

ORGANIZATIONAL GENESIS, IDENTITY AND CONTROL:

THE TRANSFORMATION OF BANKING IN RENAISSANCE FLORENCE

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Organization Theory Background

Current organization theories explain organizational form essentially through selection. That is, instead of focusing on the dynamics of emergence, the field as a whole adopts as its epistemology consequentialism, which emphasizes the relative performances, and hence death rates, of different forms in different environments. The hope of the field is that the performance relationship between form and environment is sufficiently invariant that equilibrium fixed points will be reached, independent of dynamic path.

This shared epistemological stance hardly implies that theoretical consensus has been reached. Strong debates flourish over which selection environment is the most powerful (markets versus states versus professions); over what is the proper unit of selection (standard operating procedures versus contracts versus legitimation principles versus structural phenotypes); and over what role strategic choice plays in macro selection (constitutive versus epiphenomenal). All these debates reveal that "performance", the criterion for selection, is far more difficult to define, much less measure, than it may at first appear. Such operational difficulties aside, the field's epistemological convergence on consequentialism has had the virtue of permitting debates to be tight and well focused.

But this consensus has been purchased at a cost. It is no accident that hardly anyone since Arthur Stinchcombe's (1965) hoary but path-breaking classic has broached the topic of the genesis of organizational form, including within that topic, as Stinchcombe did, the systematic relationship between processes of organizational birth and the surrounding social contexts out of which organizations are constructed. This challenging issue¹ currently is pushed under our collective rug through a variety of simplifying assumptions. Biology-inspired organization theories use randomization (sometimes supplemented with diffusion) to sidestep the question; economics-inspired organization theories posit that good ideas are available to everyone (perhaps through costly search); and culture-inspired organization theories rely on ideational templates (themselves not explained). Each of these approaches can deal with reproduction, or choice within given alternatives; none can deal with the genesis of the alternatives themselves.

The lacunae these fixes hide are revealed most obviously in comparative or historical research, which regardless of time or place tends to discover a cornucopia of organizational forms, well beyond the range of our usual Americanist vision. Arguably,

¹This topic is challenging in biology as well. Many authors have pointed out that the impressive advances of the "modern synthesis" of Mendel and Darwin into population genetics have been purchased at the cost of "abolishing the organism", that is of ignoring the complex interactive ways in which genotype, coupled with molecular environments through feedback networks of chemical reactions, aggregates up into phenotype, during the process of development. Phenotype is assumed, but not explained, in current natural selection theory. See

all these forms are "adapted" to a local "environment" that has "selected" them on some criteria of "performance." But the sheer diversity of ways in which these analytic terms must be operationalized to fit various historical cases threatens to make the entire metaphor vacuous.

The essential theoretical problem, well understood in Stinchcombe's original article, is causal feedback between organizational forms and environments. In no time or place have organizations faced a fixed topology or landscape of environmental resources over which they must maximize. Not unlike species in the Amazonian jungle, organizations have faced instead a plethora of other interconnected organizations and social networks into which they must fit, the dynamics of which they themselves affect. Path-dependent histories of co-evolving² organizational forms can walk--and have walked themselves--into all sorts of self-sustaining corners of abstract possibility, including many beyond our experience.

Beyond simply waving our hands at the glorious indeterminacy of human (and natural selection) agency, the question, of course, is how to construct a framework for analyzing systemic interactions and feedback in such a way as to (post-hoc) explain

Buss (1987), Fontana and Buss (1994), Kauffman (1993), Goodwin (1994), and Newman (1994).

²Co-evolution, rather than evolution, is the term biologists use to discuss these species interaction effects. Arguably, however, the problem goes deeper than the population dynamics models, based on food webs, typically used to operationalize this concept. For a premier example see May (1973). Such models do not address where species themselves come from, only their relative population sizes.

the emergence of new organizational forms. Here I use my empirical work on Renaissance Florentine banking--arguably the "birthplace" (along with Genoa and a few other Italian city-states) of financial capitalism--as a platform both for more closely structuring the analytic problem of organizational genesis and for speculating about empirically plausible theoretical solutions. Perhaps understanding the mechanisms that generated the history-shaping sequence of innovative organizational forms in this one creative epoch will suggest mechanisms underlying organizational genesis more generally.

The Florentine discussion is founded on years of original primary research, many of the findings of which are summarize here for the first time. Because of this, some of what I state below is not yet known in the history profession. Here though, because of the theoretical purpose of this volume, I have intentionally suppressed evidentiary detail, to be published elsewhere, and have used the case simply as springboard to more general thinking about organizational genesis. Let no one mistake the inductive sequence, however: I am inferring general theory from unpacking a particular case. The generality of the conclusions here can be established only through careful comparison with analogous cases.³

³The Santa Fe Institute has created a new research program, entitled "The Co-evolution of States and Markets," under my direction, which is currently pursuing exactly this agenda. Ongoing participants in this program include Walter Powell, David Stark, and Douglas White.

Structuring the Problem of Organizational Genesis

Viewed from the very proximate perspective of the founder, the birth of an organization can be understood in quasi-biological terms. In both biological and social systems, birth is rooted in a logic of recombination: unlike what our models sometimes imply, spontaneous generation never occurs. It is the absence of a theory of recombination that inhibits social-science understanding of genesis: we need to take more seriously than we do the fact that nothing exists without a history.

The analogue to DNA in social organization is the set of ideas, practices, and social relations of the founder. For shorthand, I call this set the 'logic-of-identity' of the founder. At the genotypic level of analysis, it is the recombinatorial history of these ideas, practices, and social relations, controlled through social interactions between persons, that social science most needs to understand. To take an example central to this chapter, who an individual is as a banker is deeply affected by whom that individual is as a person (modified, of course, by what he has learned in his role). And who the individual is as a person, in turn, is the product of the 'mating system' of the population, concatenated to generate historically intertwined lineages of practices and persons.

Understanding organizational genesis at the level of genotype, therefore, cannot be divorced from understanding the social production of careers and biographies—namely, from understanding the careers of ideas, of practices, and of social

relations, as they interleave through the biographies of their person carriers.

An analytic focus on genotype in no way implies that organization is just one individual's blueprint. How logics-of-identity unfold into organization is hardly a matter of automatic template and design.⁴ Actual living organizations, social or biological, are the developmental products of these founder logics, interacting with the inherent properties of the social or biological raw materials being assembled.⁵ In economic organization, these raw materials in large part are the social networks of business interaction partners, selected into (and selecting) the organization through trading and personnel flows. Out of this soup of founding logics-of-identity and cross-cutting social networks, an autonomous organization emerges and sustains itself through time if an autocatalytic "metabolic chemistry" of technology and work routines crystallizes out of this ideational/social mixture⁶ (Fontana and Buss, 1994; Padgett,

⁴Likewise, the notion of gene as "blueprint", automatically producing organisms independently of the chemical reaction environment, through which it operates and which regulates it, is discredited in biology.

⁵In organization theory, institutionalists (for example, Meyer and Scott, 1983, and Powell and DiMaggio, 1991) put more emphasis on the first ideational half of this interaction; social embeddedness theorists (for example, Granovetter, 1985, and Padgett and Ansell, 1993) emphasize the second 'raw material' half. In biology, Goodwin (1994) and Newman (1994) are especially strong on the second side, emphasizing the channeling impact of organic raw materials on development.

⁶I do not emphasize the point, but in addition a far-from-energy-equilibrium metabolic chemistry, be it molecular or human, needs to be fed with environmentally available resources that it can process (Prigogine and Stengers, 1984). Were I to focus empirically on trading (food)

1997).

This micro, organic view of organization is crucial prelude, both because it defines the terms of analysis--namely, logics-of-identity, social network materials, and energetic resource flows; and because it defines a developmental research agenda--how to understand their dynamic interactive unfolding through time. In the Florentine case, I am concerned with economic partnership--that is, not with all aspects of the banking firm (employees, trading, and so on), but with the capital-formation nucleus of the firm. In this context, "logics-of-identity" refer to the historically variable rules for capital formation and pooling in Florentine society; and "social networks" refer to the socially structured channels (family, neighborhood, social class, patronage) through which potential bankers with capital found each other to form, and to re-form, firms.⁷

This firm-level, developmental perspective on organizational genesis, while invaluable for clarifying the terms of analysis, in the end proves incomplete for understanding invention. Viewed from the macro perspective of a "market" or a "profession",⁸ the birth or reconstitution of a new firm is just one instance in a larger flow of capital and people through the society's

more than on partnership (DNA) this point would assume more prominence.

