



Episode 955: Genoa: A Forgotten History of Liberty, Growth, and Entrepreneurship

Guest: Matteo Salonia

WOODS: I like your study a lot, and interestingly, we've both published with this publisher, Lexington Books, and they're all wonderful people.

SALONIA: Yes.

WOODS: *Genoa's Freedom*. So tell me what's so special about Genoa that you would focus on it rather than some other Italian story?

SALONIA: Well, I think that Genoa is usually remembered for being one of the maritime city-states during the Middle Ages, but other than that, there isn't much that people know about it. And to be honest, even historians have not paid much attention to this topic. And the reason why Genoa has been generally overlooked is twofold, I would say.

First of all, the role played by Genoa's merchants, Genoa's bankers, Genoa's captains in the economic development of late medieval Europe, let's say, and the modern Atlantic world, it doesn't follow the pattern followed by other cities or by other political entities, or anyway the pattern that most historians are looking for. So we have historians who usually openly write that they are looking for state-centered economic presence. And well, if you are looking for state-centered economic presence, you are simply not going to see the Genoese. You are not going to see what they are doing. You are not going to see what their presence is and why they are adaptable and successful over time. So this is the first reason why I thought that dedicating my research to Genoa made sense: in order to show how Genoa was different and at the same time important.

The second reason why Genoa is often ignored is that it doesn't fit – and here I'm talking about political ideologies and constitutional history. It doesn't really fit into that narrative of Renaissance republicanism as intended by most historians nowadays. In particular, their idea that Renaissance republicanism is a step towards the modern state and that Renaissance republicanism is something monolithic, something that meant the same thing to pretty much everybody at some point in 16th century Italy. Well, this is not the case. Obviously I'm simplifying things. There are historians who admit that there are different republican traditions in different cities. But the case of Genoa is so dramatically, so fundamentally different that it basically ruins the plans of anybody who tries to wrap up things into a general narrative about Renaissance republicanism.

WOODS: All right, so in other words, Genoa poses a bit of a problem for historians who insist on looking at the world in a particular way and want to force it all into a particular model.

SALONIA: Yes.

WOODS: When does your story begin? And set the stage for us. What are we seeing happening in Genoa as your story begins?

SALONIA: Well, if you like, I may start by telling you how I got interested in Genoa in the first place.

WOODS: Sure.

SALONIA: I was actually doing my master studies in Chicago, and I was studying at the Newbury Library, which is a beautiful private research library in the center of Chicago. And I noticed a collection of manuscripts, which basically was an account book written by tax collectors. So in theory, it's the most boring kind of document that you can ever look at. But what I noticed is that these were tax collectors for the Spanish Empire in late 16th century Peru, so at the heart of the Spanish Empire, collecting taxes for the king. And I noticed that one of the people signing off the documents was a Genoese. He had a Genoese surname, although in a hispanicized form. And so I started to wonder, Wait a minute, why would a Genoese first of all be there, and secondly, why would the crown, who cared a lot about collecting revenues from taxpayers, obviously, entrust such a delicate role to a foreigner?

And you see, I started to realize that very early on, the Genoese were present in the Spanish Empire. They were present in the Spanish Atlantic. And I believe that in order for us to answer the question, why the Genoese are there, we need to go back. We need to take a broad view of the history of Genoa and the Genoese people. That starts – and here I apply to your question, hopefully – starts from the late Middle Ages. This is unique. There is something unique in my book, and that is that I really take a broad view and I try to connect the Mediterranean zone and the Atlantic and the late Middle Ages with early modern developments.

So in order to understand why the Genoese are welcome within the Spanish Empire – which, by the way, was really for a long time a Castilian empire. Not even other Spanish peoples could enter. But the Genoese did enter. Well, in order to understand why, we need to understand who the Genoese were and what kind of relationship they had developed with the Spanish crown in the previous centuries.

WOODS: All right, now, on other hand, I can see, if I look at Venice, for example, a commercial empire there. So why is Venice not the same as Genoa? What's the origin of the difference and what are the differences?

