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***Four Centuries of European banking and Financial Networks***

Helma Houtman-De Smedt and Herman Van der Wee

**Abstract**

From the 13<sup>th</sup>-14<sup>th</sup> centuries onwards the great Italian cities recreated the financial system of Antiquity by developing pawn broking, deposit and transfer banking, and trade in bills of exchange. Pawn broking was based upon inter-city cooperation of the pawn brokers. Deposit and transfer banking, via multilateral clearing, stimulated financial networking among bankers in each city and with bankers of others cities. The expansion of trade in bills of exchange stimulated even financial networking beyond Italy and generated the spread of the new financial techniques in the main trade centers, north of the Alps. At the same time, the trade centers of Northern and Northwestern Europe developed their own financial techniques and financial networking by introducing the annuity system and the system of transferability of letters obligatory. In the 16<sup>th</sup> century the Antwerp money market combined the Northwestern and Southwestern innovations by turning transferability of paper into their negotiability, by turning deposit and transfer banking into discount banking, and by institutionalizing networking through the opening of the first modern Exchange of the world. In the 17<sup>th</sup> century the Bank of Amsterdam institutionalized multilateral clearing and introduced the principle of paper money. The Amsterdam Exchange became a center of financial networking at a world scale, *inter alia*, by creating a modern international bond and stock market. Finally, in 1694 the Bank of England was founded, consolidating the system of modern public debt and growing into the first central bank of the world.