply put, moneymaking was outside the purview of the guild system. It should be noted in this context that the fact that guild members were enjoined not to hoard but to deposit their unutilized funds with the trapezitai does not necessarily imply that they were not allowed to loan out funds if they deemed it more profitable or less risky, e.g., if they could obtain a higher interest rate or better security. A major objective of the authorities was to forestall hoarding, and lending regardless of provenance was an effective way to prevent funds from being kept in reserve and out of circulation.

The induction of enterprises operating in the banking sector into the guild organizational structure aimed to safeguard the soundness of the monetary system; establish and enforce specific standards for the orderly conduct of currency transactions to prevent unsavory practices and hoarding; and preserve the mandatory functional division of labor among guilds, in the sense that the guilds of argyropratai and trapezitai could not engage in the same line of business. In enforcing the latter rule, perfume dealers were forbidden to accumulate coinage and engage in money-changing, thereby arrogating to themselves the business proper of the trapezitai, but had to deposit their surplus funds with the trapezitai. Similarly, linen merchants were not to hoard coinage but they had to deposit it with the trapezitai. It is plausible to assume that the same obligation was not confined to perfume and linen merchants but applied to all guild-organized manufacturers and traders—a tacit requirement dictated by the spirit of the regulatory framework of the Book of the Eparch, as members of the guilds in their commercial dealings, particularly with sojourning foreigners, could be tempted (or were suspected) to act as money-changers or conduits for counterfeit coins.

Entry into the guilds of argyropratai and trapezitai was conditioned on establishing high professional standards, good financial standing, and moral rectitude, attested by several respectable persons who vouched for the prospective candidate and assumed the potential risk of his transgressions. In particular, to preserve the integrity of and trust in the banking profession (ὡς ἄν μὴ παρ’ αὐτῶν τὰ τῆς τέχνης κιβδηλεύοιτο), the sponsors had to guarantee that the prospective trapezites will not sweat, clip or forge nomismata and miliareis, an infraction punishable by hand

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64 Merchant lenders could serve as evidentiary witnesses in money matters but along with two others. See n.62 above.
65 See n. 44 above.
66 BE 10.4.
67 BE 9.5.
68 BE 2.10 ; BE 3.1.
amputation;\(^69\) and that he will not entrust his affairs to his slave in his absence.\(^70\) The latter stipulation suggests that slaves could not become trapezitai, albeit a slave could become argyroprates (or a member of any other guild unless explicitly excluded) as long as he was vouched for by his well-off master, an opportunity for a lucrative investment that probably was not overlooked by wealthy individuals. \(^71\) On the other hand, no aliens could become members of the guild of trapezitai because prospective candidates had to be eminent Byzantines (ἀξιόλογα ῥωμαϊκὰ πρόσωπα). \(^72\) To ensure the orderly function of monetary transactions, the Eparch saw to it that the dealings of the trapezitai were unimpeachable and that they abstained from prohibited acts (Ὁ ἔπαρχος...φροντίζει...τοῦ πιστῶς συναλλάσσει τοὺς τραπεζίτας καὶ ἀπέχεσθαι τῶν κεκωλυμένων). \(^73\) Moreover, the trapezitai were required to present to the Eparch any clipped coins they received along with the person who tendered the bad money; \(^74\) they were expected to denounce to the Eparch itinerant money-changers (σακκουλάριοι) operating in squares and alleys so that deceitful deals could be prevented; \(^75\) and were enjoined to conduct business only from their stalls and refrain from sending their employees with sealed pouches (λογάρια) and loose coins to do business on their behalf in the squares and the streets. \(^76\)

\(^69\) BE 3.1. Perfume dealers and grocers were also severely penalized if they scraped or pared down nomismata. BE 10.4; 13.2. Given the importance of these provisions for the integrity of the monetary system, it would be odd if they were not applicable to all other guilds as well, the more so since, according to statute law, any one caught filing, clipping or adulterating coins was subject to harsh punishment, including those who could but did not prevent such criminal acts and those who traded in counterfeit coins. B 60.41.8, 9; B 60.51.33; B 60, 60.1, 2; Synopsis Basilicorum, Π. 8.1–3; M.18.2; Prochiros Nomos, 39.14; Epanagoge, 40.17; Ecloga Legum, 17.18; Prochiron Auctum, 39.162; Ecloga ad Prochiron Mutata, 18.28; Attaleiates, Ponema, 35.160, 248, 249; Epitome, 43.47; 45.71; Epanagoge Aucta, 52.11; Synopsis Minor, M.69; N. 29, 30; Hexabiblos, 6.14.3. During the first day of the Easter festivities, prisoners were released except [among criminals] those convicted as having accepted forged coins. B 7.17, 26; Synopsis Basilicorum, H. 7; Synopsis Minor, H. 7. Slaves denouncing counterfeiters of coins to the authorities gained their freedom. B 48.18.2; Epanagoge Aucta, 38.40.

