

GRESHAM'S  
LAW

*THE LIFE AND WORLD OF  
QUEEN ELIZABETH I'S BANKER*

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# AUTHOR'S NOTE

**Dates** are given in the Old Style Julian Calendar, but the year is assumed to have begun on 1 January, not on Lady Day or the Feast of the Annunciation (25th March), which by custom was the first day of the calendar year in the sixteenth century. The New Style Gregorian Calendar, advancing the date by ten days, was issued in Rome in 1582 and adopted in Italy and by Philip II throughout Spain, Portugal and the New World in October that year. France followed in December, as did much of the Netherlands. The Catholic states of the Holy Roman Empire followed in 1583. England, Scotland, Ireland, Denmark and Sweden retained the old calendar until the 1700s. Where applicable, dates in primary sources using the new Gregorian Calendar are amended to match the Julian Calendar used elsewhere.

**Spelling and orthography** of primary sources in quotations are given in modernised form. Modern punctuation and capitalisation have also been provided where none exists in the original manuscript.

**Units of currency** appear, in the case of English coins, in the pre-decimal form in use until 1971. There are twelve pence (12d.) in a shilling (modern 5p or US 7 cents), twenty shillings (20s.) in a pound (£1 or US \$1.39), and so on. Of specie commonly in circulation on the Continent, a Flemish stiver was a silver coin worth two Flemish groats or pence. The Carolus guilder or florin of Brabant was a silver coin worth 20 stivers. The ducat meant usually the gold ducat, worth about 42 stivers. The Rhenish florin was a gold guilder, worth about five ducats. The French crown of the sun (named after the sunburst placed above the royal arms) was worth 38 stivers. A pound in Antwerp meant the Flemish pound, made up of 20 shillings, each of 12 groats. Depending on rates of exchange, one Flemish

pound could range in value from anything between 15s. or 16s. and 22s. 6d. sterling. No actual pound coins were in circulation: the pound was a unit of reckoning devised by accountants, but one Flemish pound was equivalent to six Carolus guilders.

**Modern purchasing equivalents** for sixteenth-century sums are given in parenthesis only where it seems helpful to readers. The effects of inflation and huge fluctuations in relative values render accurate conversions intractable. In 2016, the relative wage or income worth of £1 from 1569 was £3,580 using an average earnings index. The relative value of £1 calculated by alternative methods can range from £305 to £112,800 depending on the index used. A further problem is that the vast majority of government loans or foreign exchange deals in this period were fixed in relation to the price of bullion, chiefly silver, which has not adequately kept pace with inflation. I am therefore sticking to the approach adopted in my other books, which provide occasional rough estimates of minimum modern purchasing equivalents to guide readers by multiplying all the numbers by a thousand. I believe this, on average, to yield credible results based on the values of contemporaries.

**Sizes of broadcloths and kerseys** were regulated by statute. For customs purposes, the taxable unit was the 'short cloth', i.e., the undyed broadcloth: three kerseys counted as equivalent to one of these. The standard broadcloths each measured 26–28 yards by 1¾ yards, and weighed at least 68 lbs. They were transported and sold in packs of ten.

# INTRODUCTION

On 31 October 1517, a young, unknown professor of the Bible at the (then) intellectual backwater of the University of Wittenberg in Germany shocked the whole of Europe by posting up Ninety-Five Theses attacking the abuses of the papacy and the medieval Catholic church. Printed in placard form for debate and disputation in densely printed type covering a whole sheet of nearly A3 size, copies of Martin Luther's famous theses had travelled as far as Hamburg within six weeks and London within four months, by which time the first book burnings of the Reformation had begun, swiftly to be followed by people cheerfully killing each other for the sake of religion.