⁷Because of the focus here on partnership, not trading, the otherwise important role of energetic resource flows (apart from capital itself, of course) recedes into the background.

⁸I place these presentist terms in quotes here, to remind us that the way Florentines organized "markets" and "professions" bears only some resemblance to what twentieth-century Americans

respective market and profession systems. Firm morphology at the level of partnership was and is shaped by the layering of two flows: liquidities of different types of capital⁹ and careers of different types of bankers. Overlooking the patterned layering of these macro flows prevents us from even approaching the most interesting historical question: How are completely new (albeit path-dependent) and possibly epoch-shaping innovations in organizational form produced? Biologists label this question 'speciation'.

To make progress at this difficult speciation level of analysis requires unfamiliar thought, I argue, about *multiple* logics-of-identity, about *multiple* social networks, and about their concatenation.¹⁰ The lives of all people, in all eras, participate in one way or another in economic, in political, and in kinship activities.¹¹ Societies differ in how they put these domains together. The autocatalytically stabilized logic of

understand by these terms.

⁹By "different types of capital" I mean the sources of capital. In Florentine society, the options were inheritance, dowry, internal past profit, external investment by economically passive investors (aristocrats, churchmen, and so on), and external investment by other Florentine firms. Stock markets did not yet exist, even though government bond markets did. The patterns of flow of these different types of capital through Florentine society varied radically, both cross-sectionally and across time.

¹⁰In this chapter, I am generalizing from the one particular, highly centralized, pattern of concatenation of multiple networks with multiple attributions that was analyzed in Padgett and Ansell (1993).

¹¹This, of course, does not imply that all people are thinking simultaneously about all things at every moment.

recombination in any one sector is regulated by the personnel and resource flows produced by other sectors. This I take to be the operational meaning of 'socially embedded' (Granovetter, 1985). More than that, however, occasionally perturbations in one recombinant domain dynamically reverberate in, or spill over explosively into, another domain to tip that other domain's own autocatalytic regime.

Descriptively, this is 'refunctionality': the use of one social or biological organizational form for a completely different purpose (cf. Skocpol, 1976; Sewell, 1980; Stark and Bruszt, 1998). In my observation, such cross-domain rewirings, often produced in the heat of Florentine political crisis, were the catalysts that ultimately generated the most important, epoch-shaping organizational innovations in Florentine economic history. Such economically innovative consequences of political revolt, observed in the Florentine case, were hardly either immediate or inevitable. They occurred only when and if these sometimes violent rewirings became institutionalized into new mating systems, which moved Florentines across domains in new ways, reliably reproducing new types of biographies and careers.

Thus I agree with Jacob Burckhardt (1954 [1860]), and implicitly with Richard Goldthwaite (1968), that Florentine invention ultimately is to be explained as the social construction of a new type of person. Where I part company with

these distinguished and deeply informed judgments is their occasional suggestion that the nature of this new Renaissance person was either modern or individualist.¹² The economic history I observe in the undeniably innovative Florentine banking industry is, at the industrial level of analysis, neither unidirectional, teleological nor intentional.

Four Phases in the Development of Florentine Domestic Banking

To operationalize the discussion, let me now outline concretely the morphological changes, at the level of partnership, that Renaissance Florentine banking created, from 1300 to 1500, to produce the famous "birth of financial capitalism."

It helps entree into this topic to simplify, indeed to oversimplify, the periodization of Florentine domestic banking into four distinct phases of development: the pre-Black-Death era of family banking (before 1348), the pre-Ciompi-revolt era of guild banking (1349 to 1378), the post-Ciompi era of *popolani* social-class banking (1380 to 1433), and the Medici era of patronage banking (1434 to 1494). Although this timing is defined primarily on political lines, economically based domestic banking partnerships had very distinct organizational profiles in each of these political eras. It is an oversimplification to interpret the relationship between these periods as phase-transitions--namely, as sharp breaks during which one mode of organization

¹²But see Goldthwaite (1983, 1987) for a modification of his earlier (1968) position.

completely superseded and transcended prior modes. The path-dependent biological metaphors of sedimentation and induction, according to which new organizing modes arise on the shoulders of older historical "residues", in order to remobilize and recast them, is closer to the actual truth. Nevertheless, simply to introduce the distinctive Florentine developmental trajectory I map out here a succession of ideal types. These four idealizations all have distinctive organizational, market-structure, cultural-meaning, and social-embedding components, which together point the way to how economic banking markets were rooted in their broader, changing social context.

From the dawn of Florentine international banking in the Commercial Revolution of the 1200s (Lopez, 1976) to the political, economic, and demographic crises of the 1340s, the organization of Florentine domestic banking was dominated by the family. In the early 1300s, when my guild registration observations begin, fully 80 percent of *Arte del Cambio* (i.e., banking guild) partnership dyads were among members of the same family.¹³ Guilds existed and were politically active, but at the level of internal bank organization they had not yet displaced family as the social logic of partnership.

Partly because patrilineage itself in this late-medieval period was often large and solidary, banks in this era grew to larger sizes (measured either in capital or in number of

¹³Operationally, "family" here means either same surname (indicating lineage, not nuclear

partners) than did any banks subsequently. Banking was just one of many activities in the diversified portfolios of patrilineages.¹⁴ Because of this, economic "capital" (revealingly called *corpo*) assumed the cultural meaning of the social raw material out of which banks were constructed: it was considered "patrimony", to husband, to nurture, and to pass down through the generations, like land. Career mobility between banks was essentially zero, with the result that banks simply were born, grew, and died, with no mergers, recombinations, or splintering (until the death of the father).

Market "competition" had a Darwinian feel: sometimes harsh death-rate selection pressure prevailed within various customer niches, but there was little cost-cutting or explicit coordination between banks.¹⁵ Exchange relations between banks, to the extent that they could not be avoided altogether, were managed through notarized contracts, because families deeply distrusted each other. Relative to subsequent phases, banks preferred to operated autonomously, developing corporate organizations with vertical integration (linking trade, bills-of-exchange, and diplomacy) if possible.

family) or, if no surname existed (for example, only "Giovanni son of Paolo"), same father.

¹⁴Other activities included land, Church, political competition and physical violence.

¹⁵Albeit about a later period, Goldthwaite perceptively has observed: "[Florentine] merchant bankers undoubtedly competed with one another for the sale of their goods and the attraction of clients--but not to the extent that they devised techniques for product variation and cost-cutting in their home industry and for underselling and market domination abroad." (1987, 23)

In virtually every economic aspect above the lowest level of pawnbrokers and mere money-changers,¹⁶ in other words, the logic of Florentine banking organization was colored by the logic of patrilineage during this late-medieval period.

Through a political process described later in this chapter, patrilineage throughout Florence weakened,¹⁷ for reasons having little specifically to do with banking. The guild moved from the background of regulatory control to the foreground of socially constituting partnerships. Not only lower-level employees but also partners themselves formed and re-formed themselves according to a logic of master-apprentice, displacing the earlier logic of father-son. This implied internal hierarchy: large experience and *corpo* differentials between non-family partners, often socially anchored in cross-class neighborhood relations.¹⁸ But it also implied social mobility: the goal of the apprentice

¹⁶ Pawnbrokers and money-changers were too small to require any partners at all.

¹⁷ Among *Arte del Cambio* banks, the percentage of family-based partnership dyads dropped from 80 percent to about 40 percent during the period of 1300 to 1340. (Note that the timing of this decrease long preceded the 1342 banking crisis so discussed in the literature; see Saporì 1926.) These numbers may help to adjudicate the debate about family in Florentine historiography between Goldthwaite (1968) and Kent (1977). The existence of decline supports Goldthwaite's position, although the timing is earlier than the period he analyzed. But 40 percent is still a large number. This fact thus supports Kent's point about the continued importance of Florentine family throughout the Renaissance. Looking closer at the *Arte del Cambio* numbers reveals that the decline of 1300 to 1340 was disproportionately due to the virtual disappearance of father-son partnerships. Partnerships between brothers, and to a lesser extent between cousins, remained common throughout the period from 1300 to 1500.

