

## Introduction

In his *Afterthoughts on Material Life*, Fernand Braudel explained that attention needed to be given to cities and money because of their importance in the development of modernity: they are both 'at one and the same time motors and indicators; they provoke and indicate change'. Yet the role of money within cities – the development of financial institutions concerned with generating credit, raising capital, insuring people and possessions, buying and selling financial instruments – has been a relatively neglected area of research despite the recent vitality of financial history. New work on financiers and financial institutions in the past, is contributing to a much better understanding of how financial markets contribute to the evolution of a world economy. We also know much more about how these markets were organised in the past. For the most part, however, this work has not concentrated on the locations of financial activity. There are histories of individual markets (such as the Stock Exchange), or of firms (such as the merchant banks), and of financial flows (capital transfers) or monetary systems (the gold standard). But most studies have little sense of how different financial activities relate to changing urban locations and they are not orientated to bring out the significance of financial functions to developments in urban economy and society and its internal power structures.

Whilst cities have been peripheral to the concerns of financial historians, and not part of their focus, the role of financial activities has been neglected by urban historians who have tended to concentrate their work on industrial cities and market towns. The impetus in urban economic research has derived mainly from an interest in industry and trade and their effects on human agglomerations. This volume is a new departure therefore for urban and financial historians alike in being concerned primarily with the history of financial centres. What the volume offers is a set of studies which directly or indirectly relate the history of financial activities to the urban process and to the locational, areal, social and spatial interests of urban historians.

The volume derives from a colloquium on 'Cities of Finance' held in May 1991 in Amsterdam. This four day conference was initiated by a group of British and European urban historians with the aim of reviewing and discussing various approaches to the history of urban financial activities. Contributions were sought from young scholars known to be working on topics relevant to the colloquium as

well as from established academics. Many of the papers contained new research which had not been published before. The scope of the conference was wide ranging and illustrated particularly well the intensification of international contacts characteristic of European urban history in recent years.

A number of different organisations were involved in the planning: the conference was sponsored by the Royal Netherlands Academy of Sciences in association with the Maison des Sciences de l'Homme in Paris, the British Urban History Group and the Centre for Urban History, Leicester University, the British Monetary History Group, and the Department of Economic and Social History of the State University of Leiden. The Royal Netherlands Academy of Sciences made all the arrangements for the conference and agreed to publish the papers as a set of proceedings. This has taken some time to achieve as many papers were extensively revised for publication. The processing of the different types of texts has been done at Leiden University by Victor van Enthoven.

In planning the colloquium it was not thought practicable to provide a systematic descriptive coverage of all the major financial centres. It was thought important nevertheless to take a long view which embraced cities that were prime nodes within evolving networks of economic systems in the pre modern as well as the modern periods and at different scales. Thus reference is made to cities which formed part of the Mediterranean economy – Venice, Milan and Florence – to the cities of the North Sea economy – notably Amsterdam but also Antwerp – and to the city of Liverpool within a developing Atlantic economy. In the modern period, proper cognisance is taken of the evolution of London into a world and Imperial financial metropolis. But the colloquium also found room for studies of Edinburgh, Paris, and three German centres – Frankfurt, Berlin and Vienna – plus a semi colonial metropolis – Shanghai. In addition, in the original colloquium, a new phase in the development of the modern Atlantic economy was introduced with a joint paper by Robert Cull and Lance Davies on capital market integration between the US and the UK 1865–1913, which brought in New York, but since this paper has already been published in *Annales ESC* (Un deux, trois quatre marches? L'intégration du marché du capital, Etats-Unis et grande-Bretagne (1865–1913), 1992, 3, 633–674) it has been omitted from these proceedings. This contribution marked also the end of the period under consideration in the colloquium because of the global character of the financial world since the beginning of the 20th century.

There was no intention of presenting a teleological viewpoint on the history of the development of a world financial system in the colloquium and the papers (and cities) represented were chosen to illustrate and explore a variety of themes. The most important of these is how to account for the rise and decline of cities of finance. Running throughout the first two sections of this volume is the basic question as to why some cities, as centres of trade and finance, not only achieved local or regional importance, but gained national and international functions and power. As Philip Cottrell put it in a position paper to the colloquium: why did some cities come to be known as 'cities of finance' and what forces were responsible

for moulding the hierarchy of subsidiary satellites within the compass of the financial and trading network at any particular point of time?