In England, Luther's theses came first into the hands of Thomas More, appointed in March 1518 to be a councillor, then secretary to the young King Henry VIII. Two years before, More, an early advocate of church reform himself, although afterwards a staunch defender of Catholic tradition and a scourge of the earliest Protestants, had sent a landmark book of his own to the printing press. His *Utopia*, published in December 1516, had as its chief protagonist an imaginary ship's captain, Raphael Hythloday, who had travelled to the New World three times with Amerigo Vespucci before obtaining Vespucci's permission to be one of twenty-four men who stayed behind on an idyllic island at the farthest point of the last voyage. Intended to describe a primitive society where the ideals of 'justice' and 'equality' were made possible only by the strict regulation of wealth, More's pioneering work of social theory was also the very first to argue unambiguously that sovereign rulers had a duty to rule more for the welfare of their subjects than to indulge their private passions, such as warfare, amassing treasure and building luxurious palaces.

When Henry recruited More to his service, he urged him to 'first

look unto God and after God unto him' – advice More took all too literally. In 1535 he was executed for opposing both the king's break with the papacy and Henry's claim to be the Supreme Head of the English Church under Christ. More's catastrophe coincided with the stratospheric rise of a Putney yeoman and brewhouse keeper's son. Thomas Cromwell was a self-made man who had fought in Italy as a mercenary in his twenties, worked in Florence for the Frescobaldi merchant bank and in Antwerp for the English cloth merchants, besides making a number of visits to Rome in his early thirties while retraining as a lawyer. A revolutionary intelligence of the first order, but also Henry's enforcer who oversaw with ruthless efficiency the king's rigged treason trials and the dissolution of the monasteries, Cromwell put Parliament as well as the king at the apex of the English constitution. His novel conception of a national, parliamentary sovereignty after Henry's break with Rome raced audaciously ahead of his master's absolutist view of kingship. So when Cromwell married the king to the wrong wife, then was caught out nurturing clandestine cells of religious radicals, Henry killed him too.

In 1519, a third Thomas was born. Thomas Gresham, the son of a wealthy merchant-banker friend of both More and Cromwell, was another revolutionary man, if in an entirely different sphere. He cut his teeth smuggling bullion for Henry during the 1540s, before becoming government banker to three Tudor monarchs, notably Elizabeth I, whom he successfully served for some twenty years. Endowed with an uncanny mastery of the intricacies of foreign exchange dealing and of self-preservation in a period of rapid regime change, he made a near-seamless transition from Edward VI's Protestant to Mary I's Catholic, and back to Elizabeth's Protestant regime. A man with an exalted sense of his own worth, he could be devious, perceptive and capable of a rare impertinence when teaching rulers the basic principles of economics. His originality lay mainly in his unswerving commitment to the new market ethos that emerged during the later Renaissance era, as the sharp recovery of population all over Europe after the ravages of the Black Death stimulated a new desire for wealth. He is best known today as the inventor of 'Gresham's law', first expressed in the catchy phrase 'bad money drives out good money'. A nineteenth-century economist, Henry D. MacLeod, retrospectively attributed this insight to him, but Gresham's foresight in this particular quarter is a myth: the 'law' (insofar as it is one) was already well understood in ancient Greece and had been expounded in the 1360s by Nicholas Oresme, bishop of Lisieux

in Normandy. Oresme offered this unwritten law of money in advice to Charles V of France, who succeeded to the throne crushed by debt after his predecessors had repeatedly debased the coinage.

As his remarkable career unfolded, Gresham came to understand better than any of his contemporaries how bankers and money markets could hold monarchs to ransom. The reverse had applied during the Hundred Years War (1337–1453) and Wars of the Roses (1455–1485), when rulers imposed extraordinary taxes and levies on merchandise, notably wool and wine, to pay for armies and shipping. Wool merchants bore the brunt of it: during the first half of the fifteenth century, loans were frequently demanded from them, to be repaid from customs receipts or direct taxation and not on favourable terms.

