

Credit, trust and civic virtue

*Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland), Solicitor (Hong Kong),
Solicitor (England & Wales)*

The financial institutions of late medieval Basel, the municipal treasury, the annuity market, the *Kaufhaus* and the *Stadtwechsel*, rested on a common foundation: trust. Buyers of the city's rents trusted that the city would pay; merchants who deposited goods in the *Kaufhaus* trusted that they would be kept and returned; depositors of the *Stadtwechsel* trusted that their money would be safe. This trust had solid foundations: the city's record of payment, on the control exercised by the council over its officials, on the transparency of accounts, on the legal protection of property and contracts, and on the social cohesion of a community in which the rulers and the creditors were largely the same people.

The historian and sociologist Max Weber, whose thesis on the Protestant ethic Part B discusses, emphasised the importance of the medieval city as a place where a particular type of economic rationality developed: the rationality of the burgher, who calculated, saved, invested and kept accounts, and who governed his city in the same spirit.¹ Basel fits this picture well. Its merchant elite governed the city like a firm, with accounts, reserves, debts and investments, developing a culture of prudence, discretion and reliability that would become the hallmark of the Basel merchant and banker.

This culture had its shadows. The government of the city was oligarchic: a small number of families of the *Herrenzünfte* held power and wealth. The tax system favoured the wealthy. The protection of the market restricted competition and excluded outsiders. And the Jewish community, which had provided credit, had been destroyed. The virtues of civic finance were the virtues of a closed community, and their extension to a larger and more open world would require further transformations.

1 Notes

1. Max Weber's analysis of the medieval Occidental city appears in *Wirtschaft und Gesellschaft* (posthumously 1921/22), chapter "Die Stadt". On his Protestant ethic thesis, see Weber, *Die protestantische Ethik und der Geist des Kapitalismus*, 1904/05. ↩

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