

Casa di San Giorgio (1407-1805) Frattiani paper intro

1. first institution in hist. to have achieved a *debt-for-equity swap*
and given creditors significant bargaining power.
2. skill of management on the difference between *excusable and inexcusable default*
3. Specialization in *gathering and processing information and in the collection of tax revenues*
4. creation of a public deposit institution that anticipates by decades , if not centuries *modern commercial banking*.

Government debt and San Giorgio

- ▶ The origin of Genoese government debt goes back to 1149 when the Republic sold the right to collect revenues from various dues to obtain a loan needed to finance a war in Spain (Gioffré, 1967, p. 12). Discussion **A**.
- ▶ *Compera* Discussion **B(a)**
- ▶ *Luoghi* Discussion **B(b)**
- ▶ Evolution, **Debt for equity**
 - ▶ Issues, discussion **C**
- ▶ Comparison with the Bank of England **D**
 - ▶ **discussion D**
- ▶ Which functions of the CdSG (p. 6)?

Financial Market

- ▶ Recall definition of luoghi. E
- ▶ Treasury bills? E
- ▶ General remarks about the *endogenous* evolution of financial instruments.

Governance

- ▶ Facts
- ▶ internal pitfalls, alignments
- ▶ Relation with the polity?
- ▶ Safeguards ? F
- ▶ Comment? G
- ▶ SG vs the people (should be in that section and not #4) H
 - ▶ Institution defends the interest of *some* people against ?
 - ▶ Relation with Bank of England in XVIII century and the “interest reduction” (Chamley 2011)

Excusable and inexcusable defaults

- ▶ Argument
- ▶ Examples of gifts by SG. Are these good examples? K
- ▶ Enforcement (relevant before)
 - ▶ Comment on Conklin

Rates of return

Table I. Rates of return on San Giorgio and relative contributions.

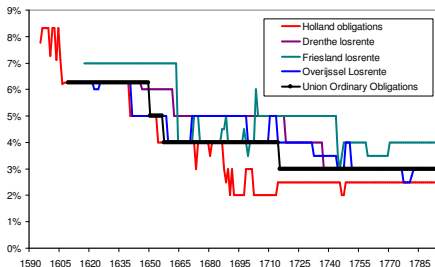
Period	Average annual rate of return	Dividend contribution	Price appreciation contribution
1523–1570	4.23	3.88	0.35
1571–1622	5.90	2.31	3.58
1623–1692	0.67	1.40	-0.73
1693–1739	1.63	1.53	0.10

Note: annual rates of return are defined as $R_t = (D_t^a + P_{t+1} - P_t)/P_t$, where D_t^a = discounted cash dividend and P = the price of the *luoghi*; dividend contribution is D_t^a/P_t ; price appreciation contribution is $(P_{t+1} - P_t)/P_t$; all multiplied by 100.

- ▶ Trend ?

Trends of rates of return in other regimes

► Issuing rates in the Republic of the United Provinces



► England North and Weingast

TABLE 4
GOVERNMENT LONG-TERM BORROWING: INTEREST RATES, 1693–1739
(selected loans)

Date*	Amount	Interest	How Funded
Jan 1693	£723,394	14.0%	Additional excise
Mar 1694	1,000,000	14.0	Duties on imports
Mar 1694	1,200,000	8.0	Additional customs and duties
Apr 1697	1,400,000	6.3	Excise and duties
Jul 1698	2,000,000	8.0	Additional excise duties
Mar 1707	1,155,000	6.25	Surplus from funds of five loans from 1690s; duties
Jul 1721	500,000	5.0	Hereditary revenue of Crown
Mar 1728	1,750,000	4.0	Coal duties
May 1731	800,000	3.0	Duties
Jun 1739	300,000	3.0	Sinking fund

* Date of royal assent to loan act.

Source: P. G. M. Dickson, *The Financial Revolution in England* (New York, 1967), tables 2, 3, and 22.

Others

Table II. Interest rates in Genoa and in selected financial centers

Period	Genoa (%)	Venice (%)	Antwerp (%)	Holland (%)
1382–1385, yearly average	8.83	14.85		
1386–1407, yearly average	7.03			
1386–1420, yearly average				
forced loans		8.8		
voluntary loans		6.13		
1522–1549, yearly average	3.95		14.25	
1535–1548, yearly average	3.82	2.5		
1549–1576, yearly average	3.76	4.0		
1549	3.87			6.25
1552	3.87			8.33
1560	3.66			6.25
1574	3.86			20.0
1576	2.79			8.33
1606	1.38			7.28
1610	1.45			6.25
1640	1.41			5.0
1655	1.49			4.0
1664	1.23			3.0
1665	1.23			4.0
1671	1.41			3.8
1673	1.37			4.0

Comparisons

- ▶ Read in Fratianni the text from p. 16 (Venice....) to the end of Section 5 on page 18 L
- ▶ Transition, loans by the Genoese to Philip II