SALONIA: Yes, you're absolutely right. Genoa and Venice both had vast commercial networks during the later Middle Ages, and these networks were impressive because they were stretching across the Mediterranean world and far into the Middle East and the Black Sea. The reason why Genoa is different than Venice is that the Venetian

Empire developed following the initiative of the senate, the initiative of the state. So I'm generalizing, but in most cases, Venetian colonies and Venetian merchants followed in the wake of the state's lead, followed in the wake of a centrally planned expansion.

Now, nothing like that happened in the case of the Genoese commercial network. The Genoese commercial empire was a series of overlapping private networks developed by merchants, and by this I don't want to deny that at some point, the Genoese *comune* or the Genoese city government may step in and say, You know what? It's time to have a more precise legal framework and to draw a treaty with the king of Tunis, for example, which was a city port where there was a large Genoese colony.

But usually, the Genoese government will do something like that in the wake of an already existing mercantile expansion that has taken place through private means and through basically Genoese merchants taking risks and investing money autonomously and weaving this network of different city ports together. Whereas, again, in the case of the Venetian Empire, well, Venice – and by this I mean the government of the city – was actually in charge of most of the navy anyway already since the very early 15th century. So to give you an idea what's going on in Genoa over the same centuries, actually the Genoese are still debating whether it's a good idea to have a state fleet, to have a public fleet as late as the 16th century.

So you see hopefully from these examples – your listeners as well – can see why Genoa poses a problem for historiography and for historians who are trying to develop a cohesive narrative about the political developments and economic developments in the Mediterranean during the late Middle Ages, but also later on in the early modern period.

WOODS: If you don't mind, I want to skip ahead a little bit later to the history of Genoa just to find out does it eventually become somewhat indistinguishable from these other places. And if so, how does that happen?

SALONIA: Yes, I think that you may say so, especially after the 1570s, where there are reforms to the constitutional framework of the republic, we may say that Genoa definitely starts to look more and more like any of the other regional states in Italy. But I think that what is more interesting is that by the 1570s or by the 17th century when this process starts in Genoa, actually Genoa has already faced and gotten beyond some very profound crises, including some military crises. And the reason, Tom, why I stress this is that some people may say, Well, it's good enough to have a city-state if you are not being attacked by foreign armies or something like that, but when you are in a situation of crisis, you have to immediately step up resources, come up with a fiscal state, and probably enlarge your territorial dominions and militarize the state. And this is actually what in a sense Machiavelli was arguing – Machiavelli as well as Guicciardini and other Italian intellectuals during the 16th century.

But what I want to stress, Tom, is that actually Genoa had been able to face the crises of the late 15th and early 16th century where there are the Italian Wars with very large foreign armies battling over the spoils of Italy, especially French and imperial armies. And during those years, during those decades, that were admittedly very

tough, Genoa survived. Genoa didn't betray the civic ideology of having basically a limited government and an executive with very limited resources, financial and military resources, and faced the crisis and solved this crisis by its usual means, which were private fleets, private arms, and private wealth, without following the pattern that other Italian states were taking, like Florence and Venice. Well, actually, Venice had already taken this pattern well before the 16th century.

So I think that this is really important to stress. Regardless of when Genoa eventually starts too, not too abruptly, but slowly turn towards a state that is more similar to the modern states, anyway, by then Genoa has already proved that its model is viable, even in terms of defense and even in terms of facing international crises and geopolitical crises.

WOODS: All right, I've got some good questions for you coming up in just a minute after we thank our sponsor.

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As you well know, Matteo, in the literature of economic history, there's been a lot of discussion about the origins of sustained, consistent economic growth and why it happens first in the West. And there have been a number of attempts to answer this question, and some of them have been institutional: there were certain institutions that the West had. Or there was respect for property rights that the West had. But what Deirdre McCloskey points out in her series of books is that the trouble with these explanations is that they account for too much. If these were the explanations, then we should have seen sustained economic growth in many, many places around the world, because there were many places where they had respect for property rights, not just in the West. So she prefers an ideological interpretation, that there was an ideological transformation. There was a respect for the merchant class, for the bourgeoisie that developed that made it appear that what they're doing is honorable and worthy of respect. And she believes that that is the linchpin. Now, how does the history of Genoa help to bear on this debated question?