A century later, the costs of warfare had escalated: innovations in weapons manufacture, and the design of fortifications and shipbuilding, combined with the need to recruit large armies of foreign mercenaries to make war an expensive business. In this fast-evolving milieu, Gresham realised how vulnerable credit-hungry sovereign rulers were to market fluctuations. His insights would turn out to be more applicable to relatively small nation-states like post-Reformation England than to the Habsburg empire or Catholic Spain, with their far greater fiscal resources. But by fearlessly informing successive Tudor monarchs and their leading councillors of these new facts of life, Gresham made himself the first high priest of market economics.

Rulers as unbending as Elizabeth did not always appreciate Gresham's messages or his lack of circumspection in delivering them. This was not least as he was several times tempted to spell out his wider philosophy at length, in circuitous, repetitive memos in which he rarely succeeded in getting across the salient points in a concise or polished way. Adopting a sometimes excruciatingly wheedling, nagging style, he would often omit key elements of his argument, failing to spell out what was obvious to him and opaque to everyone else. Generally his thoughts pour out chaotically onto the page just as they occurred to him. His sophisticated grasp of numbers and rates of exchange, unrivalled by other English and most European bankers and merchants, and his sheer virtuosity as a dealmaker were not matched by his communication skills.

To his fellow London citizens, Gresham was something of an anti-hero. A dark wizard where money was concerned, he was ruthless, obsessive, seemingly loveless, a man unperturbed by the bloody religious

turmoil of his age other than when it affected the money markets. To us, he can seem something of an enigma. To enter his world is often to feel trapped in a maze of fast trades, dizzyingly complex financial instruments, rigged exchange rates, devilish small print and blatant cronyism. For all his mastery of the exchanges, his methods often reeked of smoke and mirrors, and much of his early city prowess depended on brute force or blackmail. Few of the more nefarious techniques of the New York and London banking world before the crash of 2008 were unknown to him. A Tudor banker's world, admittedly, was almost entirely unregulated: standards were lower, but many of the tricks were the same.

Thomas was the younger son of Sir Richard Gresham, a merchant who made his fortune as much from making personal loans and speculating in land as he did from trade. From an early age, Thomas showed unusual gifts as a linguist. Educated at Cambridge before being apprenticed to his uncle, Sir John Gresham, he climbed up the ladder in the Mercers' Company, establishing himself by his mid-thirties as a force to be reckoned with. To secure working capital, he cynically married Anne Ferneley, widow of William Read, a wealthy merchant who died young. Noted for his tough negotiating skills and punishing routine in the 'bourse' or main credit market at Antwerp, Thomas made himself a second home in that vibrant, diverse city, then the hub of the financial markets and luxury trades north of the Alps. From there, he carved out a very different type of career path to those of his father and uncle, commuting to and from London, making around 120 journeys over the next thirty years.

In 1549, when the boy-king Edward VI was the titular ruler of England, massive crown debts left over from Henry VIII's wars in France coupled with a stroke of good fortune and an unrivalled capacity for self-promotion enabled Gresham to begin his high-flying career as the official government banker. On Edward's early death, he ingeniously made the transition to the new regime of Henry's elder daughter, the Catholic Mary I. Almost miraculously, when the Protestant Elizabeth, Henry's younger daughter, succeeded her in November 1558, Gresham was one of the first to greet her at Hatfield in Hertfordshire. He knelt before her and kissed her hand alongside his new-found friend William Cecil, her long-standing fixer and future chief minister. Cecil was a relentless persuader by all means at his disposal – cordial, devious or quietly brutal – and it would be as much through his mediation as from Elizabeth's personal choice that Gresham found it possible to ingratiate himself and retain his role as government banker.

For the next two decades, Gresham worked hand-in-glove with Elizabeth's leading advisers, chiefly Cecil and later the queen's favourite, Lord Robert Dudley. In these dangerous years, the politics of Europe were transformed by the death of the Holy Roman Emperor, Charles V, and by the onset of bloody religious wars in France and the Spanish Netherlands. When Philip II introduced the Inquisition into the Netherlands, Antwerp descended into chaos and the threat to England's independence from Spain's global empire morphed into cold war. To meet this challenge, Thomas encouraged Elizabeth to borrow from merchants and wealthy individuals in the city of London rather than abroad, so as to reduce, then almost eliminate, her dependence on overseas credit. And yet it would prove to be a slow process of transition, fraught with hazards, imperfectly achieved and carrying with it extraordinary risks.

