

Italian bankers in Basel

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The Council brought the Italian banking houses to Basel. The papacy was the largest international financial organisation of the Middle Ages. It collected revenues from all over Latin Christendom, annates, tithes, fees, indulgences, which it transferred to Rome or wherever the pope resided. It paid its officials, its envoys and its allies in many countries. These transfers required a network of correspondents and a technique for moving money without transporting coin: the bill of exchange. The Italian banking houses, above all the Florentines, had developed this technique and had become the bankers of the papacy.

When the Council met in Basel, it attracted the same bankers. The participants of the Council needed to receive funds from their home countries, to pay their expenses in Basel and to transfer the fees they owed to the Council's institutions. The Council itself needed to receive the proceeds of its indulgence and other revenues. The Italian bankers provided these services. Among them, the Medici bank, the largest and most powerful banking house of the fifteenth century, established a branch in Basel during the Council, which operated in the 1430s and was closed in the 1440s, when its activities were transferred to Geneva.¹

The Medici branch in Basel is a fascinating link between the history of the two cities that this book and its companion volume examine. The Medici were the bankers of Eugene IV, the pope whom the Council opposed. Their presence in Basel shows that the logic of business prevailed over the logic of politics: the Council was a market, and the Medici served it even while financing its enemy. When the Council declined, the Medici moved their northern operations to Geneva, whose fairs were then at their height, and from Geneva later to Lyon. The companion volume follows this path. For Basel, the episode shows how an international institution can attract financial services to a city, and how these services leave when the institution leaves.

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The presence of the Italian bankers also introduced into Basel the techniques of Italian finance: the bill of exchange, double-entry bookkeeping, the partnership with branches in different cities, correspondence as a means of information. Although these techniques had reached the north of the Alps before, the Council gave the merchants of Basel an opportunity to observe them at close range and to establish relationships with the Italian houses. Basel merchants would use these relationships in the following decades, when the city's trade with Italy expanded.

A remark on the ethics of this episode is appropriate. The Medici served both sides of a conflict that divided the Church. They did so openly, in conduct that was not considered improper at the time. Today, a bank that serves both parties to a conflict, or that serves a client who is in conflict with another client, must manage the conflicts of interest that arise, and in certain cases, such as sanctions, it may be prohibited from serving one of the parties altogether. The Financial Services Act requires financial service providers to take appropriate organisational measures to avoid conflicts of interest or to disclose them to clients.² The Medici in Basel are an early example of a problem that remains central to the regulation of financial services.

1 Notes

1. On the Basel branch of the Medici bank during the Council (c. 1433 to early 1440s) and the transfer of its activities to Geneva, see de Roover, *The Rise and Decline of the Medici Bank 1397–1494*, 1963, chapter on the branches north of the Alps. Dates to be verified against de Roover. ↩
2. Art. 25 FinSA (SR 950.1) on conflicts of interest; Art. 24–27 FinSO (SR 950.11). See also Part E. ↩

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