¹⁸As in "take on your lower-class neighbor's son" first as apprentice and then, if that works, as partner. The terms of the partnership contract often compensated the subordinate partner for his

was artisanal autonomy, with the consequence that firms constantly splintered. Apprentices spun off to become either solo operators or masters of new apprentices.

The market-structure consequences of this newer guild-based firm-formation logic are straightforward. Owing to constant fissure, firm-size distributions were deconcentrated in the extreme. In the guild era of 1348 to 1376, having one to three partners in *Arte del Cambio* banks was practically universal; in contrast, the presence of seven to twenty partners was not unusual in the preceding patrilineage era. Owing again to constant fissure, career mobility ties among firms were dense; one's competitor could be one's ex-apprentice. In this context, deconcentration was a reflection of community solidarity more than a sign of neoclassical perfect competition.¹⁹ "Capital" is best conceived in this regime as a personal-career "stake": the goal of the artisan was to carve out a good life for himself, not necessarily to maximize profits.²⁰ Within ranges, wool-firm

extra labor with a share of profits greater than the share of capital contributed.

¹⁹See McLean and Padgett (1997) for formal statistical tests of the neoclassical perfect-competition model for Florence, using primary data on thousands of transactions collected from the 1427 catasto. These tests in particular reject the neoclassical hypothesis of impersonality in exchange. Of course some economists, including those in this volume, have recently moved beyond the textbook neoclassical assumption that the only things that matter in exchange are price and quality of goods.

²⁰Indeed, without double-entry bookkeeping (invented by the time of, but not used much in, the guild period), the concept of 'profit' was hard to measure precisely, at least on an ongoing basis. Even modern historians as distinguished as Armando Sapori and Raymond de Roover can differ widely in their calculation of fourteenth-century 'profit rates', using the account books of the period (de Roover, 1958). When partnerships dissolved, there was an accounting of profits, in

production levels were chosen not individually by firms but collectively by masters in their guilds (Najemy, 1981). Account books, typically not double-entry, displaced contracts and notaries as the medium for inter-bank exchange, since now bankers could trust each other enough simply to walk across the *piazza* (either in Florence or in another city) jointly to clear their books.

After the 1378 *Ciompi* revolt of the wool workers, guilds effectively were crushed, owing to their role in this political crisis (Brucker, 1968). The *popolani*²¹ as a social class moved in to dominate partnerships in all major Florentine industries, in a way quite analogous to their republican domination of politics in this same era. The consequences for partnership formation of this embedding of banking into social class were the following. Within domestic banking itself, class endogamy became the soil out of which sprang a hybrid family-nonfamily partnership form, with a nucleus of brothers or cousins surrounded by a periphery of same-

order to split proceeds and settle debts. But before partnership dissolution, while the bank legally operated, overall accountings were not regularly performed. This is not to say that during the guild period partners had no informed rough-and-ready sense of how things were going in general. But theirs was a detailed knowledge of specific transactions (“tacit knowledge”), which is highly dependent upon the personal expertise of the partner. Guild-style bankers certainly cared about making money, but there was no social need in such a highly personalized context for the measurement of relative performance as objectified “profit”.

²¹Social classes in Renaissance Florence were defined in terms of the political age of the family. In particular, the date at which one’s ancestors first were selected to serve on the governing city council (the *Signoria*) was a publically known fact and measured one’s family’s prestige. Like the Boston Brahmin descendents of the Mayflower, the *popolani* were the most prestigious social class in Florence; their ancestors had controlled the Republic from its founding in 1282 until the ascension of Walter Brienne, the Duke of Athens, in 1343. Thus the term

class partners, into whose family the brothers or cousins often married. Even absent formal marriage, *amicizia*, or friendship relations were central. "Family" therefore reemerged in banking partnerships, but in the looser horizontal *parentado* sense of marriage in-laws (and close friends), not in the vertical patrilineage sense of father-son. In capital accumulation, dowry and credit grew in importance, relative to inheritance.

Perhaps even more profound were the cross-industry consequences of *popolani* dominance. In the guild regime, intra-industry career mobility was high, but cross-industry career mobility was low. In contrast, the post-*Ciampi* period witnessed an efflorescence of cross-industry organizational "systems",²² of which the diversified conglomerates of Francesco Datini (the merchant of Prato) and of the Medici are the most famous. In particular, there was an explosion of partnership links between overseas merchant-banking firms and their domestic banks counterparts, although wool and silk manufacturing firms were included in these organizational systems as well. Perhaps for the first time it is legitimate to think of "capital" in the modernist sense of "investment", albeit investment only among

"social class", as I use it, refers to status, not to wealth or occupation.

²²Federigo Melis (1962) is responsible for the somewhat vague term "systems". De Roover (1966) calls these cross-industry organizational systems "holding companies", but in fact they were networks of overlapping but legally-separate partnership contracts, coordinated by centrally placed partners in each of these contracts.

closely linked companies.²³

Even more extensively knitting together firms than partnership systems were the open-ended credit relations that developed within the core of the Florentine banking industry at this time. Standing cross-accounts and the standardized protocol of double-entry bookkeeping were now the technical mechanisms facilitating this explosion of unsecured credit, backed 'only' (but all importantly) by trust and reputation.²⁴

It is no doubt an exaggeration to impute the goal of "domination of the market" to individual entrepreneurs of this era, if only because this was still far beyond their organizational capacity. But clearly there was a "visible hand" managerialist logic of coordination and control across multiple markets and firms not present in earlier phases. And the power-drenched reality of "domination of the market"--institutionalized politically in republican *balie* and in near-monopoly by *popolani* of guild-consul and *Mercanzia* offices--was in fact achieved at the level of social class, if not at the level of individuals. Banks and banking during the *popolani* oligarchic era were constructed on the social infrastructure of politically inspired elite-construction mechanisms--intermarriage, *amicizia*, and

²³There was no such thing as a stock market, which was invented later by the Dutch and the British, largely for political reasons (Carruthers, 1996).

²⁴Melis (1962) in particular heavily emphasizes the role of *fiducia* in the banking of this period. See also Goldthwaite (1987).

emergent clientage.²⁵ Such organizational innovations generated economy-wide, not just industry-wide, financial elites.

Although organizational developments in economics certainly cannot cause ideas, this third *popolani* phase is the economic-cum-political backdrop to the famous ideological construction of civic humanism during this same period (Baron, 1966). Civic humanism imparted to the new economy-wide elite a deep self-consciousness about its own importance in Western history (cf. Emirbayer and Goodwin, 1994).

In the post-1434 Medici era, developments in domestic banking are only imperfectly revealed, because of an unfortunate gap in the *Arte del Cambio* records. One major clue, however, is unequivocal: the social-class composition of domestic bankers, as well as of partners in other industries, shifted dramatically from overwhelming *popolani* domination to an equal distribution between *popolani* and "new new men" (a parvenu class of families defined by their entrance into the *Signoria* after the 1378 *Ciampi* revolt). In the case of domestic banking, this compositional shift was neither gradual (it occurred immediately upon the accession of Cosimo de' Medici) nor accidental: new matriculation data reveal virtually an affirmative-action policy of equal rates of admission into the guild. In short, all signs point to an implementation of exactly the same Medicean political control strategy for banking that Nicholas Eckstein (1995) has uncovered

²⁵Brucker (1969: chapter 3; 1977: chapter 5) in particular has emphasized the explosion of

for neighborhood *gonfaloni* during this same period. I have already analyzed the emergence and effectiveness of this "class-balancing" Medicean control technique in the pre-1434 period (Padgett and Ansell, 1993).

