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SIR THOMAS GRESHAM 1519-2019

PROFESSOR DR JOHN GUY

Sir Thomas Gresham was arguably the first true wizard of global finance. Today he's remembered through an economic doctrine associated with his name, as the founder of the Royal Exchange and Gresham College, and as an early champion of the City of London as a world financial centre. Legend claims him to have been the richest man in Tudor England, someone who died as comparatively wealthy as Bill Gates, George Soros and Warren Buffet are today. He rose through the mercantile worlds of London and Antwerp to become a hidden power behind three of the five Tudor monarchs, notably Elizabeth I. A master-dealer who lived by his own rules and reaped the profits, Gresham's houses were like royal palaces, and through his patronage of artists and building projects, he reinvented himself as a merchant prince.

In 1839, J. W. Burgon published the classic 2-volume *Life and Times of Thomas Gresham*, a landmark study long held in high regard. Gresham, Burgon concluded, died at the age of sixty 'with unsullied honour and integrity, one of the most illustrious names of which our metropolis can boast By the skill with which he contrived to control the exchange with foreign countries, he may be considered to have laid the foundations of England's commercial greatness'. He was 'a true patriot': a man 'acute in counsel, prompt in judgement and energetic in action', a loyal husband and father 'beloved in private life and honoured in his public station'.

For all its monumental learning, Burgon's biography was almost exclusively based on chunks of Gresham's correspondence in the State Papers, overlooking everything else – notably the audited accounts in the exchequer. It took its subject at his own estimation, and Gresham always was an unashamed self-publicist. One should not minimize Burgon's achievement, which for its time was huge. Decades before what is now the National Archives opened its doors, he managed to track down almost two-thirds of the surviving letter corpus, which currently stands at 314 letters from Gresham and 125 to him. Of the 314 letters, 142 have still 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. But the documents most crucial to Gresham's business dealings turn out to be his audited accounts and those documents relating to them – and there are lots of them. They make it possible not only to unscramble a majority of Gresham's most important transactions, but also to glimpse how he really made his money. To get to grips with his professional life, I had to reassemble close to 10,000 pages of previously unexploited financial papers and parchments hidden away in London, Antwerp and Brussels. And that's not to forget the 6,572 entries in Gresham's surviving journal or 'Day Book', mainly covering the earlier years of his career and rediscovered at an auction at Diss in Norfolk in May 1952. Historians have recently explored several aspects of Gresham's mercantile career from the 'Day Book', notably the extent of his contribution to the introduction into England of 'double accounting' as practised in Italy and Antwerp. Everyone, however, who has so far studied the 'Day Book' claims that Gresham ceased using it completely in July 1552. No one has previously noticed his secret entries for 1577, scribbled almost illegibly in his own handwriting across two separate folios at the back, which startlingly bring to light his second career as an arms smuggler to Morocco after he retired as Elizabeth's banker.

For this 500th anniversary event, I intend – especially given its historic City location – to focus chiefly on some aspects of Gresham's career as arguably the first true wizard of global finance. That, I imagine, is what you're most



hoping to hear about, although I should tell you that the raciest passages in my biography come less from this than from a fuller investigation of Gresham's private life than anything attempted before. His personal relationships were disturbingly transactional, but if you're curious to know the full story of Gresham's troubled relationships with his wife, siblings, stepsons, two mistresses, illegitimate daughter, disgruntled son-in-law and the man he paid to marry his second mistress when he discovered she was pregnant, you'll need to read my book.

Thomas Gresham was born – very probably at his father's house in Milk Street in London – at an unknown date in 1519. He 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. As a child, Thomas experienced wealth and luxury. Richard lent money to the young Henry VIII and supplied him with expensive items on credit. Increasingly mingling with the great and the good, Richard was a friend of Thomas More (whom he notoriously and rather naively attempted to bribe), and was especially close to the king's second chief minister, Thomas Cromwell, to whom he presented the first known wholly systematic template for the building of a Royal Exchange. So highly did Richard value his courtly connections, he was to break the habit of a lifetime by allowing Archbishop Thomas Cranmer extra time to repay a loan. It was hardly Thomas's fault that Richard died one of the most hated men in London. A divisive figure in the Mercers' Company and as mayor of London in 1537–8 thanks to his obsequiousness to Cromwell, Richard steadily narrowed his specialties down to arms dealing for the king and speculating heavily in land after Henry dissolved the monasteries. Shortly before Richard's death, his confessor urged him for the sake of his immortal soul to make restitution to 'certain widows for certain injuries he had done them'. Richard said he'd already made amends, but the complaints persisted, and Thomas after his father's death was forced to pay out compensation to 'the widow Constance for a recompense of putting her out of her house'.

