

Special exhibit

The origins of cashless payments

The Middle Ages saw considerable growth in trade across Europe. North-Italian cities such as Venice, Genoa and Florence became flourishing centres of commerce. Mediterranean seaports forged trade links with North Africa, Asia Minor and the Middle East, from where exotic luxury goods such as pepper and other spices found their way to Europe. North of the Alps, too, many towns and cities developed into commercial centres of supraregional importance. These included urban communes in Flanders such as Bruges and Antwerp or German imperial cities like Cologne, Nuremberg and Augsburg. Overseas merchants in these centres not only maintained trade relations with each other, but also with the major economic hubs in the Mediterranean.

This growth in European trade was accompanied by an expansion of the money economy, which made the matter of payments more important. Transporting large amounts of coins was not only precarious for security reasons, but also a logistical problem in light of the means of conveyance available at that time. Furthermore, there was the problem of establishing an exchange rate between the different types of regional coins. For this reason, merchants tried, wherever possible, to keep such physical movements of money to a minimum.

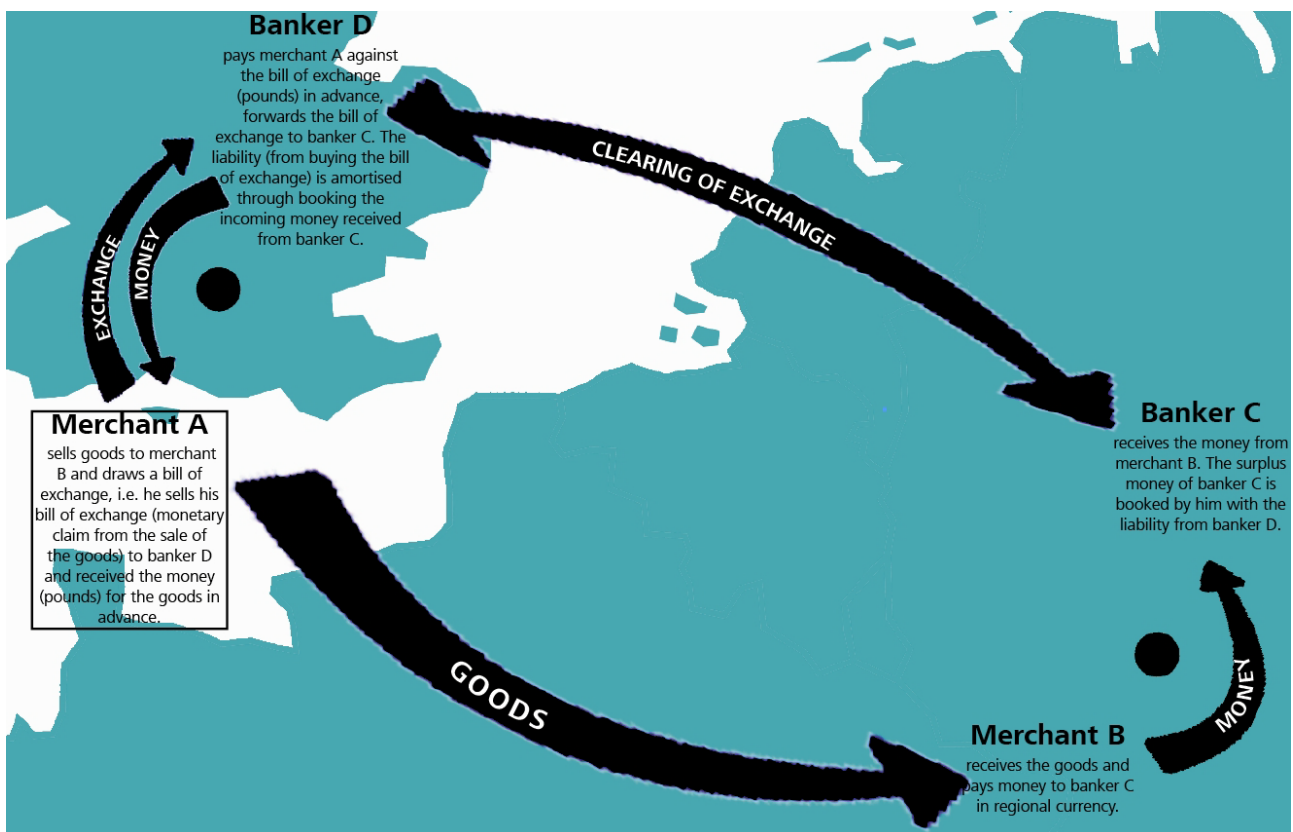


**Bill of exchange for
750,000 thaler Prussian
Courant**

issued by the French Minister for Finance via Rothschild & Sons in London on 14 July 1871 payable to Bleichröder via the *Haupt-Seehandlungs-Casse* in Berlin; received on 12 August 1871 (according to annotation on the reverse)

With this in mind, the initial forms of cashless payments developed in the second half of the 12th century. These were introduced by Genoese merchants at the “Champagne Fairs”, which were of major importance for European trade in the 12th and 13th centuries. Instead of using cash or precious metals, Italian merchants began to use *lettres de foire* (fair letters) more and more at such trade fairs. These were a formal, written promise to pay, certified by a notary. These early forms were succeeded by bills of exchange. The key innovation, however, was the settlement of each merchant’s claims and liabilities through accounts held at banking houses. The relevant currencies were converted using exchange rate tables. This was based on the trust of the individual parties meeting at the established financial centres.

The diagram below illustrates how such a bill of exchange should ideally work. Bills of exchange, in their numerous forms, remained an important instrument of cashless payments well into the 20th century. It can be seen as the precursor of cheques and credit cards. Even our present-day giro accounts (Italian girare = “circulate”) reveal their origin in this period.



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Further literature: Denzel, Markus A.: Das System des bargeldlosen Zahlungsverkehrs europäischer Prägung vom Mittelalter bis 1914. / Markus A. Denzel. – Stuttgart: Steiner, 2008. 583 S. (In: Vierteljahrschrift für Sozial- und Wirtschaftsgeschichte / Beiheft)