At the colloquium these leading questions were taken up initially by Richard Roberts in a key note lecture to delegates which reflected on the economics of the growth and concentration of financial activities in city locations. A revised version is included in the first section of these proceedings which consists of papers concerned with studying the changing hierarchies of financial centres in Europe. Ian Blanchard for example makes reference to the importance of a range of different European centres in developing an argument about the locational shifts amongst them during the 16th and 17th centuries. He seems to suggest that the monetary explanation for the inflation of the 16th century is back again. The paper by Bernard Lepetit develops an argument about national hierarchies. He focusses on the banking system challenging the assumption that financial activities are necessarily centralised in dominant cities in a study which considers France's decentralised banking system in the 19th century. His contribution raises some interesting questions about the definition of 'cities of finance' to which the colloquium kept returning. Finally, Andrew Porter brings a further dimension into this section by questioning the extent of London's financial hegemony within the British Empire. This section then not only offers examples of the changing locations of financial centres but also shows how financial activities were undertaken in cities operating in areas of diverse scale.

The second section is a series of case studies of the origins and functioning of financial centres at various periods. In the original colloquium these studies were distributed throughout sessions concerned with the role of cities within economic systems and other sessions organised around the theme of financial organisation within cities. In the event, however, there was no clear cut difference of orientation between these sessions and it seemed better to group the papers together as case studies. What they all show is the importance of taking into account networks of relationships in explaining the rise of financial centres. Some papers illustrate the role of state or city governments in the development of financial markets, others carry further a theme introduced by Charles Munn of the inter-relationships between commercial activity, the generating of credit and the development of financial institutions. These papers illustrate how financial activities, because of their urban nature, benefit (or suffer from) the overall effects of being enmeshed in a web of economic activities. Others highlight distinctive aspects of the organisation of financial centres at different times.

Reinholt Mueller illustrates the role of wealthy foreigners in the development of Venice as a financial centre in the later Middle Ages through a system of funded and floating debts. It is based on research into the investment activity of Paolo Guinigi, Lord of Lucca since 1400 and scion of a family of wealthy merchants. Amato's paper, however, shows other kinds of dependencies by concentrating on the role within the Mediterranean economy of the merchant and financial capital of Milan before and after the crisis in the textile industry of the 1630s. This paper gives reasons for the dramatic decline of Milan into a mere regional centre. Gaasstra also points out in his paper on finance and trade in 17th century Amsterdam

that at this period the financial sector in this city was not self sustaining. It seemed that Amsterdam's financial stability was very much dependent on the operations of the Dutch East India Company. Although Richard Roberts had pointed to the relative stability of financial centres over periods of time, all these case studies point to the vulnerability of financial centres.

However, the remaining studies in this section provide further detailed examples and explanations for the success stories, both those centres which attained importance for a period only and those which have endured. They offer reasons for the emergence of new centres of finance and point to the factors that helped to consolidate a city as a financial centre and move it to self sustaining growth.

Philip Cottrell reinforces earlier arguments about inter-relationships. He insists on the importance of studying the structure of the mercantile community in the port city of Liverpool to understand the network of credit relationships that developed in this port city and which provided the foundation of its mid 19th century pre-eminence in the international league of cities of finance. Charles Munn's paper throws light on the relationships between centres of finance with particular attention given to the rivalry between the two Scottish cities of Glasgow and Edinburgh. Michel Morineau and Alain Plessis examine the organisational characteristics of Amsterdam and Paris in their hey day.

W. Forstmann is concerned to illustrate the durability of Frankfurt as a city of finance. There is a link with the paper on Venice in the emphasis which he puts on the importance of public loans to the development of the financial system but he also stresses the liberal financial operating environment for the Frankfurt merchant bankers and how the cities financial structures survived many political vicissitudes. Finally, Ronald Michie reflects on the strength of London as a financial centre. What forces created and maintained for so long a centre of such power and influence? His answer it will be found has to do with the way that the City of London 'attained a critical mass that allowed it to achieve self-sustaining growth'.

The remaining two sections broaden out from the concern with finance and the urban economy to introduce other themes. In planning the colloquium it had been thought important to have papers that looked at finance and urban society through a consideration of financial elites. In his position paper on this topic Martin Daunton, a key member of the planning team wrote as follows: 'In 1870, in his account of the City of London as the centre of the world's financial system, Bagehot remarked that it differed from its predecessors such as Venice and Genoa in its absence of "great families of merchant princes". His contrast with Genoa was particularly apt, for there the existence of the clan like system of alberghi was strong, and formed a major prop of Genoese success. The strong family connections of such groups as Huguenots and Greeks and Jews, which linked together the various financial and commercial cities at a time when flows of information were personal, had a clear functional importance'. It was important Daunton argued to provide examples of ways of analysing the family structure of financial communities, and to go on from there to consider ways of analysing financial elites, the extent of their internal cohesion and closure and the extent to which they interrelated with other elites.

