

The Crash of the European Financial System in 1345

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Giovanni Villani, who lived during these events, wrote these entries in his diary, the *New Chronicle*:

“In January 1345, the Bardi company, Italy’s largest enterprise, went bankrupt. The reason was that they, like the Peruzzi, had invested their own and others’ funds in the affairs of King Edward of England and the King of Sicily. Therefore they were unable to pay people of the city and others, to whom the Bardi alone owed more than 550,000 gold florins. Many other, smaller companies and private persons, who had entrusted their property to the Bardi, the Peruzzi, and other bankrupts, went under in the crash.... Let the reader try to imagine what money and valuables our citizens lost, having trusted them to kings and rulers out of thirst to make gain. O cursed and greedy she-wolf, full of vicious avarice, which reigned in the souls of our blinded and deranged citizens, who handed their own and others’ property to the power-

ful of this world in hope of enrichment! By that cause, our republic lost all influence, and the citizens remained without means of subsistence, except for a few tradesmen and the usurers, who extorted the last crumbs from the inhabitants of the city and its surroundings. But it is not without cause that the Lord’s vengeance strikes the towns and their citizens, but it is a punishment for their sins, as Christ himself spoke: “Die in your sin,” etc. That is enough, and perhaps too much said about this indecent subject. *Yet, in gathering together the reports about those memorable events, the truth should not be concealed, but it should serve to teach and forewarn future generations.*”

The chain of defaults cascaded throughout Europe, as even the Papal Curia defaulted.

Villani wrote: “For Florence and the whole Christian world, the losses from the bankruptcy of the Bardi and the Peruzzi were more severe than from all the wars of the past. Anyone who had money in Florence lost it, and outside the republic famine and fear reigned everywhere.”

The 100-150 years that followed are known as the “late Middle Ages,” a period Europe remembers for such events as the Hundred Years War and the Black Death, and for numerous uprisings and rebellions.