

Ex Libris

A biography of financier Thomas Gresham reveals a driven man with a special understanding of markets

by Christopher Silvester



Gresham's Law

The Life and World of Queen Elizabeth I's Banker

JOHN GUY (PROFILE BOOKS, £25)

THOMAS GRESHAM is brilliantly portrayed in this biography, which renders the arcane world of Tudor banking and foreign exchange accessible to the general reader. As banker to three successive English monarchs (Edward VI under the protectorate of the Earl of Northumberland, Mary, and Elizabeth I), he was a schemer, a chancer, and a self-publicist; and while he steered clear of the religious controversies that curtailed the careers of so many men in Tudor England, as John Guy explains, 'so

many of his "devices" and experiments for obtaining loans or making profits on the exchange markets reeked of the innovative power of skulduggery'.

The son of a successful merchant and banker, Sir Richard Gresham, Thomas was educated at the universities of Cambridge (from the age of 11) and Paris, where he became fluent in French and Flemish, later learning Italian as well as some German and Spanish, and served an apprenticeship with his uncle in the textiles business, 'while his father taught him some of the secrets of exchange dealing in Lombard Street and Antwerp'. An early portrait reveals the 'swagger... [of] a merchant prince in waiting'.

Gresham watched from the sidelines as Henry VIII debased the coinage, plundered the monasteries for lead and bells as well as treasure, and borrowed heavily in Antwerp in pursuit of foreign wars. He served as a courier, smuggling bullion and arms for the king. During the reign of the child king Edward VI, he waited for another royal banker to fail (by negotiating bad loans), whereupon the Duke of Northumberland, Lord President of the Council, appointed Gresham in his stead.

One of his more outlandish schemes was to corner the market in lead by forcing merchants to trade through a state outlet on pain of death and thereby manipulate the price of lead upwards in Antwerp, where there was a European shortage of the base metal. This was rejected by the privy

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council. However, it did allow Gresham to use a float from the crown to manipulate rates of exchange through a secret network of agents in Antwerp 'shortly before he planned to close one of his larger credit deals or make loan repayments, gradually raising or reducing the value of sterling in the direction that best suited him'.

He was able to take advantage of a rising silver price and managed 'to reduce the government's debts in Antwerp by almost half in barely nine months, a breathtaking feat'. He 'trumpeted this dark wizardry as if he had turned water into wine'.

Next, he came up with 'an ingenious scheme that would gradually evolve into his master plan for the next 15 years'. It was to force all Anglo-Brabant merchants to make short-term loans to the crown, payable directly to Gresham in Antwerp in Flemish pounds, 'at rigged exchange rates', and repayable in London after a couple of months in sterling. The merchants resented him, but they had no choice but to comply. As Guy puts it, 'the poacher in him became a gamekeeper after he accepted the job of government banker'.

He also persuaded Northumberland to renounce the trading privileges of the Hanseatic League of north German merchants. (For a modern parallel, think of Trump's tough revisions of trading arrangements he perceives as one-sided.)

As a result of all these measures, England's credit rating on the Antwerp bourse soared. Whereas the English crown could borrow at 12 per cent, the Emperor Charles V could only borrow at 16 per cent.

When Edward VI died, his Catholic sister Mary assumed the throne. Northumberland, already ailing, lost power and was executed. Gresham was briefly out of favour until his replacement agreed a disastrous loan, then he bounced back again.

'Judging by his surviving correspondence, nothing interested him more than the kaleidoscopic fluctuations of interest rates and margins on the Antwerp bourse or Lombard Street,' says Guy. 'He was a compulsive dealer, a driven man where money or profit was at stake.'

He explained to the privy council that it was easy for the Queen to get into debt, but not so easy for her to extricate herself from it. As he explained in his own words: 'As the exchange is the chiefest things that eats out all princes and all men that use it to the impoverishment of a whole realm, so being looked unto, it is the most profitablest [*sic*] and beneficial matter for the Queen's majesty for the wealth of her realm that can be devised by the wit of man.' This meant Gresham was 'one of the nation's greatest assets, whether a Catholic or a Protestant was on the throne', because 'he, and he alone, understood how the markets operated'.