\(^70\) BE 3.1.

\(^71\) By using their slaves as surrogates, they could remain inconspicuous and avoid being involved in the day-to-day operations of the enterprise. Interestingly, such an involvement in guild-organized activities has been criticized as an infiltration of lucrative businesses or as stealthy, forcible, sinister, and an exploitative act deriving from the exercise of economic or political power, Jacoby, Silk, 477; Sjuzjumov, Remeslo, 15–16, 30; Francès, État, 239–240; Muthesius, Byzantine Silk Industry, 34–37; Litavrin, Vizantiisko obshchestvo, 150. Yet, such an engagement, far from being surreptitious, suspect or inimical, should be viewed as a conscious and forward-looking effort on the part of the authorities to provide a vent to latent entrepreneurship and tap a source of capital for the expansion of industry and trade. New entry would promote competition through growth of the guild’s membership, expand production for domestic consumption and exports, and increase employment opportunities and the chances of better pay for the capital’s workforce—policy objectives yielding significant economic and political dividends.

\(^72\) Novel 71 of Manuel I Comnenus cited in n. 45 above.

\(^73\) Epanagoge, 4.6; B 6.4.2.

\(^74\) BE 3.5.

\(^75\) BE 3.2.

\(^76\) BE 3.6.
The argyropratai were enjoined to price fairly the items they bought or sold, apparently because their market value was not readily determined and the uninformed party could be easily deceived; they were forbidden to adulterate precious metals and jewelry with base metals; and their scales had to be stamped by the Eparch's office. To facilitate the detection of stolen precious metals, valuables, and sacred vessels, or prevent their export, the argyropratai were obligated to inquire about their provenance and report such sales to the Eparch or their chief. No work could be done and no deals could be concluded in their homes apparently to prevent underhanded deals. Fraud was not condoned. The argyropratai were not allowed to purchase gold wrought or in the form of bullion in excess of one pound at a time, and if they did, they had to inform their chief so that the next purchase would be reduced by the extra amount. The Book of the Eparch mentions neither the purpose nor the frequency of such restrictive purchases (weekly, monthly?) by the argyropratai. But, in light of the surrounding circumstances, the likely motives can be surmised. Byzantium depended heavily on gold reserves and needed to build them up. The measure enabled the authorities to steer the largest quantities of bullion (usually brought in by foreigners and exceeding the limit of one pound allowed the argyropratai) directly to the mint. In this way the state could obtain gold without the mediation of the argyropratai and hence avoid paying them a fee. The sellers, on the other hand, were afforded greater convenience as large transactions could be concluded quickly and the provenance of the gold could be ascertained expeditiously. The measure would also prevent the cornering of the market in times of scarcity and ensure access of all argyropratai to the available supply of gold. In a broader sense, the authorities sensed that the way for the empire to gain economic and political power, military strength, and international influence was to acquire and retain as much gold as possible. A net inflow of gold would stimulate business activity, increase investment and employment, and raise tax revenue. Spreading world-wide the use of a strong bezant in commercial transactions would certainly enhance the sovereign power and prestige of the emperor.

The two guilds' occupational exclusivity in money-changing and trading in precious metals did not secure a market monopoly. Neither the state nor the guilds fixed the commission the trapezitai charged in money-changing, the price at which the argyropratai ought to buy and sell precious metals and the jewelry they made, or the fee the latter should charge for services rendered (e. g., appraisals), as commodity price