From an early age, Thomas showed unusual gifts as a linguist. Soon he would be fluent in French and Flemish and in time acquire a mastery of Italian, a good working knowledge of German and a smattering of Spanish. Sent at the age of eleven to Gonville Hall in Cambridge and later to study in Paris, he was apprenticed to his uncle, Sir John Gresham, climbing up the ladder in the Mercers' Company and 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 in Antwerp, Thomas Gresham 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. A compulsive dealer, he commuted regularly between London and Antwerp and would make around 120 such journeys over the next thirty years. His mind was a calculating engine, his ability to memorise and recall the minutiae of his many thousands of business deals over his lifetime unparalleled. Previously, Lombard Street and the 'bourse' in Antwerp had been dominated by Italians and Germans: Gresham was the first Englishman to beat them at their own game. Always an acute reader of shifting currents, he maintained a news and intelligence network that spanned much of Western Europe, which after his retirement Sir Francis Walsingham, Elizabeth's fabled spymaster, took over. For his wealth and connections, Gresham's contemporaries judged him to be a man worthy of honour, but one greatly to be feared as slippery, untrustworthy and a government lackey. Especially to his fellow merchants, he was a poacher turned gamekeeper, a man who in government service would happily resort to bullying, blackmail, extortion and threats of brute force to secure loans on favourable terms.

Intriguingly, young Gresham was one of the very last people alive to see Thomas Becket's shrine at Canterbury in all its medieval splendour – for within a month of his visit Henry VIII would flatten and despoil it as part of his campaign against the pope. And yet, despite writing hundreds of letters over the next forty years, a dozen or more of which refer to earlier experiences, Gresham never mentions seeing one of the most revered holy relics in the whole of Europe on the eve of its destruction. He was himself almost certainly named after Becket, London's patron saint and patron saint of the Mercers. Throughout his life he proved immune to most of the spiritual and many of the political passions that convulsed his contemporaries amid the Renaissance world's collisions of royal, religious and commercial power.

A man endowed from youth with an uncanny mastery of the intricacies of foreign exchange dealing and of self-preservation in a period of rapid regime change, Thomas Gresham proved to be a survivor flexible enough to do



business with merchants and potentates regardless of their ideological convictions. After cutting his teeth in royal service by smuggling bullion for Henry VIII during the 1540s, he pitched himself to become government banker to the young Edward VI, then negotiated a near-seamless transition from Edward's Protestant to Mary I's Catholic, and onwards to Elizabeth I's Protestant regime.

His first direct encounter with Elizabeth was a stroke of pure theatrical genius. The moment the news of Mary I's imminent death broke in Antwerp, he raced back to London and, without pausing for breath, set out to meet the new queen at Hatfield in Hertfordshire, where he galloped, mud-spattered, into the courtyard on Sunday, 20 November 1558, just in time for an audience shortly before or immediately after the new queen's first privy council meeting of her reign.

To his growing consternation, the steely young Elizabeth increasingly proved to be at odds with his ambitions. He served her loyally and successfully for some twenty years, both as her chief financial agent and for a while as her part-time ambassador to the court of Margaret of Parma, the regent of the Netherlands, in Brussels. Gresham was in many ways bewitched by Elizabeth, who paid several visits to Gresham House and his other properties, and whom he personally attended at Sempringham in Lincolnshire during her summer progress in 1566. In these years, Gresham became closely linked through ties of mutual dependence, and later cronyism, to her chief minister Sir William Cecil (later Lord Burghley) and to the queen's favourite, Lord Robert Dudley (later Earl of Leicester), for whom he secured luxury items or building materials abroad and to whom, in Dudley's case, he lent money or stood surety for debts. 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.

In these dark, 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 quickly 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 mainly from merchants and wealthy individuals in the city of London rather than abroad, so as to reduce, then eliminate her dependence on overseas credit. His activities eventually culminated in a revolutionary new model whereby seeking commercial credit at home, rather than abroad, became the government's norm. And yet, it would prove to be a slow process of transition, fraught with hazards, imperfectly achieved and carrying with it, extraordinary risks.

It can truly be said that without Gresham or someone just like him, England might have become a vassal state. He had plenty of wobbles along the way. A credit crunch in Antwerp knocked him for six in September 1561, when he had to beg for a government bailout. By 1574, he was able – triumphantly – to pay off the government's foreign debts in full, although this otherwise landmark achievement turned out to require none of his dark wizardry, since by then Cecil was himself Lord Treasurer, the exchequer was in surplus for the time being, and Cecil simply shipped over to Antwerp sufficient cash in sterling for Gresham to make the necessary repayments the easy way.