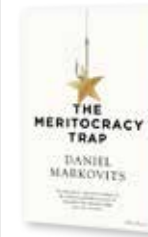
As a family man, Gresham left much to be desired. He sued and cheated his siblings and half-siblings; he married a wealthy widow for her fortune and excluded her sons and grandsons from her first marriage from his will; he had an illegitimate daughter whom he cheated along with her future husband over their marriage settlement; and he had an illegitimate son for whom he failed to provide. His legacy projects, Gresham College and the First Royal Exchange, needed rescuing by others.

His signal achievement was to persuade Elizabeth I to abandon seeking loans on the Antwerp bourse and find cheaper sources of credit in London, laying the foundations of London as an international hub of financial services. His reward was to become a senior diplomat in Brussels, but his brusque manner with the Queen meant she never favoured him with land grants, and he died owing a substantial amount to the crown.

'Gresham was keen to please, always thinking laterally and yet playing his luck like a gambler,' writes Guy. Even in retirement he was unable to resist the lure of a deal, as when he smuggled 195 tons of iron shot to Morocco, 'despite Elizabeth's ban on trading in armaments with Muslims'.

As 'the first high priest of market economics', Gresham understood better than any of his contemporaries how exchange rates could make or break a monarch. Those whom he served owed him a great deal more than he ended up owing them. ●

NOTA BENE



The Meritocracy Trap

By Daniel Markovits (Allen Lane, £25)

'Merit is a sham,' Yale law professor Daniel Markovits proclaims in the opening to his passionate argument against 'the ideological conceit' of meritocracy. The promise of equal opportunities, he argues, has morphed into what it was designed to combat. Meritocracy stands accused of creating a new aristocracy. 'Whatever its original purposes and early triumphs, meritocracy now concentrates advantage and sustains toxic inequalities,' he writes. Markovits uses data to shatter the myths of a system that 'captures the imagination and distracts analytical attention'. *Arun Kakar*



Restoration Heart

By William Cash (Constable, £20)

We British love nothing more than a project, and if that project involves bats in the chimney and medieval paintings hidden under layers of Laura Ashley wallpaper, so much the better. It is with gusto, then, that William Cash, *Spear's* founder and editor-at-large, returned from his hard-partying life in LA to restore his 15th-century family home in Shropshire. With its Elizabethan gatehouse and impressive visitor book (Boris Johnson, Elizabeth Hurley Margaret Thatcher and Edward V, no less), Upton Cressett is certainly worthy. However, two divorces down, the house and Cash's love-life are seemingly unsalvageable. *Restoration Heart* is a candid story of crisis, ruin, rebirth and rehabilitation. *Emelia Hamilton-Russell*



Novacene: The Coming Age of Hyperintelligence

By James Lovelock (Allen Lane, £14.99)

Can Gaia, James Lovelock's term for earth's self-regulating system, survive? The answer to that forms the essence of *Novacene*, a book that embodies the 100-year-old scientist's fears and hopes. Lovelock's narrative is both vivid and lucid. The book is hopeful for the Novacene era and sees a future with mixed intelligences that are interdependent. 'We shall not descend into the kind of war between humans and machines that is so often described in science fiction because we need each other,' he writes. 'Gaia will keep the peace.' Let's hope so. *Rasika Sittamparam*



Rule Britannia

By Alec Marsh (Accent Press, £8.99)

The debut novel from the editor of this magazine is set in 1930s Britain: fascism is on the march, the prospect of the King's abdication hangs in the air, and one of our heroes is tearing up and down rural Cornwall in a handsome Alvis. Historian Ernest Drabble is on the hunt for an artefact that could decide the fate of his country. Back in London, bibulous journalist Percy Harris is doing whatever he can to help – even if it means resisting smartly dressed fascist agents. Can the blackshirts be thwarted? Is Drabble going to recover the crucial artefact? Will Harris emerge with (most of) his vital body parts intact? Probably – the second book in the series is already set for publication next year. *Edwin Smith*