

## 6. Organisational issues

The fierce competition between buyers of the finest and rarest objects made it essential for agents to have large sums of money at their immediate disposal, and while funding was an essential aspect of trade, the lack of it was the root of most of Lagnasco's problems. Money was supposed to be sent from Dresden to The Hague when required, but more than once, the payment was delayed, as can be determined from Lagnasco's constant entreaties to Augustus the Strong:

Would you be so kind as to issue new instructions concerning the money, because my affairs are as yet unfinished, and I am not in the position to advance money. I still buy things here and there, but not often, and sometimes I must forego beautiful things, because I cannot pay for them.<sup>99</sup>

Likewise, when the correspondence was delayed and Lagnasco had to make snap decisions, he paid for the goods out of his own pocket in the hope that Augustus the Strong would reimburse him. It is no wonder that financial issues make up a considerable part of the Count's letters, as he not only had to concern himself with a constant supply of money, but also with arranging payments between two parties involving different currencies. In Saxony, the Reichstaler was the common medium of exchange; in the Netherlands, the guilder (florin) had gradually replaced other currencies that had been circulating in the Dutch Republic. To secure the correct exchange rate, one had to consult the *Amsterdamsche Wisselbank* or Bank of Amsterdam (hereafter: Wisselbank).

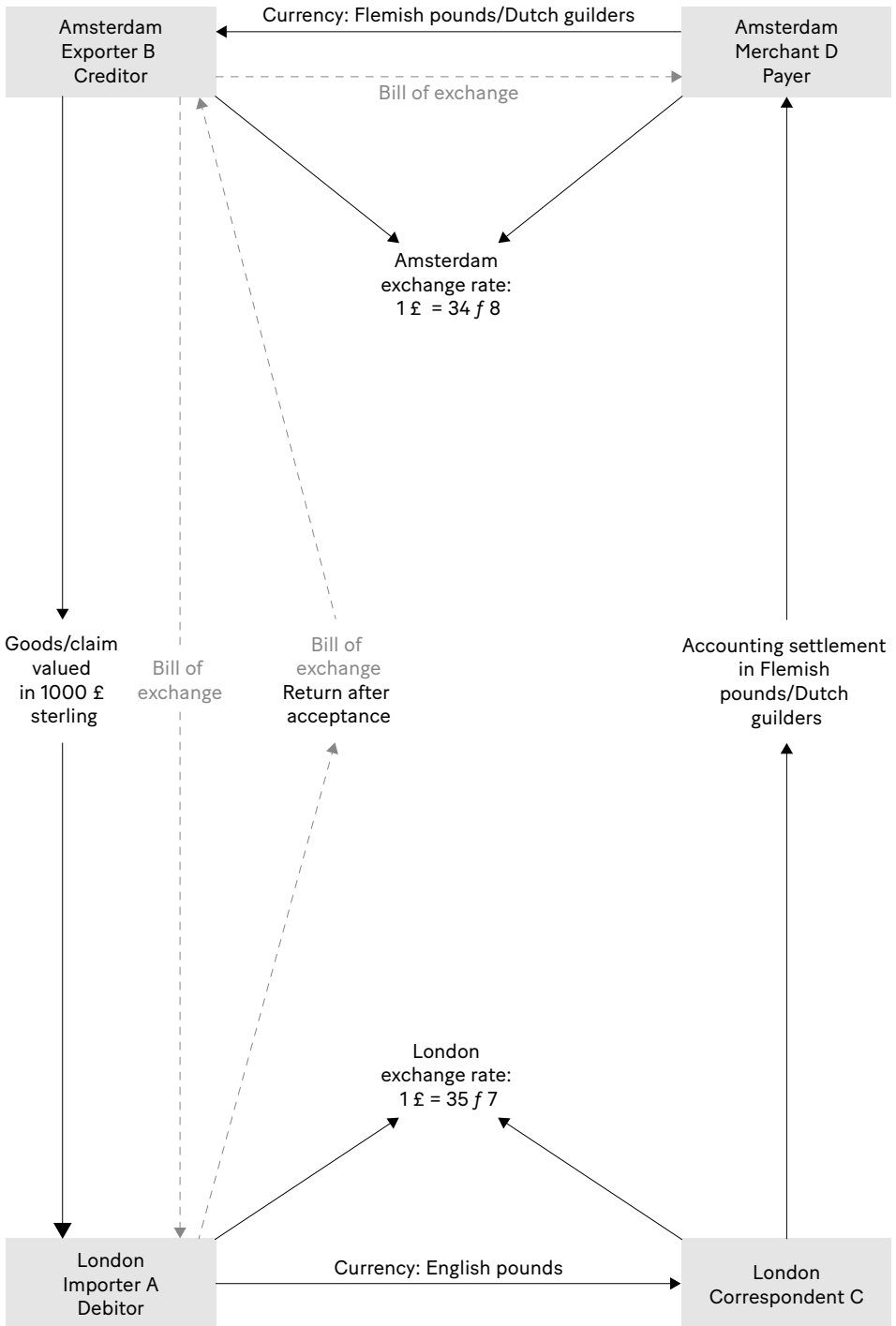
To understand the complex international payment mechanisms in the Netherlands in the early 18th century requires looking back into the 17th century and the history of the Wisselbank. The bank was founded by the City of Amsterdam in 1609 to bring order to the chaos resulting from the numerous