Gresham, meanwhile, urged the young queen – and with gusto he rarely showed elsewhere – to build up stocks of armaments, especially guns, gunpowder and high quality saltpetre for manufacturing gunpowder. He was an ardent champion of the vital military defences he believed she and her councillors needed to counter the effects of the Wars of Religion that were gradually setting much of Europe ablaze. 'Sir,' he advised Cecil in the spring of 1563 during the Earl of Warwick's expedition to assist the beleaguered Huguenots at Le Havre, 'I assure you, £20,000 worth of saltpetre will stand her highness in better stead than the laying up of £100,000 in gold and treasure.' In another letter he urged, 'I would I were of that credit with the queen's majesty as I were able to persuade with her highness to make provision for the sum of £10,000 worth of saltpetre, by the reason there is no weapon so esteemed as the gun is.'

As the years passed, the disenchantment steadily arising between Elizabeth and Gresham can be explained. Partly it sprang from Thomas's innate belief that, as the prince of merchants, he'd a special relationship with rulers, an attitude she considered insolent; mainly it evolved from his unshakable conviction that she failed to reward him



as generously as he deserved. His disillusion fueled a festering mutual resentment, itself partly the result of Gresham's own political naivety and presumption – some might say folly – in taking it upon himself several times to offer the queen advice as to whom she should marry, a taboo topic for her as everyone else well knew.

Gifted from birth with an exalted sense of his own worth and never afraid to show it, Gresham was supremely confident to the point of arrogance. At the outset of his career, he celebrated the dual achievements of his marriage and admission on 17 December 1544 as a liveryman of the Mercers' Company and as a member of the Company of Merchant Adventurers in a revealing fashion. On his next visit to Antwerp, he commissioned a full-length portrait of himself. Oil portraiture on wooden panels was already a well-established genre in Antwerp, but this example was the first of its kind for an ordinary Englishman. Whereas merchants' portraits until that point had shown the sitter's head and upper body alone, this one was full-length, a format then still normally reserved for people of royal descent. The unknown artist brilliantly captures how far Gresham imagined himself to be a merchant prince in waiting, and an enduring preconception about this painting needs to be corrected once and for all. Although the inscription on the portrait clearly reads: '1544 / Thomas Gresham / 26', which might seem to contradict a birth date of 1519, in reality the opposite is the case. Because Gresham's portrait was a celebration of life events culminating in London on 17 December 1544, it follows that even if the painting was somehow commissioned in Antwerp before the end of that year, it can't have been completed until 1545, when the symbolic date of '1544' was put on it. We need this information, because the age Gresham gives himself in the inscription, '26', if stated in 1545 rather than 1544, means that he was indeed born in 1519 as is clearly stated in the old Gresham family pedigree, last seen in 1757 when much of it was printed, which in all other respects can be proved to be entirely accurate.

As a dealer and financier, Gresham used one relatively consistent technique throughout his career. He would every day send seemingly unconnected merchant friends, or else his servants, armed with a cash float, to buy or sell amounts of currency ranging from around £20 to £500 (in today's values between £20,000 and £0.5 million) 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 experienced three spectacular successes during his career, and three equally spectacular failures. Two of his great successes took place before Elizabeth came to the throne. First in Edward VI's reign, and then in Mary I's, Gresham used his deft footwork and dealing skills to exploit the fluctuating price of silver and rapidly falling interest rates so as to refinance old, high-cost borrowing at the new, more favourable rates, and then use the savings to pay down debt. On both occasions, he was able to halve the government's foreign debt within a period of nine to twenty months.

And early in Elizabeth's reign, Gresham was the brains behind Cecil's plan to restore the value of sterling to its level prior to Henry VIII's and Edward VI's debasements of the currency. As he urged Elizabeth, she should understand that his efforts to manipulate the value of sterling in her favour would always be largely frustrated unless – expensive as it would be – she now resolved to finish what her immediate predecessors had so far barely begun: calling in all the bad money in circulation and re-minting it to something approaching its original higher standard.

That, he insisted, would be the only way to reinstate sterling as a currency in which credit-brokers would be keen to trade. Until a restoration was completed, he knew that every single coin would potentially continue to have to be independently examined and assayed when sterling amounts were borrowed or repaid on Lombard Street or in Antwerp. He was well aware from preliminary work done by Sir Walter Mildmay and others that the aggregate value of fine sterling then in circulation was barely around £440,000, whereas the total amount of bad money exceeded £1.1 million (well over £1.1 billion today).

