Money and barter in the Middle Ages

By Katrin Schär, © MoneyMuseum

Nowadays only a small percentage of the total volume of money exists as actual minted coins or banknotes. Payment is increasingly made without cash, and «big money» nowadays refers merely to a lot of numbers in a lot of bank accounts.

If one is trying to describe today's economy, one soon wishes oneself back in the Middle Ages, when the payment for one's very real sack of grain was a very real knife or a new pair of shoes. Or perhaps a few silver coins, or even gold ones, whose face value fortunately corresponded to their real value. But were things really as simple as that – and were they simple throughout the Middle Ages?

The beginning of a monetary economy in the Germanic kingdoms

The money economy of classical Rome retreated as a result of barbarian incursions into the Roman Empire during the Dark Ages, or the Age of Migration as they are called in central Europe. But the Germanic tribes did not emerge from a vacuum; they had already been in contact (through trade) with the classical world and its monetary economy. For example, some sources dating from the 3rd century speak of the Germanic tribes' extreme greed for money. So the monetary economy did not die out at the beginning of the Middle Ages, but developed anew with the development of the newly emerging Germanic states.

As early as the 4th century, Emperor Constantine the Great fixed the weight of the large gold coin called the aureus solidus nummus at 4.48 grams of fine gold. He also laid down the relationship of the smaller monetary units to the solidus. There were gold coins worth half and a third of a solidus (triens), as well as smaller silver and copper coins.

As direct successors to the Romans, the Merovingian kings minted gold coins, and also took over the Romans' extensive trading network. They continued to import papyrus, cloth and spices from Greece and the Orient, while furs and slaves came from the north, mainly from Scandinavia. These large export-import bills continued to be paid in gold coins.

The Germanic rulers did not, however, mint the classical silver coins, since there was hardly any demand for small change. This was because the feudal system of society in the Christian West was to a large extent based on exchanges in kind. The payments by dependent peasants to their feudal overlords were almost exclusively made in kind; only fines and penances were paid in money. Thus the gold coins of the early Middle Ages were intended for important transactions and were only accessible to the wealthy part of the population. Everyday business, however, was conducted chiefly through barter.

From gold through silver to the guilder

Up till the age of Charlemagne, however, the value of the original solidus declined further and further, which meant that the solidus itself became increasingly rare, and the triens, which was still frequently minted, contained less and less fine gold. Thus the gold content of the triens sank from 1.51 grams in the time of Emperor Constantine to a mere 0.39 grams in the year 800. There are several reasons for this disappearance of gold from central Europe: the most important is undoubtedly the one-sided pattern of trade with the East, since more and more luxury goods were imported into Europe and paid for in gold, whereas very few European goods were exported for gold. In this way, the great treasures of the Oriental peoples, which had once been plundered by the

Romans, found their way back to the East. Three further reasons were, firstly, that there were hardly any sources of gold within Europe, secondly, that the earliest treasure hoards were being formed, and thirdly, that what little the Europeans had in the way of gold was partly «exported» again by plundering Scandinavians. Furthermore, it is suspected that the relationship of value between gold and silver, which was fixed in Islamic countries in the 8th century, made it worthwhile for European mintmasters to exchange their gold for Arab silver coins instead of European ones.

Charlemagne's reform of the coinage formally began the age of silver money. In the year 794 he fixed the value of the pound at 491 grams of silver. From then on, a pound of silver was divided into 20 shillings of 12 pence (denarii) each, a system which survived in Britain until 1971. The mark as a monetary unit did not appear as a unit of weight or value until the 11th century. It originated in Scandinavia and corresponded to about half a pound or 10 shillings. But the mark and the pound were pure accounting units, not actual minted coins. The silver pennies and halfpennies gradually replaced the system of barter, since the silver coins no longer represented a small fortune but were usable as a means of payment even for small farmers. Money did not, however, completely replace barter – there was a long transitional period in which an exchange rate between money and real goods was used. The expression «in rem valentem», i.e. the corresponding value in real goods, often appears in accounting books and debtors' slips. In the end, the earlier gold coins only existed as pure units of account. The few gold coins that circulated in Europe, mainly in England and Italy, were exclusively Arab or Byzantine mintings.

Only in the 13th century did gold coins return to Europe on a large scale as actual trading currency. First, the rich northern Italian cities began to mint gold coins: Florence in 1252 (the florin), Venice in 1284 (the ducat). These two coins soon became dominant in Europe and replaced the Arab gold dinar and the Byzantine besant. In addition, the florin was soon minted in Germany, and around 1375 acquired a German coat of arms and a German name, the gulden or guilder.

Mintmasters and counterfeiters

The early medieval mintmasters were private businessmen working for their own profit. Coin designs were relatively primitive, and mostly bore the name of the mintmaster in addition to that of the local ruler. Until well into the 7th century monetary and minting matters were based on those of Byzantium; Byzantine coins were imitated as far as possible in Europe, often relatively crudely. Only in about the 7th century did Germanic kings begin to mint their own coins and centralise their coinage. However, the authority of the Merovingians was not great enough to effectively control the minting of coins, so that more and more clerics and monasteries that exercised territorial powers began to mint their own coins. Foreign coins were often summarily melted down and reminted. Only Charlemagne managed to effectively limit the rights of independent mintmasters. He ordained that coins were only to be minted in imperial palaces; a short time later the first punishments for minters of counterfeit coins were laid down: they were to have a hand cut off. The punishments for counterfeiting became more and more severe – in the 14th century, for example, boiling in water was a customary punishment for counterfeiters.

But the extent of control over the currency varied with the authority of the ruler, so that the royal monopoly of minting coins was only an effective reality for brief periods. The fragmentation of the currency, i.e. the increasing number of mints, led to a further fall in the quality of coins. The lack of effective control gave counterfeiters a chance to make a quick profit by imitating the most popular European coins and giving them the lowest possible precious metal content. This dubious method of acquiring capital was even applied occasionally by the authorities – Philip the Handsome in the 14th century acquired the nickname «the Counterfeiter». Since it was impossible to be a hundred per cent certain of the value of a coin, people in many places took to weighing out the precious metal itself instead of trading with coins. A symptom of that practice can be seen in the simple silver bars which were also used as money.

Professional money-changers – the first bankers

In the high and late Middle Ages, merchants sought to bring order to the chaos of multifarious currencies in Germany by founding currency unions. The Wendish, Rhenish, North Saxonian and Franconian currency unions, as well as others in the 14th century, issued their own currencies. Later attempts by rulers to introduce a uniform currency for the whole of the Holy Roman empire (i.e. medieval Germany) failed owing to the resistance of these currency unions.

As a result of the innumerable currencies in circulation, there soon arose in the up-and-coming trading centres of the later Middle Ages the profession of money-changer. They were called «bancherii», from «bancus», the table at which they practised their profession. These «bancherii» soon began to offer bank-like services as well as ordinary money-changing – for example, they accepted deposits from their regular customers, and on the other hand accorded them overdrafts. Not only that; these money-changers and their customers soon set up a system of cash-free transactions. From as early a date as the 11th century there survive records of credit and debit notes, and of transfers from one account to another, together with non-cash transfers from one «bank» to another by means of clearing accounts. Since, however, a transfer could only be authorised orally, the business of the money-changers initially remained limited to the regional level. Written orders to pay only began in the 14th century, and with them non-cash monetary transactions at a supra-regional level.

In principle, then, the medieval economy was no less complex than that of today, a fact which is initially surprising, and which is above all remarkable when one reflects that all these transactions, currency conversions and interest calculations were done entirely without electronic aids …