

The legal rate in Geneva

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The historiographical tradition reports that Geneva set, in Calvin's time, a maximum interest rate of 5 per cent, and that this rate was raised later in the century.¹ This information has fed the image of a Calvin favourable to commercial lending at 5 per cent. The study published in 2025 in the *Revue européenne des sciences sociales* notes precisely that this assertion has long been repeated, and that new sources have justified an enquiry.² The reader should therefore treat the frequently cited figures and dates with caution, until the recent work has been fully integrated into the historical synthesis.

The principle of a legal ceiling corresponds in any event to Calvin's doctrine, which leaves the setting of a maximum rate to the magistrate. It also corresponds to a widespread practice in sixteenth-century Europe, where many sovereigns fixed the rate on annuities and loans. The ceiling serves several functions: it protects borrowers against abuse, it limits litigation, it provides a reference point for contracts and it asserts the authority of the magistrate over economic life.

A ceiling set too low, however, has a drawback with which economists are well acquainted: it may make credit scarce, by discouraging lenders, or push it into concealed forms. A ceiling set too high leaves abuses in place. Fixing the legal rate is therefore a balancing exercise, which depends on the general level of rates, the abundance of capital and the risk presented by borrowers. The successive adjustments of the Geneva ceiling, if their chronology is confirmed, would reflect this search for balance in a city whose population and credit needs were growing with the arrival of the refugees.

Worked example. A merchant borrows 1,000 florins for one year at 5 per cent in order to buy goods which he resells at a net margin of 15 per cent. He makes a profit of 150 florins, pays 50 florins in interest to the lender and keeps 100 florins. The lender earns 50, the borrower 100: the Calvinist condition that the borrower must earn at least as much as the lender is

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satisfied. A ruined artisan who borrows 100 florins to feed his family draws no profit from the loan, so that demanding 5 florins of interest from him would breach the first condition. The figures are fictitious.

1 Notes

1. La Revue réformée, no. 244: interest rate fixed in Geneva at 5%, later raised to 6.66%; André Biéler, La pensée économique et sociale de Calvin, 1959 (regulated rates of 5 to 6.66%); Art. 73 para. 1 CO (Code of Obligations; droit-bilingue.ch): “A person who owes interest at a rate fixed neither by agreement, nor by law or custom, pays it at the annual rate of 5%”. ↩
2. Revue européenne des sciences sociales, 2025/1, p. 155 et seq., summary cited above. ↩

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