Gresham's lobbying was successful. For the full story you'll have to read my book, but I can tell you now that although Thomas was back in Antwerp when much of the actual work of recall and re-minting was done, that is of no real consequence, since he was at the heart of the exercise from the start, advising Cecil on the theory and on the logistical problems to be overcome, since to melt down and re-strike this quantity of currency required human resources and technology of a type previously unknown in the Tower mints.

The first of Gresham's three spectacular failures was his Spanish adventure in Mary I's reign. In an attempt to beat



the markets, he borrowed 300,750 ducats from the Antwerp syndicate of Anton Fugger and Gaspar Schetz. The money was to be given him in Spain, where he was to collect it in Spanish reales, a low denomination silver coin of which the metallic content was worth considerably more than the face value if exported and re-minted outside Spain. As Gresham jotted down with characteristic exactitude in a previously unidentified private notebook covering this venture and a variety of others during Mary's reign, he began by owing the syndicate £97,878 10s. 0d. in Flemish money, or £89,598 8s. 0d. sterling, but in his haste, he failed to grasp that to withdraw so vast an amount of local currency in Seville and other places in just a few days was likely to cause a bank run. In Seville, two prominent bankers who were in partnership together declared themselves bankrupt and went into hiding, and since Gresham had already presented his bills of exchange at the counter of their bank and had them entered into the ledger, he had no remedy against the owners, since 'by the law and custom of Spain' he was himself liable for the loss.

After many months and much anxiety and effort, Gresham successfully shipped home the bulk of the cash, tightly packed into 130 wooden cases, in two large consignments. Returning to London, he handed over what he claimed was a grand total of '£80,454' in Spanish coins to the under-treasurer of the mint. But as he'd an inveterate habit of rendering his official accounts in Flemish pounds when it suited him, rather than in sterling, this figure dropped to £73,626 sterling at the prevailing rate of exchange. The sterling figure is tucked away in his secret notebook. He held back from the mint £11,718 as a part-repayment for the queen's creditors, but since he owed £89,598 sterling to the investors in the Antwerp syndicate, he'd actually made a loss.

The venture failed, because profits could not hope to be achieved without a complete re-minting, which Gresham did not have time to undertake as he needed to repay the syndicate in Antwerp. And a proportion of the funds lost through bankruptcy could never be recovered, which haunted Gresham for the rest of his career.

A second spectacular failure followed in Elizabeth's reign, once again involving treasure chests full of Spanish reales. As soon as the money – originally destined for the Duke of Alva in Brussels, but instead borrowed by Elizabeth from its Genoese owners – was safely under his control, Gresham took care this time to re-mint almost all of it, but before beginning he took a monumental bet on the strength of sterling against the Flemish pound, which he lost.

Thirdly, Gresham had unsuccessfully floated an audacious plan in Edward VI's reign, taking a leaf out of the book of the late Jakob Fugger by attempting to corner the European market in a major commodity. Gresham proposed that the young king's government should create a monopoly in lead, in effect nationalising the whole of the English trade in the metal and prohibiting its export for five years other than through a state-controlled outlet. He knew that supplies were abundant, that prices were dropping, and that the metal was selling in Antwerp for around £8 per ton in Flemish currency. He also knew that quantities as large as 300–400 tons at a time could be purchased in Hull for as little as £6 13s. 4d. Here was what he called 'a goodly matter'. All the privy council had to do was to issue an unusually draconian proclamation, forbidding the export of lead other than through a centralised state-controlled outlet on pain of death or forfeiture of all property. Then, not only would the English merchants be forced to cut their prices further, but the onward selling price in Antwerp could be artificially inflated by regulating the flow of supplies. 'And this doing', Gresham concluded, 'the king's majesty shall [be] for a great profit ... and by these means your grace shall receive much honour and all those that are now of his council in keeping his money within his realm, as also bringing him out of debt'. Needless to say, the proposal was speedily rejected.

It is, of course, Thomas Gresham's contribution to economic theory for which he's most remembered today. 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 his lifetime. He's best known today as the inventor of 'Gresham's law', first expressed in the catchy phrase 'bad money drives out good money'. In 1857, Henry Dunning MacLeod retrospectively attributed this rule to him, although Gresham's foresight in the matter is a complete myth: the 'law' (insofar as it is one) was already well understood in ancient Greece and had been fully 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.