SALONIA: Tom, I think you are touching on a very important issue, and there is a very large amount of literature on this debate. It's a debate that probably more than others is influenced by the ideological positions obviously of whoever takes part in it. I tend to agree with McCloskey, but I will stress, if I may, contrary to what McCloskey usually stresses: the role played by late medieval Mediterranean polities as opposed to the Weberian idea of a Northern European Protestant origin for the sustained economic development in Western Europe and the West. And the reason why I say this is that we needed to look at what McCloskey's describing — so this sort of acceptance and enfranchisement of private property that then sparks further reinvestment of capital, as well as savings that obviously needed to take place before the investment of capital, as well as the accumulation of knowledge and the deployment of managerial skills.

Well, in order to account for this, we need to account for the enfranchisement of private wealth that takes place, I would suggest first of all, in the Mediterranean Basin: in places like Amalfi, Venice, Pisa, Genoa. And not only in Italian cities, but also places like Alexandria and Constantinople. Early on in the 11th century, in the 12th

century, we see that nobles – so in other words, aristocratic families – start to invest their capital in shipping and in commercial activities. Now, this is something that I think is very important.

And there is a historian, one of the greatest economic historians from the past century, Robert Sabatino Lopez, who has actually gone even a step earlier, and he has wondered, Wait a minute, where are there noble families taking their surplus from that then they decide to invest in shipping and commerce? And Robert Sabatino Lopez has stressed the importance of population growth and agrarian development taking place contemporaneously since the 9th and 10th century in Europe. This agricultural surplus and the jurisdictional competition that brings markets together allows for specialization.

In other words, what does this mean? This means that if in my area we are good at producing grain and I enter into contact with another area that is good at producing something else, I may say, You know what? Then I will focus only on producing grain and I will exchange it with the other area for whatever other products and goods and services I may need. And this is obviously a very basic and silly example, but you understand how this is something that we cannot underestimate. The expansion of markets and the enfranchisement of private wealth that takes place, I would suggest, earlier on it takes place in the Mediterranean Basin.

WOODS: Now, what is the long-term significance of Genoa in the history of the West? Is it just a flash in the pan, or does it leave a lasting legacy? I guess that's the real question. Is this just an interesting historical curiosity, which is interesting too, or does it have influence on other places and people?

SALONIA: I think that there are many ways in which we could answer this question. Obviously if you follow cliometrics and quantitative economic history, then you are probably going to be disappointed, even though I will stress that there are studies suggested once by Dr. Cathy Abrelli on the longevity of the economic presence of the Genoese in the Atlantic world even as late as the 19th century. But I prefer to follow a different path and to look, rather than at quantity, at quality, and especially at what I call mental capital: ideas and skills.

The Genoese are not the first to use contractual instrument, like the *procuraze*, which is basically having a representative agent in ports and markets far away from Genoa that has the power to move around your money and your capital and to invest it. Of course this is an instrument that has been known since ancient times. But the issue here is that Genoa contributes to the revival of trading networks and of commerce in the Mediterranean after the early modern depression. This has surely lasting consequences for the economic history of the West.

And I will add that Genoa also inspires institutional developments that are then copied by other political entities and mercantile groups in Northern Europe later on, among these the association of different merchants together to cushion possible losses. The *baona* was used by the Genoese in the Levant, so in the Eastern Mediterranean. It's basically the origin of what we would think of as a modern company.