Gresham sought and won fame through costly building and philanthropic projects he could scarcely afford, notably the Royal Exchange and Gresham College. Desired by a generation of city merchants, the Royal Exchange was London's very own bourse, modelled on Antwerp's in its heyday: a magnificent edifice designed by a Flemish architect and largely built by Flemish workmen. Not content with this, Gresham went on to found Gresham College as an institution of higher learning for Londoners. It opened its doors in 1597, the year after his wife's death, on the site of his grand town house in Bishopsgate.

Some of the raciest passages in this book will come from a fuller investigation of Gresham's private life than anything attempted before. Not only did he seek to short-change his wife and stepsons, he also twice betrayed her by sleeping with other women, the second time with explosive long-term consequences. For all his fabled wealth, he died heavily in debt, leaving his resentful widow to pick up the pieces. He short-changed a future son-in-law on his marriage, his shenanigans provoking the bridegroom's father sourly to complain that Gresham was 'an ill-dealer' and that 'these merchants would never perform their promises when it came to the push'. He short-changed his sister-in-law, granting her an annuity in her hour of need, but failing to keep up regular payments.

To pull off the Royal Exchange, Gresham offered to pay all the construction costs of the new premises if the Corporation of London would purchase and clear a prime site near the junction of Cornhill and Threadneedle Street, more or less directly opposite what is now the Bank of England. He promised to leave the Corporation the building and all its

profits outright after his and his wife's death, but failed to deliver in his will, diverting those assets to found his other pet project, Gresham College. He promised money to Cambridge University, then abruptly changed his mind. He even secured a prized burial spot at his local parish church, St Helen's Bishopsgate, by offering an endowment to build a steeple on which he never made good.

To get to grips with Gresham's professional life, I had to reassemble close to 10,000 pages of previously unexploited financial papers and parchments hidden away in the National Archives, British Library, FelixArchief in Antwerp and Archives Générales du Royaume in Brussels. Pride of place goes to some 440 of Thomas's letters now held in libraries and archives in London, New York and Chicago. The letter corpus currently stands at 314 letters from Gresham and 125 to him. Of the 314, 142 have never been printed, apart from some very brief summaries. Gresham's hand is generally neat, but often difficult to read as he favoured unusual letter shapes and wrote phonetically. From his unorthodox spelling, we can infer that he spoke with a thick Norfolk accent just like his father and grandfather.

To unearth the secrets of his private life, I had to look well beyond his journal or 'Day Book' now in the Mercers' Company archives. It was only after sifting through some 450 boxes of unlisted, largely unsorted Chancery depositions and several hundred folios of witness testimony in the court of Star Chamber that I was able to make the crucial discoveries. Taken together, these materials allow Gresham's professional and private lives to be reintegrated on a mutually reinforcing basis. Rarely does a twenty-first-century biographer tackling a major Tudor player have large caches of often entirely virgin sources to work with. Such is my astonishing good fortune with Thomas Gresham, and I hope it will be the reader's too.

# SEEDS OF AMBITION

In August 1538, a tallish, dapper, nineteen-year-old Londoner, recently returned from Paris and already fluent in French, was chosen as a guide and interpreter for a party of visiting French noblewomen. Led by Madame de Montreuil, whom Henry VIII was considering as a future fourth queen, the women were making their way home overland from St Andrews in Scotland, where they had been attending James V's wedding to Marie de Guise. Sir Richard Gresham, London's lord mayor, began by feasting them in the City of London's Guildhall, then deputed this same young man to escort them in horse litters to the port of Dover where their ship was waiting.