MacLeod possessed a clairvoyant's talent for reading into a text what is not there. In none of Gresham's letters or



memos does he express a rule in precisely these terms: his chief mantra is that coinage debasements – such as those first begun by Henry VIII to fund the siege of Boulogne in 1544 – cause the value of sterling to fall on the foreign exchanges with the result that all the fine gold was either squirreled away or conveyed out of the realm. On that, Gresham was entirely right: because successive governments after 1544 debased the gold coinage to a far smaller degree than silver. Gold coins were therefore hoarded by goldsmiths, or else bagged up and illegally exported, chiefly to northern France, where they were used to make purchases or melted down in clandestine forges. As Sir John Mason, writing from Dieppe, warned fellow privy councillors, ‘the common opinion of the merchants is that ... [this] will at length leave no gold within the realm, cry you the same never so high or make you never so great restraints for the keeping thereof’. Even were the so-called ‘Gresham’s law’ to be wholly or partially re-attributed to him, it’s far from being his most notable economic doctrine.

Considerably more significant, I believe, is the fact that Gresham came to understand better than any of his contemporaries how bankers and money markets could influence the movement of global capital and so potentially hold monarchs or sovereign governments to ransom as much as the reverse. With the costs of warfare escalating vastly in the sixteenth century thanks to innovations in weapons manufacture and in the design of fortifications and shipbuilding, war had become a ruinously expensive business. In this fast-evolving milieu, Gresham was the first person fully to appreciate how vulnerable credit-hungry sovereign rulers were to exchange market fluctuations. As he told Mary I’s councillors, ‘it is a small matter to bring the queen in debt, but the greatest matter will be to bring her out again ... whereof I have thought good to advertise you, for that this exchange ruleth all things’. His insights, admittedly, would turn out to be more applicable to relatively small nation-states like post-Reformation England. By comparison, the Habsburg empire or Catholic Spain, with their vast territories and far greater fiscal resources, were too big to fail. After Philip II declared himself bankrupt in 1557, for example, the Council of Finance in Madrid compelled creditors to accept juros or state securities carrying much lower rates of interest to those originally agreed and which compounded for capital repayments at hefty discounts to the outstanding amounts, forcing several of Gresham’s Antwerp competitors into liquidation. Elizabeth’s England was a fledgling state by comparison, and by fearlessly informing successive Tudor monarchs and their leading councillors of their vulnerability to exchange fluctuations, Gresham made himself the first high priest of market economics.

Rulers did not always appreciate Gresham’s messages or his lack of circumspection in delivering them. He was at his most insensitive (and hubristic) when writing to Elizabeth, complaining about her failure to reward him sufficiently for his services. As he maintained, when she’d reappointed him as government banker in their first encounter at Hatfield in November 1558, she ‘promised me by the faith of a queen that she would not only keep one ear shut to hear me, but also, if I did her no other service than I had done to King Edward her brother and Queen Mary her sister, she would give me as much as ever both they did’. She promised him, he claimed, that his rewards should take the form of grants of land, ‘and thereupon, her majesty gave me her hand to kiss it; and I accepted this great charge again’.

Significant land grants came from Edward VI and Mary I, but never Elizabeth. And this rankled bitterly, along with Elizabeth’s decision to cut his customary per diems of £1 a day by a third while he was resident in England. On 3 October 1563, he sent her the most impertinent reminder she’s likely ever to have received from any subject. ‘It hath pleased your highness by your last instructions,’ he began, ‘to abridge me of my diets of twenty shillings a day being in England, which I will assure your majesty doth not a little disquiet me, considering the service and travail that I have taken for your highness this five years.’ And he continued, ‘both in King Edward’s time, your late brother, as also of Queen Mary, your late sister’, he’d always been allowed twenty shillings a day ‘where so ever I went’. He then starkly rammed home the fact that her siblings had rewarded him with munificent grants of land ‘to me and my heirs forever’, which she’d failed to do, despite, as he claimed, ‘that you shall find that I have done your highness other manner of service, both of greater importance and of greater mass and charge, [in] all manner of ways, than I have done to your late brother and sister, put both their charge together.’

It was an extraordinary outburst. By then, of course, construction works had already begun at Gresham House, Thomas’s imposing new mansion on Bishopsgate, now the site of Tower 42. Around the same time, he commissioned portraits of himself and his wife from Anthonis Mor, the finest, most technically accomplished portraitist in northern Europe, and until very recently Philip II’s court artist.



Psychologically, Gresham slipped effortlessly into the part of merchant prince, but if by acting out this role he expected to raise his profile in the eyes of a ruler as touchy about status and her royal prerogative as Elizabeth, he'd misread her character. As the years passed, Elizabeth found herself disconcertingly at odds with his ambitions.

From her perspective, Gresham was an unwelcome necessity – she badly needed the cash he alone seemed able to conjure up in sufficient quantities and at exactly the right moments. She chose to believe that he was honest but was well aware that he achieved his ends by inflating his fees and by employing threats and intimidation against his fellow merchants. She was too astute, too good a judge of human frailty not to realize that his reputation was chiefly won by exaggerated rumours of his fabulous wealth, the profligacy of his personal expenditure and lavishness of his building projects.