It is an inferential leap from this clear evidence of social-class composition to an interpretation of domestic banking under the Medici as "extreme patronage" in logic.²⁶ Nevertheless, a series of collateral data make this interpretation plausible at least as a working hypothesis: (1) Louis Marks (1960) has demonstrated the emergence of a Medicean "financial oligarchy" in the domain of state finance, with extremely personal and highly politicized linkages between high-level financiers and the emergent Medici court.²⁷ (2) The Medici demonstrated unequivocal patronage behavior toward lower-level Jewish pawnbrokers (Fubbini, 1996), whom the Medici brought into Florence soon after their accession, and who were evicted from the city by Savonarola immediately upon their 1494 fall. (3) The functional segregation between domestic banking and the government bond market broke down under the Medici, as an explosion of *Monte commune* and dowry-fund *prestanze* (forced loans) unleashed a secondary market of speculative trading in discounted bonds (Molho, 1994), in which domestic bankers participated heavily (Goldthwaite, 1985).

amicizia and clientage during this republican period.

²⁶I distinguish extreme patronage from patronage by the social (and wealth) distance between the parties. Patronage in the *popolani* period linked near equals; hence, it was cognitively and linguistically very close to *amicizia* (McLean, 1996). Patronage in the Medici period, in contrast, linked people of vastly different social statuses, more akin to *magnificenza* (Jenkins, 1970).

(4) The Medici mobilized domestic bankers into their extra-constitutional financial advisory committees, to reform taxes, the mint, the Jews, and other pressing financial matters (Marks, 1960; Brown, 1992). All these pieces of evidence, while external not internal in character, show the same progressive Medicean entanglement of banking into state fiscal administration.

If this extreme-patronage interpretation of domestic banking under the Medici proves correct, then we should witness, on the economic front, a progressive separation of finance from entrepreneurship. Instead of inter-industry organizational systems, in which managerialist elites control multiple markets, high-level financiers withdraw into the state, reaching out to remaining entrepreneurs through short-term, more speculative loans. Even domestic bankers themselves can become "clients" in this dynamic. In actual historical fact, domestic banking under the Medici became far more stratified than before. A few highly successful and long-lived banking firms, sitting on Medici advisory committees, were offset in ratio within the *Arte del Cambio* records by many more small, purely local, impoverished firms, with relatively poor economic prospects outside of bond-market speculation.

Thus, in the paradigmatic case of Renaissance Florence, it appears to be the centralizing court, not liberal laissez-faire, that spawned the emergence of highly specialized classes of financiers (both wealthy and impoverished) who were

²⁷ For a sharp challenge to Mark's conclusion, see Goldthwaite (1996).

differentiated from production and trading and related to business primarily through immediate, short-term gains.²⁸ Although further research into this question is required, it appears that only in the Medici period did finance become segregated into organizations different from those for business and trading. Before this period, 'merchant-banker' is a more accurate term than just 'banker' alone.

Partnerships and Careers

In this "birth of financial capitalism" narrative, the most glaringly obvious empirical fact is the temporal covariance of political and economic transformation. It is the inner logic of this covariance that most needs analysis. To proceed, I follow the biologically inspired framework sketched earlier and break the organizational genesis problem down into three levels of analysis: first, a micro 'genotypic' level of analysis, in which the central issue is how organizational sequences are produced through the interweaving of careers; second, a mezzo 'developmental' level of analysis, in which partnership mating is

²⁸A second historical factor, not accounted for within this extreme-patronage interpretation, is the fact that many republican merchant bankers and their families were politically exiled, although their overseas business firms were not necessarily destroyed as a consequence. (I thank Richard Goldthwaite for this observation.) The Strozzi family (Gregory, 1997) is one clear example. (The Alberti family (Baxendale, 1991) is a counter-example, where political exile really did hurt their overseas business.) Political exile is a dramatic and obvious blow to "system" partnership ties linking foreign and domestic branches. Given the unprecedented magnitude of Cosimo's exile policy, it is even possible that this political policy negatively affected the economic integration of the Florentine domestic economy into at least some sectors of European international trade.

regulated through social and political network-embedding; and third, a macro 'speciation' level of analysis, in which the central issue is how social-network rekeying of logics-of-identity is accomplished, across political-cum-market regimes. This section focuses on genotypic mating, the next section on developmental regulation, and the last section on speciation.

Each of the four phases of Florentine domestic banking history rested on a distinct institutionalized conception of a partnership--that is, its modal 'logic-of-identity.' Banking organizations (at least their partnership cores) were the unfolding and concatenation of these building-block elements through time.

In figures 5.1 through 5.6, I represent prominent examples of these partnership conceptions graphically. These figures summarize schematically modal patterns of career structures that I have discovered empirically. Bankers in these figures are represented as vectors of two components: economic capital (*corpo*) and human capital (years of banking experience). In both cases, the notation '+' means large amount of capital possessed; '½' means small amount of capital possessed; and '0' means no capital possessed. Partnership relations are represented as different matching profiles or capital complementarities between the two bankers' vectors. Which match between capital vectors is 'complementary' depends upon social embedding--that is, on the underlying social relation that spawned the partnership. Economic viability constraints are built in to the representation through

the requirement that the sum of economic capital and the sum of human capital must each equal at least 1 (or '+').²⁹

(1) Family Firms

In the family regime, the distinct logic-of-identity was father-son; hence the network of partnership recruitment was patrilineage. In figure 5.1, father-son is represented as a match between the two capital profiles: father's C/E=(+/+) and son's C/E=(0/0). Their personal feelings aside, father-son formally is an altruistic relationship in which someone who has everything sponsors (or 'makes') someone else who has nothing.

Figure 5.1 shows how, in a patrilineage regime, such father-son relationships typically unfolded and concatenated through time, to generate the life history of a patrilineage bank. Such banks developmentally were produced through simple agglomeration: father-son firms started small, and kept growing larger by adding more and more extended family members, until sooner or later disaster caused bankruptcy and massive collapse.³⁰ Authority within the firm, among the partners, was hierarchical, not equalitarian. Career advancement was generational: sons had to wait for their fathers' death and their inheritance. Inter-firm employment transfer, to another family, was virtually unthinkable; hence the economic fate of the banker was tied to

²⁹In a more formal representation, both these capitals of course would be made continuous.

³⁰Of course, extension in this way is dependent on underlying family structure: *popolani* and *magnati* extended clans were inherently capable of growing larger firms in this manner than were the more nucleated families of the new men.

his firm.³¹

Figure 5.2 shows the analogous logic for brothers, one that is more appropriate for nuclear than for patrilineal families. Empirically, brother-brother firms existed throughout Florentine banking history, unlike the father-son firms, which were mostly contained to the patrilineal period. Brothers would often split up and divide their inheritance, including the bank, upon the death of their father, whether or not the father was active in the firm (Kent, 1977; Goldthwaite, 1983). I label as strong brotherhood the variant in which brother partnerships lasted beyond the death of the father, and as weak brotherhood the variant in which it did not.³²

Note that figures 5.1 through 5.5 can be read in two ways: as bankers coming together under different partnership logics to produce life histories of firms, and as life histories of firms inducing bankers' careers. This double reading is an example of the network-analysis concept of duality (Breiger, 1974; White and Jorion, 1992). Duality is the network architecture through which markets socially construct persons.

(2) Guild Firms

In the guild regime, the distinct logic-of-identity was master-apprentice; the social network of recruitment was

³¹The prevailing legal doctrine of unlimited liability, of course, made much sense in this social context.

³²I suspect, but have not yet confirmed to my own satisfaction, that the strong brotherhood mode is characteristic of the lower social classes, while the weak brotherhood mode is more

primarily the neighborhood, typically cross-class. A master differed from a father in that he required his apprentice to gain some experience (usually, though not necessarily, under himself) before promoting him to partner. Also, the expected duration of the partnership was shorter: instead of waiting 'until death do us part,' an apprentice typically wanted to become an independent master as soon as he was capable of sustaining an economically viable firm. Other than that, masters and fathers were similar: both had hierarchical authority, grounded in their superiority on both the *corpo* and experience fronts.

