

Why Basel became a name for international regimes

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Several factors explain why the name of a medium-sized Swiss city attached itself to international regimes. The first is geography. Lying at the point where Switzerland, France and Germany meet, Basel has been a place of transit and negotiation since the Middle Ages. For delegations travelling from Paris, Berlin, Brussels or Rome, the city was easy to reach by rail long before air travel, which is why the founders of the BIS chose it in 1930 over Brussels, Amsterdam and other candidates. The second is Swiss neutrality, which made a Swiss location acceptable to governments that distrusted each other. The third is institutional accumulation. When the BIS had settled in Basel, the committees of central bank governors met there. Every new committee created under their aegis then took the same location and, often, the same name.¹

A fourth factor is linguistic. International agreements and bodies are often named after the place where they were adopted or where they meet, because a neutral place name avoids the diplomatic difficulties of choosing between the names of states or organisations. "Basel" is short, easy to pronounce in most languages and free of political connotations. It has the further advantage of existing in several forms, Basel, Bâle, Basilea, that are recognisably the same word. This explains in part why the name travels well. The Basel Committee became known as such although its official name for many years was the "Committee on Banking Regulations and Supervisory Practices", and the Basel Convention bears the name of its place of adoption although nothing in its operation takes place in Basel.²

The fifth factor is the most important for the present book. A label acquires value when it becomes associated with quality. The capital accords of 1988 and their successors became the global reference for bank capital because the most important central banks had agreed on them and because markets and rating agencies soon expected banks everywhere to comply. A bank that declared itself "Basel-compliant" signalled soundness. In this way the

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name became a mark of quality, much as a geographical indication guarantees the origin of a wine or a cheese. The analogy is imperfect, since nobody owns the name and nobody controls its use, but it captures the economic function of the label.³

1 Notes

1. On the choice of Basel as seat of the BIS in 1930 (accessibility by rail, neutrality, the competing candidates), see Part D, Chapter V, and Toniolo, Central Bank Cooperation at the Bank for International Settlements, 1930–1973, 2005, chapter 2. To be verified. ↩
2. On the original name of the Basel Committee, "Committee on Banking Regulations and Supervisory Practices", established by the G10 central bank governors at the end of 1974, and its later renaming, see Goodhart, The Basel Committee on Banking Supervision: A History of the Early Years 1974–1997, 2011, chapter 1, and Part F, Chapter II. To be verified. ↩
3. On the market-driven diffusion of the Basel capital standards beyond the member jurisdictions of the Committee and the role of rating agencies and international investors, see Goodhart, The Basel Committee on Banking Supervision, 2011, and Part F, Chapter II. The analogy with geographical indications is the author's own. ↩

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