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. 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.

Treating his fellow-merchants roughly was Gresham's stock-in-trade. When advising Cecil on what coercive measures would be needed to force them to lend, he urged him to threaten 'to keep their ships and goods in arrest'. 'Sir,' he continued, 'if you enter upon this matter, you may in no wise relent by no persuasion of the merchants, whereby you may keep them in fear and in good order, for otherwise if they get the bridle you shall never rule them.' He urged Cecil to threaten government sequestration of the merchants' goods if they refused to play ball, driving them towards bankruptcy and the loss of all their money.

Gresham's career as Elizabeth's banker culminated in the foundation of the Royal Exchange, London's very own bourse modelled on Antwerp's in its heyday, a handsome edifice designed by a Flemish architect and built substantially by Flemish workmen. A project sought for a generation by the City, already proposed by Gresham's father to Thomas Cromwell, the Exchange over the ensuing centuries would play a significant role in the transformation whereby the European financial services industry came to settle itself in London. Not content with this, Gresham went on to found Gresham College as a new 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 mansion in Bishopsgate.

It all sounds straightforward, and some of it is. If you read my book, however, you'll find that the stories of the Royal Exchange and Gresham College are considerably more layered. To pull off the Exchange, Gresham offered to pay all the construction costs of the new premises if the Corporation of London, later assisted by his own livery guild, the Mercers' Company, would purchase, and clear of their existing buildings, a prime site. Although he pledged that 'within one month next after the building and fully finishing of the [Exchange]', he would make an outright grant of the entire building and its profits to the Corporation and the Mercers' Company to take effect after his and his wife's deaths, it was a promise he did not even considering honouring until shortly before he died, and when he did, it came with a massive sting in the tail, since all the profits and assets of the Exchange along with the buildings and freehold of Gresham House were to be diverted to found his other pet project, Gresham College. This would prove to be typical of the man, because he also 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

If, however, Gresham's intended beneficiaries found that not everything could go their way, so did Thomas. He'd always imagined that his magnificent new edifice would be known by Londoners as 'the Bourse', or more affectionately 'Gresham's Bourse', with his coat of arms prominently displayed over the entrance. Instead, he received an emphatic snub when, shortly after Christmas 1570, Elizabeth sent word that she would open it herself and rebrand it as the 'Royal Exchange'. She meant to grant it a royal title, not as a favour to Gresham or to honour



him, but to make it crystal clear to everyone – English and foreigners alike – that all matters of coinage and currency exchange in England were subject to her royal prerogative. They were not matters for a mere functionary like Gresham to claim as his own. She even went on to award the highly lucrative office of ‘Keeper of the Change, Exchange and Re-change in England and all the Queen’s Dominions beyond the Seas’ to Cecil, and not Gresham. By her letters patent, it was her chief minister who secured the exclusive right to sell licences to merchants or brokers permitting them to engage in foreign exchange transactions either with the government or with one other.

For all his fabled wealth, Thomas Gresham ended his career heavily in debt, leaving his resentful widow to pick up the pieces – this is perhaps the most startling of all my discoveries. When in 1574 he made a firm decision to retire as Elizabeth’s banker, she appointed a panel of commissioners, headed by Cecil and Dudley, to oversee the auditing of his final accounts and to get them approved and officially certified. This, of course, was no mere formality. Should Gresham step back from his role without securing his official discharge, enrolled on parchment in the exchequer, he could potentially be investigated, and called to answer, at any unknown point in the future.

After toiling through a mountain of paperwork for the best part of a year, the auditors concluded that Thomas’s account was £18,149 in deficit – this at a time when a labourer’s or craftsman’s wage ranged between £5 and £15 a year. Ingeniously, Gresham managed to get this astronomical debt reduced to £10,883 15s. 4d. For all that, only extreme measures could rescue him from such a huge shortfall. When the auditors rejected his final, quite outrageous attempt to claim ‘lost’ interest at 12 per cent going back for ten years on any dormant balances of Elizabeth’s cash in his account, the use of which he said ‘he hath forborne’, bankruptcy stared him in the face. His survival instincts quickly kicked in. With the summer vacation of 1575 in the exchequer fast approaching, Elizabeth had gone on her most famous summer progress to Kenilworth Castle in Warwickshire, where she would be royally entertained by Dudley for nineteen days in July at eye-watering expense. On the pretense of needing it to check some figures over the holidays, Gresham contrived to borrow a duplicate set of enrolments containing the full entries of the accounts for which he was almost certain to be charged, then galloped off to Kenilworth. There, in collusion with Dudley and Cecil, whose spidery annotations as the new Lord Treasurer can be seen repeatedly on these documents, Thomas persuaded Elizabeth to write off the debt. How precisely he pulled this off will never be known. Failing fresh evidence, the assumption has to be that Cecil – the privy councillor closest to Gresham since 1558 – believed he might not survive the ensuing scandal himself if Thomas was declared insolvent.