Figure 5.3 illustrates graphically the consequences of concatenating this social logic through the life history of a firm. The developmental sequence of guild banks was repeated schism, as 'apprentice' partners built up enough wealth and experience to declare independence by starting their own firms. Empirically, I have observed that *popolani* and *magnati* bankers behaved differently in their later-life stage as fully-autonomous masters: experienced masters of *popolani* and *magnati* social class backgrounds continued to sponsor young lower-class apprentices as partners, while experienced masters of lower-class backgrounds (new men, new-new men, and no-date) preferred to become solo operators. The net result was a loose pecking order among guild masters: Cambio masters of *popolani* and *magnati* background

characteristic of the upper social classes.

disproportionately reproduced bankers of all social classes.³³

Loose pecking orders notwithstanding, relations among banks were personal and solidaristic. Not only was this market structure grounded socially in the daily practice of bankers sitting around the same *piazze* every day, as mentioned earlier, but the same career logic that generated guild banks also produced biographies of dense ex-partnership ties among competitors (who as a result were not all that competitive).³⁴

(3) Popolani Firms

In the *popolani* regime, the distinct logic-of-identity was social class; hence, the network of partnership recruitment was intermarriage and elite *amicizia* (friendship). Figures 5.4 and 5.5 illustrate the capital-complementarity consequences for partnership.

The intermarriage variant of social-class logic is presented in figure 5.4: the father-in-law gives a dowry to his son-in-law, who uses that as *corpo* in a partnership either with the father-in-law himself, if the father-in-law is in the same industry, or with a friend of the father-in-law if he is not. Sons-in-law had more *corpo* actually in hand³⁵ than did sons, who relied instead on

³³Guilds, in other words, while truly motors for social mobility, were also mechanisms for *popolani* masters' control over the other masters so admitted. The 1378 *Ciampi* revolt uncovered vulnerabilities in this particular mechanism of control.

³⁴Industrial districts come to mind as contemporary analogues.

³⁵I leave aside the complications that Florentine son-in-laws sometimes experienced in collecting their dowries.

future inheritance. Even though this greater wealth gave to sons-in-law more clout in the partnership than sons or apprentices had, they remained subordinate.

As shown in figure 5.5, the *amicizia* variant of social-class logic produces, for the first time, an asymmetry in capital complementarity: the partner superior in *corpo* is not necessarily also superior in experience. The logic of 'friends' is to help each other out in need, in the sense of giving to the other what the other lacks. Applied to partnership, this logic implies the exchange of *corpo* for experience. Applied to loans, this logic implies a heavy reliance on unsecured credit and loose repayment schedules,³⁶ although only among friends with solid reputations.

In-law and *amicizia* relations vary in duration: a father-in-law relation lasts until the death of the wife, whereas a friendship relation varies widely in duration. Likewise, the degree of equality in *corpo* can vary. One tends to assume that sons-in-law are less wealthy than fathers-in-law, but dowries in the Florentine elite sometimes reached uncomfortably high levels from the perspective of the father-in-law. Similarly, one tends to assume that friends are roughly equal in wealth, but Florentine friendship readily bridged wealth differences, perhaps because of the extreme wealth disparities both within a social class and within a family itself. The point is that building

³⁶The concept of 'friend' is not so elastic as to imply no repayment at all (pure gift), but it is elastic enough to allow 'repayment' in numerous social currencies. The post-1420 Medici were well known for repayment of their economic loans in political currency (Molho, 1973).

partnership on the social-class foundations of intermarriage or friendship automatically introduces more flexibility in duration and in relative authority than can exist in the patrilineage or guild context.

A second, historically crucial consequence of a shift of economic partnerships onto social-class foundations is the automatic opening of the door to cross-industry ownership connections. Given Florentine fathers' bias in passing down their occupation to their sons, in-laws and friends were more likely to be in different industries than were relatives (and by definition fellow guildsmen were in the same industry). Both *parentado* and *amicizia* naturally generated cross-industry partnerships, once they became mobilized into economic activities.

(4) Medici Firms

I will not sketch the Medici period in the same detail here because of the gap in *Arte del Cambio* records mentioned earlier.³⁷ In the overall summary figure 5.6, however, I illustrate the capital-complementarity meaning of extreme patronage: patron's C/E=(+/0) coupled with client's C/E=(0/+). This is extreme asymmetry in partners' *corpo* and experience: a wealthy financier with no knowledge sponsoring a poor entrepreneur with no wealth.

Gene Brucker (1969, 1977) is the historian who most persuasively has emphasized both the pervasiveness and the flexibility of the Florentine concept of patronage--extensible

³⁷I need to find new primary sources before I can fill this gap.

from the relatively equalitarian overtones of *amicizia* in the republican period to the sharply hierarchical emphasis of *magnificenza* in the Medicean period. Sharp economic and political organizational changes were probably built, in other words, upon a social ground of cultural and linguistic continuity.

As mentioned earlier, empirically domestic banks in the Medici period were characterized by stratification into two tiers: an upper tier of politically connected firms, with 'patrons' sometimes serving in the economic role of functional 'silent partners', and a lower tier of impoverished, atomized firms, often active in the secondary market of government bonds. 'Extreme patronage' refers to banks in the first tier.

Organizational Identity and Control³⁸

In each of these phases, role was framed by identity (Goffman, 1974: 293-300). That is, Florentine bankers' understanding of what it meant to be a partner was affected, in each of these periods, by their conception of themselves as persons, outside of the bank. Social embeddedness, however, is not mere social determinism, because who bankers were outside of the bank was distinctly non-obvious. It is not as if bankers in all four periods were not simultaneously fathers, neighbors,

³⁸The heading refers to Harrison White's Identity and Control (1992), in deference to the early training and wealth of ideas I received from White, while I was an assistant professor. This chapter shares with that book a concern with similar themes, although the mechanisms are different.

friends, and patrons.³⁹ They were all of these things all of the time. Multiple, overlapping social networks shaped banking because they defined the generative context or raw material out of which banks emerged. But for an even deeper explanation of organizational genesis, we need a yet-to-be-specified identity-construction mechanism that leverages banking into one or another aspect of its surrounding social context.

From the Florentine evidence, this mechanism appears to be political in character. Most authors discuss "identity" and "framing" in cultural or linguistic terms, and there is in fact a linguistic aspect to the Florentine story (McLean, 1996, 1998). In my opinion, however, more fundamental than language for banking was how Florentine political institutions shaped actual (not just interpreted) biographies. Biographies are different from careers in that the concept of careers refers to life sequences within a single domain of activity (economic, political, family), whereas the concept of biography refers to life sequences across multiple domains (interleaving economic, political, and family). When constructing his own biography (as opposed to career), the smart Florentine banker needed to attend to how other Florentines rewarded or punished moves in one domain

³⁹Using the dairies of the Niccolini family as source material, Christiane Klapisch-Zuber (1985: chapter 4) paints a marvelous portrait of the multiplicity of such relations for this family in Renaissance Florence. My only quibble with her insightful analysis would be to draw a sharper distinction than she does between friend and godparent, the latter to me being more like a patron. Indeed, Klapisch-Zuber admits that the Florentines themselves did not equate these two categories (p.89). Friend was typically intra-class, whereas patron was typically cross-class; but

in the currency of other domains. For example, a move in economics shaped family options; a move in family shaped political options; a move in politics shaped economic options; and vice versa around the causal loop. In Florence, clear distinctions between domains were blurred precisely because of the strength of such interaction effects.

No activity inherently took priority in Florentine consciousness: attaining wealth, status, and power were all important pursuits. It is especially important in a paper on banking to note that banking was not necessarily a life long activity: the average length of a career in domestic banking during the guild and *popolani* periods (1348-1399) was 8.21 years,⁴⁰ according to *Arte del Cambio* records. Political offices were often held both during and after banking careers. Similar statements could be made about politics and even family. Rather than arguing which was more important, the main point is to emphasize the multiplicity of Florentine activities and concerns.⁴¹

In this multivalent context, which aspects of their external lives did bankers select as identities to be relevant for the

of course, as I too emphasized earlier, these blended into one another.

⁴⁰This figure does not correct for truncation effects. The 1348 Black Death makes left-hand truncation largely irrelevant. But right-hand truncation, post-1399, probably makes 'approximately 9 years' a more accurate statistic.

