

From fairs to banking: Geneva between 1387 and 1536

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Anyone who wants to understand why there are banks in Geneva has to begin with the fairs. They are older than the Reformation, older than the Republic and older than every banking house in the city. Their mechanics explain the skills the city acquired, and their end explains why Geneva had to become something else.

1 Four fairs a year

Fairs are attested in Geneva from 1187. By the fourteenth century there were four annually: Epiphany, Easter, St Peter in Chains on 1 August, and All Saints. They lasted first seven days, then ten, finally fifteen. Merchants came from Savoy, the Pays de Vaud, the Valais, Piedmont, the Swiss cantons, Burgundy, the Dauphiné and Provence, among them sellers of Fribourg cloth who also frequented the fairs of Chalon-sur-Saône. The Italians, frequently bankers as well as merchants, dominated in the fifteenth century.

The city lay at the crossing of two axes. The older ran from the fairs of Champagne to Genoa; the newer connected Catalonia with Silesia. Pope Clement VII, born Robert of Geneva, favoured the fairs around 1390, and their rise dates from that period.

2 What actually happened at a fair

A medieval fair of this kind ran in phases, and the phases matter because they show which skills the host city had to supply.

First came the *montre*, the display: goods were unpacked and shown, prices formed, and bargains struck. Then came delivery and the writing of contracts, for which notaries were indispensable, because a contract drawn by a notary carried probative force recognised elsewhere. Then came

payment — and payment was the phase that made Geneva a financial centre.

Claims arising during the fair were set off against one another, and only the balance was settled in coin. The instrument that carried the balances between fairs was the bill of exchange. A merchant in Florence paid money to a Florentine house; that house drew a bill on its Geneva branch; the payee collected in Geneva in another currency. Transfer, currency exchange and credit for the term were combined in a single paper, and the return on the transaction appeared as a difference in exchange rates. Formally no interest was taken, which satisfied the canonists; economically the margin was the price of time and risk.

3 The franchises of 1387

In 1387 Bishop Adhémar Fabri had the inherited liberties of the citizenry set down in writing. The charter governed three fields: judicial procedure, the economy and the distribution of political power.

For economic history the decisive provision was the admission of lending at interest at reasonable rates. Elsewhere in Western Europe the canonical prohibition forced merchants into detours — sham sales, exchange-rate margins, purchase on time — each of which added cost and legal risk. In Geneva the detour was unnecessary.

Procedure mattered as much. Proceedings were oral, summary and conducted in French, and they avoided the formalism of Roman law; citizens took part in judgment alongside the officers. For merchants who would leave within days, a court that decides quickly is worth more than a court that decides elegantly.

4 Who judged whom

Jurisdiction in the medieval city was divided three ways. The bishop, as prince of Geneva, administered justice directly or through delegates. The *vidomne*, the bishop's judicial officer, heard civil causes and minor offences; from 1290 civil jurisdiction was held in fee by the Count of Savoy. The syndics of the citizenry dealt with lesser criminal matters.

This tripartite arrangement is the reason the Geneva fairs never developed an autonomous merchant court on the Italian consular model. It also explains the friction that runs through the following century and a half, until the Reformation of 1536 ended the bishop's temporal authority and with it the Savoyard *vidomne*.

5 The myth of a medieval law merchant

Legal history long spoke of a *lex mercatoria*: a transnational merchant law resting on usage and applied by specialised tribunals. Recent work has qualified that picture considerably. The strongest critique holds that the uniform, universal merchant law created by merchants without state intervention is a modern construction: merchant courts, where they existed, were local and controlled by territorial authorities, merchants themselves frequently preferred local courts, guild regulations in the Flemish towns required members to bring disputes before elected guild governors, and contracts regularly referred to the law of the place of contracting.

What did exist was a shared body of practice — on bills of exchange, the commercial partnership, bookkeeping and payment periods — that made dealings between subjects of different rulers workable. Geneva profited from that shared practice without needing a separate legal order.

6 Double-entry bookkeeping

The Italian companies at the fairs held one further advantage: they could account for what they were doing. Double-entry bookkeeping, developed in the Italian trading cities in the fourteenth and fifteenth centuries, records each transaction twice, as a debit in one account and a credit in another, so that the sums always balance. Luca Pacioli set it out systematically in a treatise printed in Venice in 1494.

For a house with branches in several cities this was decisive. It allowed the position of each branch to be established, agents to be controlled at a distance, and profit to be distinguished from cash. The Geneva merchants who dealt with these companies learned the method from them.

7 1462 and 1463: the decision that ended the fairs

In 1462 Louis XI forbade French merchants to attend the Geneva fairs and foreign merchants to cross the kingdom for that purpose. By letters patent of 8 March 1463 he gave Lyon four fairs of fifteen days each, under royal safeguard and with exemption from the *droit d'aubaine*, on dates chosen to clash with Geneva's: Epiphany, Quasimodo Sunday, 4 August and All Saints.

The effect was quick and irreversible. The Medici bank moved its principal branch to Lyon by 1465; the great Florentine houses followed. The Geneva

fairs continued in form, lost their international role, and disappeared in the second half of the sixteenth century.

The Duchy of Savoy, which earned from the fairs through tolls, responded with measures of attraction, and left retaliation aside: diplomatic agreements, including with Aragon, upkeep of bridges and security on the roads, a currency policy attentive to the quality of coin, and investment in the standing of the city. Against a shift in the trade flows of a continent that was never going to be enough.

8 The consequences for the city

The population, estimated at more than 5,000 in the fourteenth and fifteenth centuries, stagnated. Textiles and luxury goods remained the principal activities. In 1530 the city faced a further blow: the ransom demanded by the Confederates amounted to 26,000 Rhenish florins, raised by a levy on all Genevans — which produced, incidentally, an inventory of movable and immovable property that is a first-rate source on the material condition of the city — and by borrowing from Florentine bankers in Lyon.

9 What the city kept

The fairs left four things behind, and each became a component of the later financial centre.

- **A notarial tradition** capable of drawing instruments that were recognised abroad.
- **Expertise in bills of exchange** and in the netting of claims.
- **A network of correspondents** in the trading cities of Italy, France and the Low Countries.
- **Capital** that had no domestic outlet, because the territory was small and land scarce.

When the Reformation was adopted in 1536 and the first religious refugees arrived shortly afterwards, that capital met people with new skills and new networks. Out of the combination, over two centuries, came banking. The fairs did not survive; the competences they created did.

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