currencies used in the Netherlands. It accepted various currencies, deducted a small handling fee, and credited the account holder in their books with the balance. The bank issued these credits as “bank money”, which corresponded to the value of the coins deposited by an account holder. The bank underwrote these so-called *wissels* (bills of exchange) with silver or gold. Bank money always conformed to mint standards, was not subject to debasement and was thus worth slightly more than real coinage. The difference in value between common currencies and bank money, the *agio*, was mostly around 4-5% in the first half of the 18th century.<sup>100</sup> The Wisselbank was highly respected, as is confirmed by the political economy pioneer Adam Smith (1723–1790), who wrote in *An Inquiry Into the Nature and Causes of the Wealth of Nations* in 1776: “At Amsterdam, however, no point of faith is better established than that for every guilder, circulated as bank money, there is a correspondent guilder in gold or silver to be found in the treasure of the bank”.<sup>101</sup> The Wisselbank was extremely trustworthy, and through the use of bank money, payments between two parties with different currencies were made much easier.

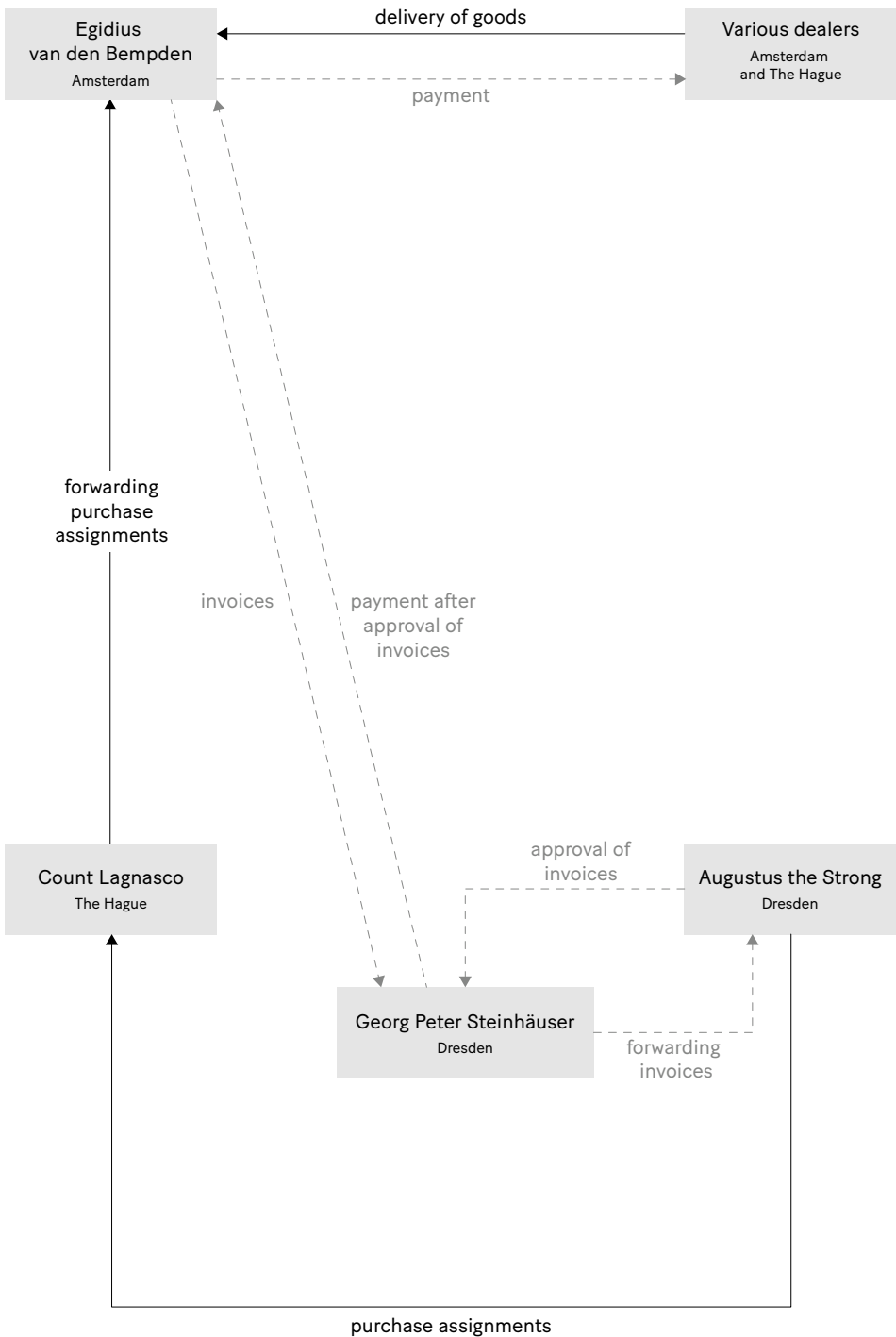
Every merchant in Amsterdam had a bank account at the Wisselbank because of the regulation that all transactions of 600 guilders or above had to be redeemed through bank money, resulting in a stable flow of money. Around 1720, about 2900 dealers had accounts at the bank, many of them foreigners.<sup>102</sup> The Wisselbank was the “guardian of a separate, privileged medium of exchange with its own unit of account” and was “implicitly entrusted with the mission of maintaining price stability”.<sup>103</sup> Following this institution’s model, other banks were opened in Middelburg (1616), Delft (1621) and Rotterdam (1635).

