

# How a Renaissance banking family changed business history



## How the Medici excelled at the art of business



The Medici banking family may be best known for its patronage of Renaissance masters such as Michelangelo and Botticelli. But the powerful Florentine family's business innovations may be just as consequential. Consider:

**Double-entry bookkeeping.** Although the Medici didn't invent double-entry bookkeeping (that was Luca Pacioli in 1494), their banks embraced the highly accurate accounting method. Impressed by Medici profits, other entrepreneurs followed suit — and double-entry bookkeeping has endured as a standard business practice.

**The holding company.** Medici bank branches were structured as semi-independent partnerships under the control of headquarters in Florence.

**Letters of credit.** Long before ATM networks and electronic transfers, the letter of credit became essential for travelers and traders. For example, someone could deposit money in a Naples bank and request a letter of credit equal to the deposit. Then the depositor might present the letter to a bank in Venice or Lyons and receive an amount in local currency.