⁴¹This is a central argument in Padgett and Ansell (1993). See also Weissman (1989). For the contrasting presumption that medieval Italian state-formation was driven primarily by an economic logic, see Greif (1994).

attainment and maintenance of their position as bankers? The answer to this question has two parts: First, since partnerships are dyads, not single individuals, the identity of one party to a relation is as much the selection of the alter as it is of the ego: identity is negotiated, not chosen (cf. Leifer, 1988).⁴² As such, identities are rooted in matching processes. And second the micro-terms of dyadic negotiations are not usually idiosyncratic; they are grounded in public discourse by institutionalized rules of access, which shape the normal terms of translation between multiple domains.

Recruitment systems reproduce regimes of identity, once they are already in place. New bankers are recruited or sponsored by existing bankers, through the same networks that existing bankers experienced as the reasons for their own success. An industry thereby selects those aspects, or identities, of the multifaceted persons of entrants that it deems relevant to the types of banks it makes. Viewed microscopically: who you become as the person behind your banking role is which of your pasts the industry has made into the reason for your coming to occupy that role. Compositionally, this does not imply social homogeneity, as many filtering arguments suppose, because recruitment networks are not

⁴²Note that this formulation of the concept of 'identity' denies any essentialist connotation: identity is the cognitive person-framing of person-role interactions, not a fixed psychology located deep within people. In the context of economics, for example, the identity of a banker could be 'father'. But in the context of the dinner table, the identity of a father could be 'banker'. This relativist interpretation is consistent with White (1992), who in turn takes seriously the decades of research in psychology about the weakness of sustained empirical evidence for

necessarily closed. But it does imply industry convergence on some dimensions of classification of heterogeneous personnel rather than others.⁴³

Recruitment systems typically are anchored in elites. Even if new entrants to an industry are heterogeneous, the very process of moving them up into the core of that industry transforms multifaceted human material into the classifications of the core.⁴⁴ Clear, univocal personal identities thus are the consequence of tight social control.⁴⁵

Elites themselves experienced their own incorporation numerous years in the past. In stable regimes, therefore, elite-policed personnel matching systems reproduce the control patterns laid down in the past. In unstable regimes, conversely, either political conflicts or interruptions of economic mobility can disrupt the smooth operation of organizational reproduction and set the stage for morphological rekeying. Either way, the memory of past historical fractures becomes layered into the current

anything like a stable core 'personality' (Mischel, 1990).

⁴³To paraphrase Mary Douglas (1986), institutions do the thinking, although I would be quick to add not necessarily only through the culturalist mechanisms that she emphasizes. For a quite different application of this 'identity from mobility-as-control' argument in the setting of the U.S. Congress, see Padgett (1990).

⁴⁴John Najemy (1982, chapter 8) offers a profound analysis of post-*Ciampi* Florentine electoral reform along these lines. James C. March and James G. March (1977) give a similar argument, albeit in the completely different terminology of mathematical statistics.

⁴⁵From radically divergent normative premises, Harrison White (1992), Morris Janowitz (1991), and Antonio Gramsci (1971) all would agree with this conclusion. The converse of this point--namely, that effective control over others is rooted in multivocality--has been developed in Padgett and Ansell (1993).

network structure.

This internalist reproduction mechanism applies equally well, with different social network content, to each of the four phases of Florentine banking development. As such, social matching-recruitment systems alone cannot explain differences among them. Besides path-dependent reproductive matching, at the level of careers, however, the second answer to the identity-construction question is translation, at the level of biography. "Rules of translation" and "protocols" are concepts that apply not only to language and to software (cf. Hutchins, 1995). How people are moved across different activity domains is "translation" in social structure. As in linguistics (cf. Duranti and Goodwin, 1992), where a person or text is coming from, and where it is going to, are crucial for the indexical interpretation of the current multivocal person or text.

For biography, translation means access. In the short-term time frame of making public-policy decisions, bankers may need to translate their problems into terms that can compute in the public arena. In the longer time frame of a biography, bankers may need actually to enter the political arena.

In the late-medieval era, patrilineage (aggregated into fluid factions) was the core recruitment network into Florentine political office. Guild succeeded patrilineage during the so-called guild-corporatist regimes of the early Florentine republic. The *popolani* logic of state service undergirded the Albizzi 'consensus' republicanism of 1378 to 1434, so celebrated

in civic humanism. And loyalty to the Medici party determined political access after 1434, institutional appearances notwithstanding.⁴⁶ By 'political access', I mean the actual (albeit changing) legal rules for eligibility to fill and to vote for offices in the Florentine republic. Repeated struggle over these inclusion rules, between new and old cohorts, was what domestic politics in the Florentine Renaissance was largely about (Brucker, 1962, 1977).

Patrilineage, guild, social class, extreme patronage--viewed from the perspectives of politics and of economics simultaneously, these identities were protocols through which politics and economics communicated. John Najemy (1991) has made the perceptive observation that Florentine political institutions are better understood as dialogues of power between contending groups, than as instruments of domination by any one group. Here I extend the point to individuals: personal identities are micro-institutions that enable economic, political, and family roles to communicate. Communication occurs, moreover, in two senses: by permitting actions in one domain to be interpreted in another, and by allowing human beings to move readily across domains.

When does all this matter for actual bankers? The answer is: in a pinch. Quite apart from the reality of multiplicity of goals, firms faced with bankruptcy often needed to reach into their bankers' political and familial networks to stave off

⁴⁶These enormously simplified summaries can be fleshed out with Najemy (1982) and

disaster. Concretely, this meant that in the patrilineage regime, bankers had to become Bardi (or whatever their family name was) in order for politics effectively to understand their plea for help. But in the guild-corporatist political regime, bankers had to become Cambio guildsmen to be effective. And similarly, they had to become *popolani* or Mediceans for effective translation of their economic requirements into the politics of those regimes. Bankers, of course, were free not to play this game, but not participating greatly diminished their chances for economic survival, especially during times of crisis.

One implication of this 'selection under crisis' dynamic was that banking morphologies had to be robust. On the one hand, firms had to be structured in a way that allowed them to 'compute' with other firms in the industry, through capital and personnel flows. On the other hand, firms had to be structured in a way that allowed them to 'compute' with other potential allies in politics. Once created under stress, moreover, organizational form reproduced through career recruitment, long after the founding crisis had passed.

Paradoxically, this does not imply that bankers needed to reason self-consciously as politicians. Quite the opposite: to the degree that bankers' understanding of their own identities converged with institutional definitions, they were free to behave 'naturally' (that is, without profound self-reflection) in political arenas and 'naturally' in economic domains, leaving

Rubinstein (1966), which are the definitive histories of electoral reform in Florence.

their politics at their bank-office door. Cross-domain translation, embodied in person-role framings, is performed for the most part institutionally by recruitment and access systems; 'mind control' over each and every individual certainly is not required for system reproduction of individual identities.

In each of the four Florentine banking regimes, the "person" behind the banking role became whichever political identity was necessary to maintain the banker's occupancy of that role. As a consequence, as the elite access rules linking markets and politics changed, so did the logics-of-identity framing of elite banking roles.

The recruitment and translation mechanisms for the construction of identity operate similarly in the sense that both are institutionalized methods of control that select the features of the person relevant to entering and maintaining his or her position. As such, to the extent that people learn the reality of how they are treated, I argue that a person's cognitive understanding of his or her own identity is less an infinitely flexible interpretation than it is a socially constructed fact.⁴⁷

The Coevolution of State and Market

Now to the hard question of speciation: what were the dynamics of transition between banking regimes (from family banks

⁴⁷Depending upon the details of multiple-network structure, such learning can lead toward sphinx-like multiple identities, as in the case of Cosimo de' Medici (Padgett and Ansell. 1993), as well as toward the more clear and univocal identities emphasized here.

to guild banks to *popolani* systems to extreme-patronage finance)? This question is so challenging that I can not pretend fully to answer it here. But we shall at least begin, with discussions of the family to guild transition, during the first years of the republic, and of the guild to *popolani* transition, during the *Ciampi* revolt. The political side of the *popolani* to Medici transition has been discussed at length in Padgett and Ansell (1993), and so receives more cursory treatment here. These discussions will concentrate on the changing roles and identities of merchant-bankers, rather than attempt in this brief compass to focus equally on all groups.