And again, the Bank of St. George. The Bank of St. George was an association of creditors that slowly took over the administration of the colonies and that was basically a general administration by the very people who had gone to those companies first – so by the merchants, the professionals, the notaries, the lawyers who were working there and who had staked their investment. They basically took charge of the administration of the colonies, as well as checking the expenditures of the central government. All this was done through a bank that was arguably one of the first chartered banks in history, the Bank of St. George.

Now, it was not a chartered bank in the sense that it was controlled by the government. Pretty much the opposite, we may say. It was a chartered bank in the sense that this association of creditors, creditors that had voluntarily lent money to the central government, said, Wait a minute, from now on, first of all, the government is going to borrow more money from us. And secondly, we are going to decide whether this is really necessary or not. And thirdly, because we don't want to give more military power, more diplomatic powers to the central government, we are going to deal with these powers when necessary in the colonies. We are going to deal with, for instance, some rulers or with some king in a faraway place where we have opened the markets. So I think that even institutionally, there are consequences that we can trace back to Genoa.

And finally, one last point will be that the Genoese are the first in as early as the 1270s to reopen the maritime route between the Mediterranean and the North Sea and Northern Europe. This is a momentous event, not just for the Genoese. Because in the wake of the Genoese, Venetians, Florentines, Castilians follow. And there have been some historians who have stressed the fact that one of the reasons why later on the Europeans are able to explore the coast of Africa and then to cross the Atlantic is because their shipping had taken into consideration two different traditions developed in two different situations. One was the navigational tradition, the shipping tradition of the Mediterranean, and the other was the shipping tradition, the navigational techniques developed in the North Sea. Now, it's thanks to the Genoese in a sense that these two traditions come together.

WOODS: Tell me – just take a minute to describe the views of Machiavelli here and contrast them clearly with the tradition in Genoa during the period of your study.

SALONIA: Yes, well historians looking at Machiavelli – I mean, as you have noticed, Tom, probably by now, I tend to disagree with many historians [laughing].

WOODS: Yeah, yeah, yeah, that's why you and I get along so well.

SALONIA: But let's say – I don't want to be unfair to all historians as a category, but –

WOODS: Of course.

SALONIA: – but in the limited amount of time, I'm trying to stress why I think differently from most of my colleagues.

Well, when it comes to Machiavelli – you will abhor this, probably – most historians tend to set on opposing sides two of the main works by Niccolò Machiavelli. One is *The Discourses* and one is *The Prince*. And what these historians try to say is that, Well, you don't need to take Machiavelli at face value in *The Prince*. He isn't really that heartless, or to be more technical, he isn't just endorsing the reason of state. In other places in what he has written, you can see that he was really a bleeding-heart republican.

Well, actually, I disagree with this. I think that they are looking at the issue from the wrong perspective. The question that I pose is the following: what makes Machiavelli unique? And I think it's time to go back to the texts and to take Machiavelli at face value and to listen to Machiavelli's contemporaries, who were shocked by what Machiavelli was arguing. Why don't we listen to them? The real issue for Machiavelli is not whether to have a republic or to have a prince. The real issue for Machiavelli is military security, centralization of the state, and territorialization. This is the Machiavellian recipe, and this – I'm sorry, but it's absolutely revolutionary when compared with the medieval city-state republicanism that is the tradition of Genoa.

Now, the fact that other cities like Venice had already abandoned the tradition earlier on well before Machiavelli doesn't take away the fact that Machiavelli's theorizing something that we could start to call the modern state. And this something that Machiavelli's theorizing is absolutely unpalatable. It's not good for most Genoese, not for all of them. And in my book, I bring an example of a Genoese dissident, and he was a dissident because he was a Machiavellian. But most Genoese or most people among the Genoese elite – which as you will have understood by now is a quite fluid elite. It wasn't just aristocrats. Aristocrats were working daily side by side with other people, with merchants and professionals in the markets across Europe and beyond. Now, most of what these people wanted was to continue to have low taxation and a government that they could keep under control. And they weren't mostly afraid of taxation, but rather they were afraid that a *signoria* – so a centralized government of a city – will mean a public fleet with which a certain faction within the city could embark in military initiatives.

