

Financing a university

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A medieval university was expensive. It had to pay its professors, provide lecture halls and lodgings for students, maintain a library and organise examinations and ceremonies. The universities of the fourteenth and fifteenth centuries financed themselves in various ways: by the incorporation of ecclesiastical benefices, whose income was assigned to professors; by fees paid by students for lectures, examinations and degrees; by the endowments of founders and benefactors; and by subsidies from princes or cities.

Basel relied on a combination of these sources. The papal bull authorised the incorporation of certain ecclesiastical benefices, in particular canonries of the cathedral and of the collegiate churches, whose income was assigned to professors. The city paid additional salaries from its own treasury and provided buildings, among them the *Collegium* on the Rheinsprung, near the Minster. Students paid fees.¹ The city made this considerable financial commitment at a time when the city was still recovering from the wars of the 1440s and carrying a heavy debt. The council justified it by the prestige and the economic benefits that the university would bring, and by the need for trained lawyers, physicians and clergy.

The decision to finance a university from public funds, in a city of ten thousand inhabitants, is a remarkable example of long-term public investment. Its returns were not immediate. The university had periods of decline, notably during the upheavals of the Reformation, when it was temporarily closed in 1529 and reopened in 1532 under a new, Protestant constitution. But over the centuries, the university made Basel a centre of learning that attracted scholars, printers and students. It produced figures who shaped European science, among them the physician Paracelsus, who taught briefly in Basel in 1527, the anatomist Andreas Vesalius, who published his *De humani corporis fabrica* in Basel in 1543, the mathematicians of the Bernoulli family, and Leonhard Euler.² The

Bernoullis contributed decisively to the mathematics of probability, which became the foundation of actuarial science and of modern finance. Jakob Bernoulli's *Ars conjectandi*, published posthumously in Basel in 1713, formulated the law of large numbers, on which every insurance company relies.³

The link between the University of Basel and the modern financial world is therefore more direct than it might seem. The mathematics of risk, which underlies insurance, portfolio theory and the regulation of bank capital, was developed in part by Basel mathematicians. Daniel Bernoulli, Jakob's nephew, published in 1738 an essay on the measurement of risk that introduced the concept of utility and solved the St Petersburg paradox, a foundational text of the economics of decision under uncertainty.⁴ When the Basel Committee on Banking Supervision defines the capital that banks must hold against their risks, it relies on probabilistic concepts that Basel mathematicians helped to create. Part C returns to the Bernoullis and to the Basel of the eighteenth century.

Today the University of Basel is jointly sponsored by the cantons of Basel-Stadt and Basel-Landschaft, which share its funding under an intercantonal agreement, with contributions from the Confederation and from other cantons for their students.⁵ It has a strong profile in life sciences, which reflects the proximity of the pharmaceutical industry. Its Biozentrum is one of the leading centres of molecular biology in Europe. The partnership between the university, the pharmaceutical companies and the start-ups that grow out of research, examined in Part G, is the modern form of the investment that the council of Basel made in 1460.

1 Notes

1. On the financing of the University of Basel in the fifteenth and sixteenth centuries (incorporated benefices, municipal salaries, student fees) and the Collegium on the Rheinsprung, see Bonjour, 1960. To be verified. ↩
2. On Paracelsus in Basel (1527–1528), the printing of Vesalius's *De humani corporis fabrica* by Johannes Oporinus in Basel in 1543, the Bernoulli family and Leonhard Euler (born in Basel in 1707), see HLS, articles on the respective persons. To be verified. ↩
3. Jakob Bernoulli, *Ars conjectandi*, published posthumously in Basel in 1713 by Nicolaus Bernoulli; the "golden theorem" (weak law of large numbers) appears in part IV. See HLS, article "Bernoulli, Jakob". ↩

4. Daniel Bernoulli, "Specimen theoriae novae de mensura sortis", Commentarii Academiae Scientiarum Imperialis Petropolitanae 5 (1738), pp. 175–192. To be verified. ↩
5. On the joint sponsorship of the University of Basel by the cantons of Basel-Stadt and Basel-Landschaft under the Staatsvertrag of 2006/2007, and on the federal contributions under the Higher Education Act (SR 414.20), see the University of Basel's legal basis. To be verified. ↩

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