The central features of my interpretation of these fundamental Florentine transitions are as follows:

1. During the early years of the republic, merchant-bankers reacted to threatening magnates (themselves organized as patrilineages) by reaching out politically to prosperous immigrants through guild corporatism. Over time, this originally instrumental move transformed their own identities from patrilineages into Cambio (and other *arti maggiori*) guildsmen.
2. During the *Ciampi* revolt, merchant-bankers reacted to the threatening *Ciampi* (themselves organized by guild aspirations) by reaching out politically to other economic elites through civic republicanism. Over time, this originally instrumental action by merchant-bankers transformed themselves from guildsmen into *popolani*.

3. During the Milan and Lucca wars of 1425 to 1430, the Medici merchant-bankers reacted to threatening oligarchy (defined as *popolani*) by reaching out politically to new-new men through San Giovanni patronage, thereby transforming themselves into a Medicean political party.

In all three cases of regime speciation, the transition rhythm was roughly similar:

- (a) a constant background of new (and exiled) persons demanding political and economic inclusion;
- (b) war and/or economic shock;
- (c) polarization of the political system along lines of cleavage inscribed into the previous institutional order;
- (d) spillover of polarization, if intense enough, into a few cross-cutting odd bedfellows;
- (e) conservative reaction by merchant-bankers to the threat posed to their business, through reaching out politically from within the fractured elite to groups defined in complement to the threat;
- (f) victory, purge of losers, then re-consolidation of a new regime, which was characterized legally by transformed identities layered on top of the old ones;⁴⁸
- (g) then, after a generation or so, the repetition of some version of the sequence.

⁴⁸Old identities were never abolished; they just retreated in salience into the background.

In political science, this process of changing political-identity dimensions is called realignment.

The net effect of these transformations (in the case of Florence at least) was the preservation of most, but not all, merchant-bankers in a position of power.⁴⁹ They adaptively shifted their alliances and modes of access in political dialogue with varying others, in a defensive effort to preserve who they were. An unintended consequence, however, was that 'who they were' itself changed, with all the attendant consequences for the organization of banks that implied.

Each of these transition sequences was initiated by a war and/or economic shock:

1. The 1282 to 93 founding of the republic, on the basis of guild corporatist ideology, was initiated by defeat of the Florentine Ghibellines in a civil war, coupled with a boom, not a crisis, in the Florentine economy. This boom came from international trading through the Guef alliance (Schevill, 1961). Florence was larger and more prosperous in this turn-of-the-century patrilineage era⁵⁰ than at any time subsequently

⁴⁹Perhaps this is one reason for the remarkable continuity of many famous Florentine families, in the face of the economic and political turbulence of Renaissance Florence. This familial continuity has been most astutely analyzed, from the perspective of marriage, by Anthony Molho (1994).

⁵⁰As explained earlier, banks were still overwhelmingly family-based in 1300, in spite of the brand-new guild-corporatist state framework. Bank partnerships themselves only absorbed political guild-identity in their economic logic in reaction to the macro-economic decline of 1300

(Villani, 1844 [1350]).

Wars between England, France and Flanders, however, caused sharp retrenchment in the banking industries all over northern Italy during the subsequent 1300 to 1343 period (LaSorsa, 1904; Saporì, 1926; Kaeuper, 1973; Housley, 1982; English, 1988). Internationally-oriented bankers took advantage of their newly ensconced *Arte del Cambio* and *Mercanzia* political positions to crack down economically on purely domestic money-changers and bankers, through strict enforcement of guild regulation (Najemy 1972; Astorri, 1998).⁵¹ Hierarchy was established within guilds, and the raw numbers of Florentine bankers shrank, as free entry to the industry was abolished. Bankers' strictly instrumental political behavior from 1283 to 1292 as guildsmen gradually became infused, by 1343, into their own economic-cum-political identities, through this crack down process.

2. The 1378 *Ciampi* revolt was immediately preceded by the 1375-78 War of the Eight Saints with the pope and by a sharp decline in the wool industry, perhaps caused by papal interdict, perhaps not (Trexler, 1974; Hoshino, 1980; Franceschi, 1993a). The War of the Eight Saints was itself the product of a bitter domestic struggle between magnates and new men, centered on political persecutions by the *Parte Guelfa* (Brucker, 1962), destroyed forever the pro-papal Guelf alliance.

to 1343.

⁵¹Florence's rigorous self-policing of debts through the state stands in marked contrast to the 'bailout' policies of Siena (English, 1988). Such policies explain the decline of Sieneese bankers,

Environmental shocks, however, while central to the explanation of timing, do not explain the form into which a system reconfigures itself. As paleontologists and others realize, environmental shocks are a dime a dozen: some of them have transforming consequences, many of them do not.⁵² Metaphorically speaking, how a crystal responds to the blow of a hammer depends not only on the direction and force of the blow, but also on the fault lines within the crystal itself.

1. In the patrilineage-to-guild transition, the organizational response of the banking industry to the events just described depended crucially on the political history of the family in Florence. It was no accident that patrilineage--and in particular the father-son bond--declined in partnership importance during the period of 1283 to 1343. The Florentine republic was engaged in a legal, and even physical, war against it.

This political assault on patrilineage played out in numerous ways: Large numbers of violent feudally-oriented families were legally declared *magnati* in 1392 by the guild-corporatist republic (Lansing, 1991). As such, they were

relative to Florentine bankers, in newly emergent international money markets.

⁵²Indeed the effect of war on regimes is wildly variable: sometimes the shock of war increases consolidation of the existing regime (for the Florentine case, see Baron, 1966; more generally, see Tilly, 1975); yet sometimes the shock of war causes regime collapse, even without overt defeat (for the Sienese case, see Caffero, 1998; more generally, see Skocpol, 1979).

prohibited en bloc from holding major political office.⁵³ In the aftermath of the early 1300s feuds between Black and White Guelfs (made famous by the participation and subsequent exile of Dante), the family towers (urban castles) of the losing White Guelfs were knocked down and their urban family estates were expropriated, thus repeating the fate of the Ghibellines a few decades before. The passage of laws of so-called emancipation gave fathers and sons for the first time the right voluntarily to appear before the *Mercanzia* court to declare economic divorce (Kuehn, 1982): that is, fathers could choose publicly to renounce (before the fact) legal obligation for the debts of their sons, and vice versa. It does not appear that this emancipation option was exercised frequently (Kuehn, 1982). Nonetheless, the option itself was a direct assault upon the inner legal logic of family banks.

This multi-faceted assault on patrilineage is paradoxical from the perspective of *popolani* families. Over time, the assault did achieve its titular objective of harming the family-organizational foundation of the magnates, those bitterly sworn enemies of guild corporatism. But *popolani* and *magnati* were

⁵³Although particular remissions were granted to individual families throughout the period from 1292 to 1434, this legal exclusion lasted as a category until the Medici abolished it in 1434. Over time, one serious consequence of exclusion was the splintering of magnate patrilineages, as ambitious branches, more interested in cooperating with the guild and *popolani* regimes, separated themselves from their parent magnate lines (Klapisch, 1988). Such splintering eventually had so substantial a impact that by 1434 the remaining magnates hardly represented a threat anymore.

identical in family organization.⁵⁴ Hence the *popolani* assault on patrilineage also hurt the organizational foundation of themselves.

The resolution of the paradox is that the *popolani*, unlike the *magnati*, had guilds as alternative organizational bases of political power. Hence, their control over the state could be preserved as long as *popolani* families effectively shifted from patrilineage to guilds as the organizational foundation for their control. Strengthening the patrilineage side of themselves, conversely, would have mobilized, not demobilized, their opponents. I hypothesize, but have not yet proven, that this instrumental reasoning about political design was self-conscious on the part of the *popolani*.

This is strictly an analysis of politics. How was this politically based patrilineage-to-guild organizational shift transposed into the domain of economics?

The answer is the early 1300s financial crisis, discussed earlier. In response to this crisis, with the short-term goal of calling in outstanding credits to help them weather the Europe-wide economic storm (English, 1988), Florentine international merchant-bankers used the newly politicized guild framework to strengthen their control over the domestic economy of Florence. This increased economic control had at least two facets. First,

⁵⁴Indeed they were heavily intermarried as well.

in 1308, the *Mercanzia* commercial court was established, with the twin economic-cum-political objectives of collecting 'delinquent' debts and of coordinating internationalist control over the five major domestic guilds (Astorri, 1998). Second, the *Arte del Cambio* banking guild itself was used to squeeze lower-level 'free entry' money-changers out of the industry (Najemy, 1972). Partly owing to economic bankruptcies, and partly due to this political squeeze, the number of active *Arte del Cambio* bankers dropped off drastically from 313 'bankers' in 1300 to 117 bankers in 1340, even before the well known (but more temporary in its effects) Bardi bank crisis of 1342.

