

Calvin, money and the responsibility of the magistrate

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Calvin's reflection on money forms part of his doctrine of civil government. Money is a human institution, whose value is guaranteed by public authority. The magistrate who debases the coinage, by reducing its weight or fineness without altering its nominal value, commits a form of fraud against those who use it.¹ This position accords with a long tradition, going back at least to Nicole Oresme's fourteenth-century treatise on money, which humanists such as Budé carried forward.²

The small Republic of Geneva had to manage a complex monetary situation. Numerous foreign coins circulated in the city, and the authorities periodically fixed the rate at which they had to be accepted. The minting of a Genevan coinage, from the 1530s onwards, asserted the city's sovereignty, but it was not enough to ensure the stability of payments in an area open to the currencies of its neighbours.³ The magistrate's responsibility in monetary matters went hand in hand with a responsibility for supplies: the authorities supervised the grain trade, fought against hoarding and intervened in times of scarcity to prevent excessive price rises.

Contemporary Switzerland has entrusted monetary policy to an independent institution. The Federal Constitution charges the Swiss National Bank, as an independent central bank, with conducting a monetary policy that serves the general interests of the country (Art. 99 para. 2 Cst.), and the National Bank Act assigns it the primary mandate of ensuring price stability (Art. 5 para. 1 NBA). The stability of the Swiss franc is one of the pillars of the financial centre's attractiveness, particularly for an international clientele seeking to preserve the value of its assets.

Worked example. A coin contains 10 grams of silver and is worth 1 unit of account. The sovereign decides to strike new coins containing only 9 grams, while maintaining their nominal value. A creditor who had lent 100 units in old coins, that is 1,000 grams of silver, is repaid in new coins, that

is 900 grams. He loses 10 per cent of the real value of his claim, to the benefit of the debtor and, indirectly, of the sovereign, who has made a profit on the minting. The figures are fictitious; the mechanism is the one that Calvin and the humanists denounced, and it corresponds, in the contemporary economy, to the redistributive effects of inflation.

Caution. Drawing a parallel between the Calvinist doctrine of money and the independence of modern central banks calls for prudence. Both rest on the idea that the value of money is a common good that those in power must not manipulate for their own benefit. Their foundations, their instruments and their contexts differ profoundly.

1 Notes

1. André Biéler, *La pensée économique et sociale de Calvin*, Geneva, Georg, 1959 (reissued by Labor et Fides, 2008); presentation (monarchomaque.org): the stability of money and the honesty of weights and measures are the foundation of social trust, the debasement of coinage constituting a grave injustice. ↩
2. Wikipedia (en), “Nicole Oresme”: *Traité de l’origine, de la nature, du droit et des mutations des monnaies (De moneta)*, completed between 1356 and 1360; money belongs to the community and the prince cannot legitimately debase it for his own benefit. ↩
3. Archives d’État de Genève, page “La monnaie” (archives-etat-ge.ch): on 10 October 1535, the Petit Conseil decided to “strike coin bearing our arms” in order to pay the soldiers, a decision confirmed by the Grand Council on 26 November 1535; only Bern demanded proof of the right to mint coin, which was supplied in May 1537; from 1535 to 1544, the mint struck mainly billon (deniers, quarts, sols), silver testons from 1535 and gold écus from the early 1540s; one écu was worth 4 florins and 8 to 10 sols, one florin 12 sols or 144 deniers; the motto “Post tenebras lux” appears on the coins from 1542; counterfeiters were beheaded. ↩

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