In the event, the number of papers offered on this topic was less than had been anticipated although it has become a matter of considerable interest to financial historians in recent years. However some papers in other sections touch on the role of elites as, for example, the paper on Venice and there is also Cottrell's examination of the merchant community of Liverpool. The three further papers contributed to this session fulfilled some aspects of the Daunton agenda and offered different styles of analysis as well as examples of different types of elites. Paolo Malanima's study of the financial strategies of aristocratic Florentine families in the 17th century during an age of decline highlights the tensions between investment, land purchase and conspicuous consumption in aristocratic expenditure – a theme which has wider reference to other periods and countries. Karel Degryse provides an example of research which examines the patterns of family structure and inheritance in trying to account for the fortunes of the new financial elite of Antwerp during the 18th century. Dolores Augustine takes this kind of analysis further in studying the banking elites of late 19th century Berlin and Vienna. Her paper utilises sociological approaches to understanding elites, as Daunton had urged, and illustrates the value of comparative study.

The most distinctive feature of these proceedings, however, is probably the last section dealing with financial centres, which was, not surprisingly for urban historians, thought to be a key topic in the colloquium. As Herman Diederiks and Michael Wagenaar pointed out in their position paper to the colloquium, few economic activities have shown a comparable tendency for spatial clustering as the financial services. Yet however familiar today's glossy offices and business centres may seem, the process of their formation is by no means clear. Once again it was thought important to develop a perspective that takes into account the situation under the Ancien Regime when face to face contacts were of the utmost importance. In this phase, therefore, one would expect the early development of a tight cluster of financial and commercial institutions within walking distance of each other and their supporting experts. But in explaining what particular forms this took the socio cultural circumstances of individual cities have to be taken in account. This is the theme illustrated in the paper by Donatella Calabi which explains how two centres of banking emerged in Venice between the 16th and 17th centuries.

The papers on Amsterdam and London take a longitudinal view in being concerned with the transformation of financial districts over time. They take into account new demands on financial districts, the growth of special purpose buildings, and changes in the technology of data processing and tele communication. Whilst it is not difficult to work out in general terms what the forces of change were, the pattern of developments on the ground cannot be taken for granted and were not everywhere the same. As Herman Diederiks and Michael Wagenaar show Amsterdam offers a picture that is dissimilar to the well known pattern presented as typical for American cities, whereby an expanding CBD is surrounded by a ring of urban decay. Although they show the role of the banks in the demolition and reconstruction of the central area and illustrate the conquest of central space by the office, in Amsterdam the financial elite persisted in living close to the centre rather than in suburban locations as in London. The paper by Derek Keene is also con-

cerned with the dynamics of central areas based on a detailed reconstruction of one part of the financial district of the City of London over six centuries. The paper highlights such features of modernisation as the trend to monumentality, the growth of specialised office buildings and the separation of residences from commercial buildings. But it also brings out the forces which inhibited change and preserved continuities. Finally, the paper by Marie Bergère on the Shanghai Bund was included in the colloquium since as a semi colonial metropolis it offered a valuable comparison with western style developments as well as furthering the debate about change and continuity, modernisation versus tradition, elements of both being important to shaping this financial district. In this section, the interests of urban historians in urban land use and built form are more evident overlapping with those of building historians and historical geographers.

This was a colloquium then which offered an opportunity to broaden the horizons of financial historians. At the same time many of the contributors on the economics of financial centres as Charles Munn points out in his paper attempted to look at the interstices between financial economics and urban (or regional) economics to discover that financial centre location does indeed raise a number of important and neglected questions. Although it was not possible to replicate the animated discussions which took place over the intensive but enjoyable sessions of the colloquium, it is hoped the publication of these papers will help to further stimulate new perspectives and methodologies and open up new areas of research on the history of financial centres.

Note: Leo Lucassen of the University of Leiden took over editorial responsibility for the final stages with David Reeder.

Addendum: We regret that Bernard Lepetit, a distinguished contributor to this volume, was killed in an accident in Paris in March 1996.