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77 BE 2.2. On the determination of the fair price in the Byzantine legislation, see Maniatis, Just Price, 163–176.
78 BE 2.5.
79 B 60.22.6 scholium ; B 60.51.33 ; Synopsis Basilicorum, Π. 24.5 ; Attaleiates, Ponema, 35.58.
80 BE 2.4, 6, 7.
81 BE 2.10.
82 B 19.10.68, 72 ; Synopsis Basilicorum, A.12.1 ; Epitome, 16.29, 48 ; Epanagoge Aucta, 49.1.
83 BE 2.8.
84 See pp. 105-106 above.
determination was established by market forces under the conditions of free and fair competition embedded in the institution of private enterprise. The contracting parties were allowed to take advantage of the prevailing market conditions and their bargaining skills to arrive at a price consistent with their personal circumstances. The mere disparity of values in an exchange did not annul sales contracts: "it is only natural that goods of higher market value to be purchased at a lower price, and goods of lower market value to be sold at a higher price"; further, agreements reached in any manner by those engaging in lawful transactions were enforceable.\(^8^5\) In fact, in buying and selling the contracting parties were allowed to outmaneuver one another on the price as long as the resulting loss did not exceed half of the "just price".\(^8^6\) Clever exploitation of an advantageous position, first-hand information, superior intellect and judgment, or outwitting the other party did not counter to the \textit{bona fides} requirement of sales contracts. Being astute and shrewd was viewed as a part of the nature of business life, and indeed an everyday occurrence in private exchanges. The permissible latitude in business conduct and aggressive bargaining clearly indicates that one bought at his own risk (\textit{caveat emptor}): "It behooves the buyer to investigate and ascertain the facts before consummating a deal".\(^8^7\) The authorities felt that aggressive competition was beneficial to all parties in a transaction because it improved the quality of service, promoted efficiency, and resulted in the fair pricing of goods and services. To this end, the state was intent on promoting the orderly function of the marketplace by frustrating anti-competitive practices, \textit{inter alia}, through anti-monopoly legislation, the one man-one trade directive, norms of business behavior to ensure fairness in commercial deals and forestall illicit competition, and unimpeded entry into a guild;\(^8^8\) and by establishing a set of non-shifting parameters that defined unambiguously the rules of the game.\(^8^9\) The rationale was that in workably competitive markets the parties have the choice to bargain, shop around, or wait, so that they can make informed decisions

\(^{85}\) B 20.1.22, 3 scholium ; B 19.1.36 ; B 11.1.7, 67 ; B 53.7.1 ; Epitome, 11.1 ; 16.30, 32 ; Attaleiates, Ponema, 11.2 ; Prochiron Auctum, 15.34, 37 ; 21.30 ; Synopsis Basilicorum, A. 3.21 ; 12.9 ; Σ. 8.15, 16 ; Y. 7.5 ; Hexabiblos, 1.9.12 ; 3.3.70 and scholium, 101 ; Prochiros Nomos, 38.26 ; Epanagoge, 39.25. Misreading the provisions of the \textit{Book of the Eparch}, scholars have asserted that the state and the guilds fixed the prices of all commodities at the production and distribution stages of the production process. However, not prices, but only maximum profit margins were set at the retail end for a limited number of necessities handled by guilds and only in the capital: BE 13.5 ; 15.1, 5 ; 17.4 ; 18.1 ; 19.1. This was quite a progressive pricing policy since profit capping, though intrusive, was inappreciably disruptive of the functioning of the market mechanism and of the price formation process compared with outright price fixing. The reason is that the wholesale price structure of the consumer goods involved---the bedrock of retail price formation---was allowed to reflect the prevailing demand and supply conditions as well as prospective price movements. Fixing profit margins by fiat is not tantamount to fixing prices, as any change in the market-set wholesale prices was embodied in the retail prices and affected the consumer favorably or unfavorably. The issue is dealt with comprehensively by \textit{Maniatis}, Price Formation, 424–428, 432–440.

\(^{86}\) See n. 77 above.

\(^{87}\) Ecloga Legum, 9.1 ; Ecloga Privata Aucta, 10.2, 4 ; Prochiron Auctum, 15.52.

\(^{88}\) For details, see \textit{Maniatis}, Price Formation, 407–414.

\(^{89}\) Ibidem, 418–420.
and strike the best deal. It was equality of opportunity rather than equality of economic results that was the foundation of the state’s economic and financial policy.

The field of lending operations in particular extended well beyond the guild system, as moneylending was an activity which the *trapezitai* could pursue in open competition with private moneylenders. The Latins for their part conducted their financial operations outside the guild system (e.g., they had their own money-changers and moneylenders) and enjoyed extraterritorial rights, but that did not preclude contacts with the native Greeks. The commercial and financial domination of the Italians, coupled with the weak state authority, led to market dualism, discriminatory treatment of the market players, and resentment within the Greek business community. Nevertheless, the ensuing vigorous competition ensured that loanable funds gravitated toward activities with the most promising gainful opportunities and toward enterprising, risk-taking individuals.

From the 13th century onward, there are references to numerous Byzantine *trapezitai* operating as professional moneylenders with no reference to a guild, reflecting the latter’s demise and the increasing involvement of Greek entrepreneurs in the expanding Italian-dominated financial and trade activities. They belonged to aristocratic families, engaged in customary banking activities (currency exchange, transactions in gold and silver bullion, deposits, lending), and acted both as bankers and merchants investing in long-distance trade along with other banks operated by the Italians. Increasingly, members of the upper class also ventured on moneylending. By the mid-14th century, the monastery of Lavra owned twenty banker stalls (καταλλακτικὰ τραπέζια) in the capital, which it had acquired from fourteen individuals, including some members of the nobility. These late Byzantine financiers certainly did not attain the stature and geographic penetration of the Italian banks, being confined to Constantinople and Thessaloniki. There were no known banks and probably no money-changers in provincial towns, this function probably being discharged by local or itinerant merchants.

