

This article studies commercial credit in Renaissance Florence in 1427 through a statistical analysis of 4400 loans among all companies in the export oriented segment of the Florentine economy: international banking and merchant trading, wool and silk manufacturing, retail cloth sales, and cloth dying. Business letters from a sample of these merchants are also examined to uncover the mentalité of these Quattrocento merchants. The findings are these:

(a) Social exchange and reciprocity were the micro-mechanisms of economic exchange, with credit being the currency. Capitalist inventions like double-entry accounting and partnership systems formalized personalistic social exchange; they not displace it.

(b) Economic exchange in the market grew on the lattice of other social networks that provided its context. Socially embedded economic networks can be cliquish and incestuous, or they can be open and expansive, depending upon how multiple networks are arrayed. Porous elites with social mobility sustained open and expansive personalistic markets.

(c) Gossip about personal reputation provided discipline to the market, as much as did prices of goods.

(d) Political institutions were important for the development of Florentine markets because republican elections of merchants added public transparency and efficiency to the operation of private gossip, and they created a dual-role republican-merchant.

(e) Linguistic ambiguity induced creative exploration and innovation in social relationships, even as it enabled free riding and lies. The system was policed primarily by oligarchic ostracism and socially embedded trust.

How these features generalize to other historical and comparative settings remains to be explored in depth, but we suspect their widespread applicability.