

## THE INVESTMENT INDUSTRY

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### Part 1

1. Researching the history of finance, why did the lecturer choose to look at the medieval English wool market?
2. The lecturer mentioned two modern financial instruments called 'forward contracts' and 'futures contracts'. What misinterpretation do historians tend to have about these two contracts.
3. What does the lecturer mean by 'hedging your position'?

### Part 2

4. How does a forward agreement work?
5. What is the role of the exchange in the trading of future agreements?
6. Why are the goods or financial products hardly ever delivered to the buyer on completion of the agreed time for full payment?

### Part 3

7. How important was the wool market in the UK in the middle ages?
8. What was the symbolism represented by the Woolsack in the past and what is the symbolism of it today.
9. What was the purpose of the Memoranda Rolls?

### Part 4

10. What is the origin of the word 'Indenture' used as a form of contract in medieval times.
11. Why did the Cistercian monks become the largest producers of wool in England?
12. What did the Cistercians do with the enormous wealth that they gained from the sale of wool to Europe?

## Part 5

13. Who bought most of the wool contracts from the English producers?
14. How many sacks of wool were being taken out of England in any one year?
15. What happened in 1294 when the amount of sacks of wool exported dropped to 25,000 from the usual level of about 45,000 per year?
16. What was the legal dispute regarding the wool contracts at Rievaulx Abbey?
17. In medieval England why could you not arrange to have a loan?
18. How does the lecturer think that the need to borrow money was disguised to avoid the charge of usury?

## Part 6

19. What did the lecturer say was the difference between the wool contracts in Medieval times and a forward contract of today?
20. Why did the monasteries need the full payment for their wool in advance?

## Part 7

21. What were some of the risks involved in a forward contract?
22. What does the lecturer say about the feudal society of the Middle Ages?

# Key

## Part 1

1. He was interested in the sophisticated financial instruments used to facilitate trade in the wool market in the medieval England.
2. When writing about them in an historical context, historians tend to treat them as the same.
3. He means protecting your financial investment.

## Part 2

4. Two different individuals are involved. The buyer will agree the price of the goods today with the seller but will not pay for them until an agreed date in the future. He may pay a deposit as security.
5. The exchange acts as the guarantor of the contract between the buyer and the seller.
6. Futures are bought to speculate in the hope of making money if the value of the goods or services has increased over the agreed time before payment is made.

## Part 3

7. It was the most important source of income flowing into England and the money essentially financed England's wars.
8. It was the symbol of England's great wealth gained from the export of wool in the past, today it is the symbol of the unity of the Commonwealth.
9. They recorded the details of wool contracts in a legal document as a safeguard against any future disputes between buyer and seller.

## Part 4

10. It refers to the jagged edge of a contract which has been copied twice and cut into two halves so showing that when fitted together they were agreed at the same time. The actual word 'indenture' refers to the cut part looking like dentures or teeth.
11. The land they were given by the king on which to live and farm was marginal land, that is poor agricultural land but excellent for sheep rearing so the monks concentrated on producing large quantities of wool.
12. They built enormous churches, such as Fountains Abbey in Yorkshire to the glory of God and as an inspiration to the faithful Christians.

## Part 5

13. Northern Italians, especially a company called Riccardi, based in the Italian town of Lucca, and also Italian merchants based in Florence.
14. 45,000 sacks.
15. King Edward 1 confiscated all the wool being sold in England in that year, he also kept the money already paid for it by Italian merchants, then he resold the wool. He did this to raise money for the wars he was fighting with France, Scotland and Wales.

16. They sold the same wool to more than one merchant and when both demanded their quota of wool the king had to intervene on behalf of the merchants and reach a settlement.
17. Because it was illegal to charge interest on the money loaned, this was called usury.
18. The loan was in the form of a forward contract for wool with a fixed term for repayment but the amount of wool to be delivered would include the amount of interest agreed by both parties.

#### Part 6

19. The monasteries received the full payment when the contract was signed, and this was partly a forward contract and partly a loan, this does not happen today.
20. They had ambitious building programmes to continue but they also had to pay taxes to the Pope and the king and also provide free hospitality to pilgrims and also important visitors such as the king and his court.

#### Part 7

21. There could be disease in the flock, so no wool available from the monasteries or from the merchants point of view the monasteries could sell to another merchant or even go bankrupt.
22. He says that this is a simplistic approach to those times and that there was a dynamic market economy in place from the 13<sup>th</sup> century in the commercial markets