### 6.1 Payments through bills of exchange

Just how difficult and complex large-scale acquisitions in a country with a different currency must have been for Lagnasco becomes apparent when one takes a closer look at the Wisselbank’s payment mechanisms with bills of exchange. As a centre of global trade, Amsterdam not only attracted merchants from the Netherlands, but from all over Europe, the Middle East, and the Far East. The plurality of coinage and exchange rate fluctuations complicated trade significantly, which is why the bills of exchange made transactions between merchants with different currencies much easier. The founding of the Wisselbank also created a unified and stable platform for traders from all over the world, as it bypassed private money exchangers and the labyrinth of exchange rates and fees. A bill of exchange was technically a payment order, comparable to an invoice, which stated the names of the creditor and debtor, and the place and time of payment of a specified sum. When the transaction was not between two parties using the



**Fig. 9.** Payment transactions through bills of exchange, 13th to 17th centuries.



**Fig. 10.** Workflow of Augustus the Strong's acquisitions in the Netherlands 1716–1717.

same currency, it combined three important aspects of a transaction: money transfer, lending or borrowing money, and currency exchange.<sup>104</sup> It stated the amount that was guaranteed by a deposit in the Wisselbank, and at least three parties were required to execute a trade through a bill of exchange.

In his publication *Geld in Amsterdam. Wisselbank en wisselkoersen, 1650-1725*, Pit Dehing provides a detailed explanation of the connection between these three parties and the use of bills of exchange as invoices for trading, citing the example of a buyer in London (*Importer A*), who buys a product from a seller in Amsterdam (*Exporter B*) (fig. 9).<sup>105</sup>

In Dehing's model, the London-based buyer (*Importer A*) acquires products from the Amsterdam-based seller (*Exporter B*), who also arranges the packing and shipping. At the time of payment, the seller sends a bill of exchange based on the exchange rate in Amsterdam to the buyer in London. The buyer approves the bill and sends it back to the seller, along with the details of a contact person in Amsterdam from whom the seller can retrieve his payment (*Merchant D*). The seller then sends the bill to this contact person, who in turn pays him in Flemish pounds or Dutch guilders.

With small adjustments, Dehing's model can be applied to the acquisition procedures of Count Lagnasco (fig. 10). In this case, Augustus the Strong, in Dresden, is the buyer, with Lagnasco his representative in the Netherlands. The various merchants from whom the porcelain was bought correspond to *Exporter B* in Dehing's model. However, the shipping and packing were arranged by Egidius van den Bempden, who fulfils the position of *Merchant D*. Van den Bempden had a pivotal role in the acquisition process, as the porcelains were initially delivered to him and stored in his warehouse. He also had to pay the various merchants who supplied the objects. So, when payments were due, Van den Bempden forwarded the collective invoices to Privy Chamberlain Georg Peter Steinhäuser in Dresden, who administrated the king's personal expenses. Steinhäuser submitted every bill to Augustus, who approved the amounts. The bills would then be returned to Van den Bempden, who could then pay the merchants the agreed sum. The amount was determined by the Wisselbank's exchange rate.