Through this thirty-year sequence, political expediency became transformed into economic identity: *popolani* merchant-bankers shed their social identity as fathers and became guild masters, in both their economic and political organizations.⁵⁵

2. Organizational speaking, the core issue in the 1378 *Ciampi* transition, I would argue, was how the term *popolani* became transformed from the mere attributional category it was in the guild-corporatist regime into the generative logic it became in the Albizzi civic-republican regime. On the political side, this transformation led to the replacement of a collectivist

⁵⁵ In this chapter, I am not analyzing what happened to family organization in domains outside of politics and economics. There are complicated things to say on this issue, some of which contradict the 'decline of patrilineage' thesis supported here. See for example Cohn (1988, 1992), who has found that the percentage of inheritance passing down through family increased, rather than decreased, during the Trecento. One possible resolution of this contradiction is that patrilineage within the old *popolani-magnati* core declined in practical economic importance, even as social 'mimicking' of patrilineage by new men increased.

ideology of corporate rights with an individualizing ideology of state service (Najemy, 1982). On the economic side, partnerships were now constructed into systems on the logics of *parentado* (intermarriage) and *amicizia* (friendship).

These linked transformations are one of the major steps, if not the most important one, along the broader road from medieval to Renaissance. Radically innovative as they were, however, I argue that they can be understood as the path-dependent reworking of the guild-corporatist republic by the *Ciampi* revolt. I alluded earlier to the 'exogenous' triggering events of this revolt. We can obtain a deeper understanding of the reworking, however, from unpacking the political process through which guild corporatism exploded.

It is by now established that the *Ciampi* revolt of the workers was not, in ideology at least, a Marxist economic-class revolt as an earlier generation of scholars held. Rather it was, in inspiration at least, a moderate demand by *sottoposti* wool workers to create their own guilds (Brucker, 1968). Economic conditions in the wool industry imparted an urgency to their request, but the request itself was for citizenship, not wages.

Wool-industry conditions notwithstanding, the workers' revolt did not come out of the blue. *Parte Guelfa* persecutions of new men, themselves fueled by festering magnate exclusions of the past, had polarized the minor guilds into radicalized defense of the guild-corporatist order. In an escalating spiral, reactionary persecution of new men as 'Ghibellines' begat radical proscription

of conservatives as 'magnates' (Brucker, 1962). The governing major guilds were shredded by this cross-pressure, since the economic and marriage interests of elite guildsmen conflicted. In such volatile circumstances, elite demagogues or heroes (depending on your point of view), like Salvestro d'Alamanno de' Medici, arose to fight for the *popolo minuto* and against the Guelf pope. Interlinked foreign and civil wars became at some point unstoppable.

The *Ciampi* wool workers themselves did not exactly come into this picture at the behest of the minor-guild alliance. But the times were extremely propitious for the expression of citizenship rights for little people (*popolo minuto*), who could help tip the volatile balance. (It certainly helped also that many of these muscular wool workers were ex-soldiers.) Wool workers poured into the streets and defeated *magnati* and *popolani* supporters of the *Parte Guelfa* in pitched battles, and started to burn many of their houses.⁵⁶ What started as a corporatist demand for guild citizenship escalated behaviorally into a true economic-class (that is, workers') revolt, even without the self-identification of *sottoposti* and *popolo minuti* as 'workers'. Large numbers of the economic elite fled the city in fear for their lives, to their country villas or to their overseas merchant-banking establishments. The teetering wool industry went from decline to

⁵⁶Of course such tactics were part of the repertoire of the *popolani* themselves. They were unaccustomed, however, to seeing such methods used against them, especially by the likes of the *Ciampi*.

collapse; essentially there were no employers left in the city.

The organizational consequences, for the conservatives, of crushing this revolt become obvious once one understands the nature of the challenge. Conservatives were remolded into an economic-cum-social class in complement to the economic-cum-class challenge of the *Ciampi* from below.

Old *magnati-popolani* distinctions were somewhat effaced, although never again through the mechanism of Guelfism. The gap between major and minor guilds, already present in the previous regime, intensified.

More important than either of these two re-workings of old categories, were the profound transforming effects on the identities of major-guild members themselves. Guild distinctions between various types of elite merchants were virtually eradicated: in the short run through their bonding experience of flight and counter-coup, and in the longer run through their joint agreement, expressed through *balie*, to emasculate the guilds. Victorious elites, understanding that the guilds had opened the door to class warfare, vowed never to let that happen again. So they eliminated guilds as the foundation to the Florentine constitution, taking over the appointment of guild consular leadership and demoting guilds to little more than social clubs.⁵⁷

⁵⁷See Rubinstein (1981), Najemy (1982), and Franceschi (1993b) for institutional details. Fortunately for my data, guilds continued to register matriculation and partnerships; however, they did little else. I have discussed the marriage side of this transformation of *popolani* into

Cross-guild political cooperation in electoral reform, through class-based elite networks of *parentado* and *amicizia*, thus preceded (but only by a few years) the analogous cross-industry cooperation of different economic elites in partnership systems. This co-evolution between states and markets is not surprising once one realizes that these two organizational systems were constructed essentially by the same people,⁵⁸ as they mobilized their *parentado* and *amicizia* networks in different domains. It is this wending of biography across sectors, as I argued earlier, that not only establishes protocols-of-communication in systems but also frames the identity-behind-the-role in individuals.

Conclusion

What is life? In biological chemistry, life is a tangled web of self-regulating loops of chemical reactions that reproduce themselves through time (Eigen, 1992; Buss, 1987; Fontana and Buss, 1994; Padgett, 1997; Jain and Krishna, 1998). The history of life is thus a path-dependent series of bifurcating networks, each step of which must lock in to stabilize itself before it can take the next step (Goodwin, 1994). Neutral drift at the level of individual molecules is consistent with discontinuous tipping at the level of autocatalytic chemical networks (Fontana and

oligarchy in Padgett and Ansell (1993).

⁵⁸I add the qualifier “essentially” only because of the well-known tendency for brothers to construct their little divisions of labor—one politician, one businessman (Goldthwaite, 1968).

Schuster, 1998). Viewed from a distance, evolution is a growing bush of co-adaptations, refunctionalities and dead ends, with selective pruning but no inherent teleology (Gould, 1980, 1989).

The contribution of the line of research in this chapter to this evolutionary theory is to emphasize the multiple-network character of these bifurcations. Human beings, just like chemical molecules, participate in multiple loops of self-regulating activity. As such, perturbations in one loop may rebound, for good or ill, into other loops. In addition to this point about developmental regulation, I argue that the possible trajectories of evolution of one social network (such as economic partnerships) are shaped by the structure of the surrounding social networks in which that network is embedded. Burgeoning pressures in one network, moreover, may urge other networks down one trajectory of possibility or another.

Because of such network interaction effects, the abstract history of financial capitalism should not be reified away from the concrete particulars of Florentine or any other history. Naturally, diffusion across settings also occurs. But explaining diffusion is different from explaining invention. In the social sciences, we have plenty of models for the former, but precious few for the latter.

In this chapter, I have used my empirical research on Florentine banking as a platform from which to sketch a more general theory or interpretation of the genesis of organizational morphology. At the level of organizational genetics, this theory

involves career matching. At the level of organizational development, it involves bankers' logics-of-identity, which are regulated by the biographical political access of elites and which unfold through bankers' social networks to spawn banks. At the level of organizational speciation, this theory involves the realignment of cross-domain bankers' identities, which function at the system level as dialogues or protocols through which politics and markets communicate with each other.

Whether or not such a framework is exactly what Stinchcombe had in mind in his 1965 inspiration is hard to say. But this article is one attempt to follow the markers of the fading trail he trail-blazed.

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