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90 MM 3, 19, 20, 21, 22; Manuelis Philae Carmina, I, 458; Martin, Venetians in the Byzantine Empire, 218; Jacoby, The Economy of Latin Constantinople, 199.

91 Charanis, Social Structure, 149–151; Frances, Disparition des corporations byzantines, 98, 100; Angold, Medieval Byzantine ‘City’, 32; Talbot Rice, Byzantium, 130; Oikonomides, Entrepreneurs, 165–167; Hendy, Studies, 249.


93 Cydonès, Correspondance, 21; Cavasilas, Logos, PG 150 cols. 733, 740, 744; Actes de Lavra, 3, no. 123.107; Laiou, Greek Merchant, 111–112; Eadem, The Byzantine Economy, 201, 204–205; Matschke, Urban Economy, 2, 481–482.

Conclusion

The Byzantine state had enacted a set of financial institutions which ensured the orderly function of the economy and sustained the economic performance of individuals and enterprises. Financial institutions (currency, credit, banking services) facilitated the efficient organization of economic activities, made easier the exchange of goods and services, fostered the development of a private enterprise system, helped the mobilization and allocation of savings, and were instrumental in the growth of markets by establishing a regime of prices. The state’s monopoly in the issue of coinage linked unconnected markets and contributed to the economic integration of the empire. The availability of currency and its denominations aided tax collection, the redistribution of the state’s revenues, and the monetization of the economy. In the Byzantine setup, there always lurked the potential clash between maintaining confidence in the currency, providing an adequate supply of money, and adapting the supply of money to meet the ever-changing transaction requirements, as rulers were not always sensitive to or capable of meeting these desiderata concurrently in the face of a constellation of unquantifiable variables impacting on the stability of the price level. Inflationary and deflationary periods of varying intensity likely alternated and were followed by periods of relative price stability, whose inflection points are not possible to ascertain with any accuracy due to an array of impacting factors. Despite successive devaluations, the weakened monetary system survived over many centuries by adapting to changing circumstances. The integrity of currency transactions and the uprightness of and trust in the banking profession were properly ensured. Credit and the attendant legal safeguards made it possible for wealthy individuals and thriving businessmen to transfer their surplus funds to enterprises, farmers and individuals, enabling them to finance vital economic activities and promote economic growth. Anti-hoarding rules obligating guild members to deposit their surplus funds with their fellow bankers raised the availability of loanable funds and potentially increased lending. Lending operations extended well beyond the guild system as moneylending was an activity which the trapezitai could pursue in open competition with private lenders. Vigorous competition ensured that allocation of the available loanable funds gravitated towards enterprising risk-taking individuals and the most promising gainful opportunities. Eager to harmonize conflicting interests, the authorities entertained the unfounded belief that they could devise and implement a stratified and lasting interest rate structure by setting maximum rates for the price of capital based on the form of the loanable funds and the socio-economic status of the contracting parties. Politically expedient, the measure predictably gave rise to an active and uncontrollable informal market albeit with lending occurring at realistic market rates. On the whole, the financial arrangements instituted by the authorities helped in the development of a reasonably workable monetary system, rendered valuable services to the market participants, and promoted economic activity and the attendant growth of the economy---a notable achievement in a labile political environment.
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У ЧЛАНКУ СЕ ОЦЕЊУЈЕ УЛОГА И УТИЦАЈ ФИНАНСИЈСКИХ ИНСТИТУЦИЈА НА РАЗВОЈ ВИЗАНТИЈСКЕ ЕКОНОМИЈЕ (X–XII ВЕК)

У чланку се оцењује улога и утицај финансијских институција на византијску економију. Валута, кредитне и банкарске услуге омогућиле су ефикасну организацију економских активности, олакшале размену роба и услуга, посепшеле развој система приватног предузетништва, помогле да се мобилише и расподели штедња и послужила у расту тржишта успостављањем режима цена. Доступност валуте и њене деноминације помогла је прикупљање пореза, прерасподелу прихода државе, као и монетизацију привреде. Интегритет платног промета и поверење у банкарску структуру и њено часно обављање су били прописно осигурањи. Кредитне и пратеће законске гаранције олакшале су финансирање виталних економских активности и промоцију економског раста – приметан успех у лабилном политичком окружењу.