## 6.2 Credit from private lenders

Whereas the Wisselbank was a deposit bank that accepted coinage, held the money and issued exchanges, it did not loan out money. Overdrawing a bank account was heavily fined, yet to conduct business in Amsterdam's competitive markets required money, often paid in advance to secure the best deals. Lagnasco describes the rivalry between different agents for the finest porcelain

in a letter to Augustus the Strong on 10 July, when he urges the king to quickly buy an assortment of urns before the French or the Portuguese could:

They demand 2500 Francs from this country for the urns; maybe they will give a discount if someone buys them. But there is no time to lose, because the ambassadors of France and Portugal go there often, and, as I understand it, one of them seeks to buy them to send them to their master. However, I will do my best to postpone the sale until I have received orders from Your Majesty.<sup>106</sup>

Sending money from Saxony to the Netherlands took quite some time. Thus, in order to have money available for urgent acquisitions, Lagnasco had to resort to borrowing funds in Amsterdam from a private lender, which was common practice.

This cheap credit, widely available from the firms and leading merchants in Amsterdam, flowed through such a variety of channels, from the most respectable trade to the wildest speculative ventures, that it is hard to follow all its twists and turns. But it clearly played a role in what were known at the time as the commission trade and the acceptance trade, which in Amsterdam took on particular and multifarious forms.<sup>107</sup>

Lagnasco was in contact with two merchant bankers in Amsterdam. One was Chitty and Sons (Chitty et Fils in the letters), a private enterprise that had been founded by the Englishman Matthew Chitty (1648–1714) (fig. 11), a merchant with connections in England, Italy and the Levant, and one of the wealthiest bankers in Amsterdam.<sup>108</sup> In 1716, Chitty and Sons was among the 25 largest account holders at the Wisselbank.<sup>109</sup> Founded in 1699 under the name Chitty & Peacock, the company operated under the name Chitty and Sons from 1709. As Matthew Chitty had passed away in 1714, when Lagnasco dealt with them, Chitty's son-in-law Hugo St. Quentin (n.d.), was probably in charge of the company.

Lagnasco received an initial credit from Chitty and Sons of over 4000 florins, as stated in the bank's letter of 2 July 1716: "The letter of credit of 4000 florins that Monsieur Deeling has provided you with will be honoured, so when you think it is appropriate to use it, kindly let us know, and we will instruct him in The Hague to tell us the amount you need".<sup>110</sup> Since the enterprise was located in Amsterdam, and Lagnasco mainly stayed in The Hague, Chitty and Sons instructed their correspondent – a certain Abraham van der Stoppel – to pay Lagnasco the required sum: "[...] we will instruct our friend in The Hague, Monsieur Abraham van der Stoppel, to pay you the sum you require".<sup>111</sup>



**Fig. 11.** Portrait of Matthew Chitty, artist unknown, 1675–1699.

Another merchant banker whose name is mentioned in connection with credit loans is Joan (Jan) Scherenberg (1680–1753). Originally from Cologne, he made a name for himself in Amsterdam as an exchange banker. Only three letters were sent from Scherenberg to Lagnasco between January and February 1717, starting with a refusal to credit Lagnasco with the sum of 4000 guilders due to a lack of communication from the Count's side. Scherenberg is also mentioned in an earlier letter of 10 June 1716 from Lagnasco's secretary to a certain Monsieur Bernard regarding an outstanding payment from the merchant Philippe DuMont:

“But Mr. DuMont cannot address anyone except Mr. Scherenberg, with whom His Excellence [Count Lagnasco] wishes to have no dealings. You could use the service of Mr. Dehling [*sic*], who most certainly has another correspondent in Holland who is a bit more civil than this Scherenberg”.<sup>112</sup>

For whatever reason, the relationship between Scherenberg and Lagnasco appears to have been strained from the very beginning, but the brief missives nevertheless reveal another aspect of the manifold connections between Saxony and the Netherlands. Scherenberg himself was in contact with Philippe DuMont (n.d.), a Huguenot merchant who had lived in Leipzig from around 1699. His name appears as the addressee of the eventual purchases – the crates containing at least the first purchase were sent to him – and it was he who would send money from Saxony to the Netherlands. This is implied in the letter quoted above, and in another letter from Scherenberg in which he claims to have orders “from my friends in Leipzig” to pay no more than 150 florins to Lagnasco.<sup>113</sup> That there was no direct trade connection between Amsterdam and Dresden was a constant impediment in the trade between Augustus the Strong, Count Lagnasco and the Dutch merchants. The shipping of – and apparently even the payment for – the porcelain acquisitions went via Leipzig, one of the most important trading centres since the turn of the 16th century. At this time, the city was granted the *Reichsmesseprivileg* by Maximilian I (1459–1519, Holy Roman Emperor from 1508). This privilege confirmed the protection of all three Leipzig fairs on New Year, Jubilate<sup>114</sup> and Michaelmas,<sup>115</sup> and forbade other fairs in the cities of Halberstadt, Magdeburg, Meissen, Merseburg and Naumburg. With Dresden's close proximity to the traditional trading centre of Leipzig and the presence of well-established tradesmen in the city, it is understandable that the organisation of shipments and payments for the extensive porcelain acquisitions were left to an experienced merchant in Leipzig.