

The Fugger, the indulgence and the price of an election

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Erasmus lived in the age of the Fugger. The connection between the great Augsburg banking house and the events that shaped his life shows how deeply finance was intertwined with the politics and religion of the period. Jakob Fugger, known as Jakob the Rich, built the family firm into the largest commercial and financial enterprise of Europe, with interests in mining, the metal trade, the spice trade and lending to princes, above all to the Habsburgs.¹

Two operations of the Fugger are closely connected with the Reformation. The first was the financing of the purchase of the archbishopric of Mainz by Albrecht of Brandenburg in 1514. Albrecht, already archbishop of Magdeburg and administrator of Halberstadt, needed papal dispensation to hold a third see and had to pay the curia large sums, which he borrowed from the Fugger. To repay the loan, he obtained from the Pope the right to preach the indulgence for the rebuilding of St Peter's in his territories and to retain half of the proceeds, which were collected under the supervision of agents of the Fugger. The indulgence preaching of Johann Tetzel in this campaign provoked Luther's ninety-five theses of 1517.²

The second operation was the financing of the imperial election of 1519. After the death of Maximilian I, his grandson Charles of Habsburg competed with King Francis I of France for the imperial crown, which was conferred by the seven electors. Although both candidates offered the electors large sums, Charles won, with the help of loans from the Fugger and the Welser that amounted to several hundred thousand guilders, the larger part provided by the Fugger.³ Charles V, whose councillor Erasmus was, owed his crown to a bank.

Erasmus did not write directly about the Fugger, but his critique of the sale of indulgences, of the greed of princes and of the corruption of the Church addressed the practices that the Fugger financed. The Reformation, which

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began as a protest against a financial operation, would transform the relationship between religion and money in Basel and in the other Protestant cities. The Fugger remained Catholic and loyal to the Habsburgs. Their fortunes declined in the second half of the sixteenth century with the repeated bankruptcies of the Spanish crown.

The rise and fall of the Fugger is a lesson in the risks of lending to sovereigns, which the companion volume on Geneva also discusses in connection with the Genevan bankers who lent to the French crown in the eighteenth century. A bank that lends to a single sovereign on a large scale depends on that sovereign's willingness and ability to pay, while it has limited means of enforcing its claims. The concentration of credit risk on a single borrower, which ruined the Fugger, is one of the risks that modern banking regulation addresses through the limits on large exposures that the Basel Committee has standardised.⁴

1 Notes

1. On Jakob Fugger (1459–1525) and the Fugger firm, see the standard literature on the Fugger (e.g. Pölnitz, Häberlein). To be verified. ↩
2. On the financing of Albrecht of Brandenburg's accession to the see of Mainz by the Fugger, the St Peter's indulgence campaign and its connection with Luther's theses of 1517, see the literature on the origins of the Reformation. To be verified. ↩
3. On the financing of Charles V's election in 1519 by the Fugger and Welser, with total election costs often cited at around 850,000 guilders, of which the Fugger provided over 540,000, see the literature on the imperial election of 1519. Figures to be verified. ↩
4. Basel Committee on Banking Supervision, Supervisory framework for measuring and controlling large exposures, April 2014; implemented in Switzerland in the Capital Adequacy Ordinance (CAO, SR 952.03), Art. 95 ff. To be verified. ↩

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