The young man was none other than Thomas Gresham, Sir Richard's son. As Richard informed Thomas Cromwell, 'My son hath waited upon and doth keep the same company ... to see them well entertained and used by reason of his language'.<sup>1</sup> Stopping in Canterbury to kill time until Henry came in person to bid the visitors farewell, the young Thomas Gresham took the women and the French ambassador to view the shrine of Thomas Becket. They were almost the last people ever to do so: within a month Henry would flatten and despoil it as part of his campaign against the pope, keeping for himself its treasures, which were packed into two chests so large that eight men were needed to carry them away.<sup>2</sup>

Becket's shrine represented everything that had defined medieval England. That made it repugnant to Henry. Here was an archbishop who resisted his king, whom he denounced as a tyrant. Here were pilgrims seeking absolution at the shrine of a saint. Here was huge monastic wealth, accumulated through the veneration of relics of dubious provenance, but with a history of miracles of healing.

Belief was all, and Becket's shrine had to be seen to be believed. On an

elevated marble base decorated with openwork quatrefoils lay an effigy of the saint, surmounted by columns and crowned by a sculpted cornice on which rested a wooden reliquary chest. The sides of the chest were plated with gold and studded with golden baubles, pearls and precious jewels; its gabled roof was embossed with golden quatrefoils set in a diaper pattern. Votive gifts would be attached directly to the surface of the chest by waiting goldsmiths. According to the great Dutch reforming intellectual and satirist Erasmus of Rotterdam, who visited the shrine in about 1512 with his friend the dean of St Paul's, 'every part glistened, shone and sparkled with very rare and very large jewels, some of them bigger than a goose's egg'.<sup>3</sup>

Only rarely were pilgrims allowed to examine the relics. But such was the status of these visitors that the prior of Canterbury made an exception. He declined to order the lowering of the chest, so that the women could lift the lid and see Becket's bones inside their iron box. He did, however, allow them to examine Becket's shattered skull, kept separately for veneration in an iron box in the crypt.<sup>4</sup>

We don't know what Thomas Gresham made of the experience of seeing one of the most revered holy relics in the whole of Europe on the eve of its destruction. Did he recognise this as the last glory of medieval England, glimpsed moments before its obliteration by a Tudor modernity whose agent he was destined to become? He might, if he had been gifted with a certain kind of imagination, have seen in Becket's broken remains a warning about the consequences of setting any authority above the English crown. This gorgeous memento mori might have carried any number of salutary messages to Thomas Gresham. He was himself almost certainly named after Becket, London's patron saint and patron saint of the Mercers. And yet, despite writing hundreds of letters over the next forty years, a dozen or more of which refer to earlier experiences, Thomas never mentions it. Throughout his life he proved immune to most of the spiritual and many of the political passions that convulsed his contemporaries amid the new world's collisions of royal, religious and commercial power.

Gresham was born in 1519, most likely at his father's house in Milk Street, to the north of Cheapside and within a few yards of the Guildhall (see appendix for evidence of the birth date). After the publication in 1859 of Samuel Smiles's best-selling *Self-help*, which championed hard work and self-reliance as the key to life's successes, Thomas came to be regarded by the admiring Victorians as a self-made man. By 1892, this had fuelled

a myth, circulated by an early banking historian, that he was a castaway infant abandoned in a field, discovered by a passer-by whose attention was attracted by the fortuitous chirping of a grasshopper.<sup>5</sup>

The truth is more mundane. His family took its name from the village of Gresham in Norfolk, near Cromer, where their ancestors lived. His great-grandfather, James Gresham, was a lawyer who made his fortune in London and built a fine manor house in Holt, some four miles from Gresham. James was the first member of the family to use a signet seal with a grasshopper design on it.<sup>6</sup> The family adopted the device as their crest around the year 1450: it was a pun on 'Graes Ham' (the Anglo-Saxon form of the name) when spoken in the thickest of Norfolk accents. Thomas's father, Sir Richard, was born at Holt in about 1485, son of one John Gresham, who married money and catapulted the family into another league. As a teenager, Richard was sent to London and apprenticed to a leading wool exporter named John Middleton, who lived and worked in Fenchurch Street.