Shortly before his death on 21 November 1579, Gresham appealed desperately to his son-in-law, Nathaniel Bacon, ‘Son, I trow you, besend away all the money you can get.’ And when a land sale for £1,000 in cash or (£1,200 on credit) suddenly came into prospect, he begged Nathaniel ‘to send me your letters by a foot post, for that I have great payments to make the 6th and the last [days] of October.’ Barely was Gresham’s funeral over than his creditors began knocking at his unfortunate wife’s door. Traditionally, historians have depicted Anne Gresham as a black widow: greedy, litigious, happy to destroy or harass her opponents – and she could certainly be very quarrelsome. But she had her reasons: her late husband left her with staggeringly large debts she could not readily repay. She’d little option but to enforce such rights as she had.

The simple fact is that Thomas died owing money left, right and centre. When, in July 1590, his widow’s lawyers finally came to render something approaching a near complete reckoning, it exceeded £23,030 (over £23 million in modern values) owed to thirty-five different lenders. The major creditors included several of the city’s leading financiers, such as Sir Lionel Duckett, from whom Thomas had taken up commercial loans for the government in and after 1569, and who’d personally lent him a total of £1,840 (worth more than £1.8 million today). Other large creditors, more surprisingly, included Thomas’s own former servants, Edmond Hogan, who’d advanced £1,034, and Thomas Dutton, who’d risked £1,323 of his life savings.

To fend off these creditors, Anne Gresham sprang into action just five weeks after her husband’s funeral. In 2018, evidence surfaced in the often neglected Talbot Papers in Lambeth Palace Library to show that Gresham’s widow, astonishingly, was seriously considering an offer to sell Gresham House, or possibly Osterley, to the Earl of Shrewsbury, even though she only held Gresham House during her lifetime in trust for the Corporation of London and the Mercers’ Company. That she contemplated selling Gresham House can only mean that, almost from the moment of her husband’s death, she had it in mind to attempt to overthrow his will, as indeed later proved to be



the case. George Talbot, 6th Earl of Shrewsbury, was most definitely a credible purchaser. With him and his influential friends on side, an act of Parliament to overturn Gresham's will so as to raise sufficient funds to satisfy his creditors at the expense of the City Corporation and Mercers' Company would have seemed a viable proposition.

Unfortunately for Anne Gresham, the deal fell through within a few weeks or months. Shrewsbury, as he himself explained, could afford 'no such great thing' considering the many debts he owed himself. The asking price was too high, with the result that the Earl declared that he must content himself with his existing properties within what is now the M25.

With the 500th anniversary of Gresham's birth upon us, the traditional view of his life and career largely inspired by Burgon's biography becomes impossible to sustain. Something subtler is needed. A revolutionary man in his own sphere not least through his sheer lack of interest in the religious controversies of his age, Gresham came very close to being a financial mastermind, but he was something of a maverick in business and life. His guiding hand at the helm helped to keep England safely afloat in some of the most turbulent of times, but he followed his own rules and did things his own way. He made his greatest discovery as early as the closing years of Mary I's reign, which was that bankers and money markets could hold monarchs and sovereign governments to ransom, just as much as the reverse.

Given the massive and ever increasing imbalance in the power structures of early-modern Europe during his lifetime, Gresham had the wisdom after Elizabeth's accession to see that the burden for financing the crown's borrowing requirement should be shifted as far and as soon as possible from the riskier, more expensive credit markets of Europe to the safer, cheaper ones of the city of London, which she might also better control. As he explained to Cecil in one of his lengthier letters, by securing government credit exclusively at home, Elizabeth could prove to Philip II and all the other rulers of Europe 'what a prince of power she is'.

Gresham's ability to memorise and recall the minutiae of his many thousands of business deals was truly remarkable. Even when a serious leg injury he sustained from a riding accident became a daily affliction, he continued to juggle a multitude of transactions. Communication skills were never his strongest suit, and yet his head for figures was unequalled in his day. One feels that, if alive after 1839 and a railway enthusiast, he would have been able, and positively eager, to memorise and show off his knowledge of every successive volume of Bradshaw's Railway timetables. His obsession with fast, easy returns in Edward VI's reign led to his almost unhinged proposal that a state-controlled monopoly for the sale of lead should be enforced by capital punishment. And yet, it was his unrivalled know-how, much of it (one suspects) communicated verbally rather than in writing to those in power, that helped to underpin the general re-coinage of 1560–1, which did so much to restore the strength of sterling at home and abroad, and which put English trade and the domestic economy back on a solid footing.