Now, for a merchant who has a private network of representatives all across the Mediterranean world, if your polity starts to embark in some military venture, that is not good, because you are going to start to be perceived, at least in some of these markets, as a threat, something that the Genoese were usually never perceived as – which brings us back to the reason why they entered the Spanish Empire, the reason they were allowed in. They weren't perceived as a threat – to the contrary, actually.

So what happens is that Machiavelli is writing during the great crisis of the city-states when foreign armies are pillaging Italy, and there are some key years during which Genoa is nominally under the control of the Spanish crown. But what I show in my book is that actually the Spanish ambassador in Genoa really cannot get his head around how this polity is working. And I have analyzed the manuscripts in the Spanish archives, and I have translated parts of them in my book, and I show how the Spanish ambassador basically was admitting that, Look, the Genoese are just not going to do what Your Majesty, King of Spain, wants them to do. They are not going to raise taxes. They are not going to pay for the coalition. And most extraordinary of all, they are not

going to give you their fleet, because in fact, there isn't really a large fleet that is public. Most of the ships are privately owned.

And there is an episode, if we have time very briefly, in which basically the Spanish are organizing an expedition to Southern France to hit hard there against the French king. And the Genoese, who nominally are under the umbrella of the Spanish Empire, are required to give some ships. And the answer from the Genoese is the following: well, if needed, the Genoese promise to arm some ships, but they say that they will not follow Your Majesty's fleet to attack the French cause, because this will not be important to them. Wait a minute. So basically with this kind of reply, you are basically saying, first of all, we reserve the power to decide whether we are going to give you the ships or not. Secondly, perhaps we are just going to use these vessels to patrol the sea in front of Genoa and we are not going to follow you if you attack France, because we don't want to ruin even more our relationship with the French market.

WOODS: All right, so there's a lot of interesting material here in Genoa that I bet people did not know about until today.

SALONIA: [laughing] Exactly, yes.

WOODS: So all right, so you've basically been sending a message to historians, but now as we part ways for today, take a minute to send a message to libertarians in particular about why this story of Genoa shouldn't be overlooked any longer and it's one of these nice little discoveries that we make once in a while that help us realize that we're not altogether crazy. There are people who at least in broad strokes kind of thought like us here and there.

SALONIA: Well, I think that the message here is that in order to understand the origins of Western European economic development, we cannot look only at what happened at the end of a much longer process. We cannot put the cart in front of the horse. Is this what you say in America? I'm not quite sure.

WOODS: Yes, that's right.

SALONIA: But we need to look at what underpinned a business culture, at what were the value systems that favored savings and the reinvestment of capital. And we need to look at what were the conditions under which certain institutional instruments that were known also to other cultures – I don't deny this – and in other places and even at other times prior to this were actually allowed to flourish. And I think that another point that your libertarian listeners may be interested in is the fact that, reading my book, you get an impression of the jurisdictional competition that was going on in Europe at this time, and this continued to be one of the strengths, I really believe – one of the strengths of the European context, of the Mediterranean context. Where you had jurisdictional competition, freedom, in particular economic freedom, has more space for reasons that perhaps, rather than a historian, a political theorist can explain better than me, but that your listeners will not ignore, I'm sure.

WOODS: Well, the book is *Genoa's Freedom: Entrepreneurship, Republicanism, and the Spanish Atlantic*. Linking to it at TomWoods.com/955. And what the heck? Can I put your University of Liverpool page up there too?

SALONIA: Well, actually, I'm about to move to London, because I will start to teach at the King's College London in September, so —

WOODS: Oh, okay, all right, so you're —

SALONIA: I can send you the page later on, yes, definitely.

WOODS: Okay. Okay, good, good, good. Well, wonderful to hear from you and I'm really happy about your project and I'm going to be curious to hear what else you're working on, and great to hear you're moving to King's College. All good news for you. And thanks so much for today.

SALONIA: Thank you. Thank you, Tom. It was an honor. Thank you.