In or around 1507, Richard went into business in London and Antwerp with the merchant-tailor William Copeland, a slick operator who knew how to profit from the cheap credit available in Antwerp. Together they bought fashionable silks such as velvet, satin and sarsenet at the Brabant fairs, which alongside dyed and high-quality finished woollen cloths and other luxury goods commanded high prices in London.<sup>7</sup> And when Copeland made his will in 1517 and died within a year, Richard carried on with the trade. Some months before he had married Audrey, the daughter of William Lynne, one of the wealthier Northamptonshire gentry, and they went on to have two sons, John and Thomas.

Precisely how much Richard received in Audrey's dowry we are not told, but knowing Richard the settlement would have been generous. By this time he had a lucrative sideline as a money-lender supplying short-term credit to the cash-strapped gentry and nobility. He pulled off a second coup too, using his role as an executor of Copeland's will to engineer a hasty marriage between his brother William and Ellen, Copeland's grieving widow. This way, he kept most of his former partner's business assets in the family.<sup>8</sup>

After Audrey died in December 1522, very possibly in childbirth, Richard wasted no time in remarrying. His second wife, the feisty Isabel, moved into the household in Milk Street and largely brought up Thomas. She would bear Richard two daughters, Christiana (b. 1526) and Elizabeth

(b. 1528), and as the years went by, she would learn to read Thomas's character so well that by the time she came to make her own will in 1565, she imposed strict limits on what he could do and what he could touch of her money and possessions if he wished to become one of her beneficiaries.<sup>9</sup>

Isabel was thirty-three when she married Richard Gresham.<sup>10</sup> For almost 300 years it was claimed she was the daughter of one 'Worpsall' and widow of 'Mr. Taverson'. In fact we now know she was one Isabel Worsopp, the aunt of John Worsopp, the richest scrivener (or legal clerk) in London.<sup>11</sup> Her friends included the prodigiously wealthy London alderman Sir Thomas Leigh, whose substantial benefactions to the Mercers' Company in his will would include a silver-gilt grace cup with a cover, bearing the hallmark of 1499. Her nephew owned the Windmill, a rambling old property a short walk from Mercers' Hall in Cheapside, which was a synagogue until Edward I expelled the Jews from England in 1290. Now it boasted 'shops, cellars, solars, stables and appurtenances,' along with a wine tavern.<sup>12</sup> Litigation records and her will suggest that Isabel may have inherited several family properties. How many may never be known.<sup>13</sup>

It scarcely matters. Richard's business career had taken an upward leap, and Thomas experienced wealth and luxury as a child. When the eighteen-year-old Henry VIII succeeded to the throne in 1509, he was determined to make a great splash. By 1512 or so he was running short of funds and Richard began cautiously lending him money and supplying him with luxury items on credit. Before long he was leasing ships, either from the king or to him, for the transport of goods and munitions from as far away as Crete and North Africa.

As time went by, one of Richard's specialities became arms dealing for the king. Henry was determined to claim the French throne and recover the territories in northern France that were briefly occupied by Henry V after the battle of Agincourt. Richard financed his military preparations using a mixture of short-term borrowing in Antwerp and special licences from the king to export large quantities of unfinished English broadcloths and kerseys (shorter, coarser woollen fabrics) without paying the usual customs duties. As early as 1515, he was hiring a royal ship, the *Mary George*, to sail past the Strait of Gibraltar to purchase naval equipment for Henry. Two years later he returned to collect several tons of ships' cables valued at £656 per hundredweight (over £656,000 in modern values).<sup>14</sup>

But the keys to mercantile success in Tudor London were always flexibility and diversification. Richard's most profitable opportunity came in