As a merchant in his own right, Gresham was highly successful, but unusual. He was the only known merchant of his day to muddle up his personal and professional spending quite so cavalierly in his surviving business accounts, and to write off his gambling debts against his profits from trade. Obviously, he found trading purely as a merchant far too limiting and was quick to reinvent himself as government banker in 1549 when the cloth trade was gripped by a severe recession.

He returned to trade only while he was briefly out of favour early in Mary I's reign and again after his retirement when, desperate for ready cash, he believed he could pull off one last glorious deal by smuggling 195 tons of iron shot to Morocco, despite Elizabeth's explicit ban on trading in armaments with Muslims.

Making deals was Gresham's great passion. A man who found it difficult to build lasting relationships even with members of his own family, he discovered the outlets he needed in his work. To flourish, he needed to be on the trading floor of the bourse. A compulsive trader, he was exhilarated by the sheer cut and thrust of the markets. He had his finger on their pulse. He knew every Flemish, south German or Italian merchant operating in Antwerp or London who mattered, living and breathing exchange rates as if he were a walking ticker board. Like the house of Fugger before him, he built up his own postal system, his personal network of spies and informers, reveling in



his news and intelligence networks and in the contacts he'd assiduously cultivated (and often bribed) over many years. He learned how to play off banker against banker, politician against politician, balancing the repayment of one loan by negotiating another.

As to how he made much of his money other than from his service as government banker and through market trading on his own account, the tricks of his trade included inflating his brokerage fees; charging as much for rolling over a loan as for negotiating it in the first place, and then charging compound interest on the accumulating balance; charging interest at 12 per cent on any outstanding expenses or fees; and presuming that his per diem allowances were higher than those currently authorised, then waiting to see if anyone noticed. He would also account to the Lord Treasurer's auditors in Flemish pounds whenever it suited him, rather than in sterling, which enabled him to widen his margins fractionally. It took them years to track down just the more blatant discrepancies.

Appearances mattered hugely to him. Gresham House and Osterley, which came complete with a deer park, were more like royal palaces than the homes of the comfortable middle classes. The only member of his livery guild to insist on having a statue of himself made in his own lifetime, he greatly cared about how he was viewed by his contemporaries and how his legacy would reflect upon him.

In the commercial sphere, Gresham's legacy is less the degree to which he helped to make the city of London the embryonic hub of the international financial services industry than his grasp of elementary monetary theory and the paramount importance of exchange markets. As he advised Mary I's privy council, 'As the exchange is the chiefest thing 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.' In his collisions and wary accommodations with Elizabeth, we can see our own conflicts between sovereignty and global capital foreshadowed.

Henry Dunning MacLeod couched 'Gresham's law' using the catchy phrase 'bad money drives out good money'. Robert Mundell, a Nobel Prize-winning economist, has interpreted this rather differently. "Bad money drives out good", he maintained in 1998, 'is not a correct statement of Gresham's Law nor is it a correct empirical assertion. Throughout history, the opposite has been the case. The laws of competition and efficiency ensure that "good money drives out bad."' With considerable temerity, I have to say that I think he's wrong – at least, if he thinks Gresham ought to have seen it this way. Because the historical circumstances Gresham had to deal with were those in which the volume of bad money in circulation in a bimetallic coinage so dwarfed the good, that no one in their right mind would do anything except squirrel away the good or melt it down. Only when a sufficient quantity of good money was put into circulation would people feel able to release the good. Another way of conceptualising the rule – for which I'm indebted to Professor Alderman Michael Mainelli – might be to say that 'cheap money drives out dear money only if they must be exchanged for the same price'.

In her final speech to Parliament on 22 November 1990, Margaret Thatcher powerfully presented her case against the existence of a European central bank:

"The point of that kind of Europe with a central bank is no democracy, taking powers away from every single Parliament, and having a single currency, a monetary policy and interest rates which take all political power away from us. As my right hon[ourable] friend the member for Blaby [Nigel Lawson] said in his first speech after the proposal for a single currency was made, a single currency is about the politics of Europe, it is about a federal Europe by the back door."

Thatcher fully understood that those who control interest rates, monetary policy and the currency will, rightly or wrongly, also dictate the future of Europe. Had Thomas Gresham lived in the twenty-first century, this would have rung true to him. In the final analysis, it is the real 'Gresham's law' and we're still living with his legacy.