

The life of a banking house in the eighteenth century

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A banking house of the eighteenth century is a small organisation. It brings together a few partners, often relatives, a small number of clerks and a few employees responsible for bookkeeping and errands. Its offices are usually located in the partners' own residence. Its activity rests on a few essential instruments: correspondence, the account books, the cash box and commercial paper.

Correspondence occupies a central place. Letters received are filed and kept; letters sent are copied into a register, the letter book, which constitutes the memory of the house. An important banker may write dozens of letters a day. These letters convey orders, information on rates and markets, political news and assessments of individuals. Their drafting requires precision, discretion and a knowledge of customary usage.

The account books are kept by double entry, according to the methods described in Part A. The journal records transactions day by day, the ledger distributes them by account, and subsidiary books track cash, bills, goods and the current accounts of correspondents. The partners periodically draw up an inventory and a balance sheet, which determine the distribution of profits.

The legal framework of these houses is that of the commercial partnerships of the period. In France, the ordinance on commerce of the late seventeenth century regulates partnerships and merchants' books.¹ The named partners are personally and jointly liable for the debts of the partnership, which encourages them to be prudent. Manuals for the use of merchants, the most famous of which is *Le Parfait Négociant* by Jacques Savary, disseminate the rules of commercial and financial practice.²

Discretion is a requirement of the trade. A banker knows the financial situation of his clients, their plans and their difficulties. Disclosure of this

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information could harm their interests and destroy trust. This professional discretion, founded on custom and on the banker's own well-understood interest, precedes by a long way its enshrinement in law in the twentieth century.

Key points. The banking house of the eighteenth century is a small family business founded on correspondence, double-entry bookkeeping, the personal liability of the partners and professional discretion. These elements foreshadow the characteristics of Genevan private banking in the nineteenth and twentieth centuries.

1 Notes

1. Wikipedia (fr), “Code Savary”: “L’édit du roi servant de règlement pour le commerce des négociants et marchands tant en gros qu’en détail” (the royal edict serving as a regulation for the trade of merchants and traders, wholesale and retail), published in March 1673 on the initiative of Colbert, 122 articles, known as the Code Savary after its principal author, the merchant Jacques Savary. ↩
2. Wikipedia (en), “Jacques Savary”: Le parfait négociant ou Instruction générale pour ce qui regarde le commerce des marchandises de France et des pays étrangers, published in 1675, reissued and translated into several languages; Les Parères, ou Avis et Conseils sur les plus importantes matières de commerce (1688). ↩

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