

The limits of the model

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Protestant banking enjoyed remarkable success, but its model had limits that events would reveal.

The first limit is dependence on state credit. A substantial part of the activity of the Protestant bankers of Paris consisted in financing the monarchy and placing its loans. This specialisation yielded high income, but it exposed the bankers and their clients to the financial difficulties of the kingdom. The bankruptcy of the state, in one form or another, could bring about their ruin.

The second limit is visibility. Bankers who succeed attract attention, envy and sometimes hostility. Protestant and foreign bankers who grow rich by financing the state of a Catholic kingdom arouse suspicion and criticism. During the Revolution, bankers will often be accused of stock-jobbing, speculation and collusion with foreign powers.

The third limit is closure. The family and religious networks that guaranteed trust could also restrict the renewal of talent and capital. The family houses depended on the ability of each generation to produce competent successors.

The fourth limit, finally, is the geographical concentration of risk. Genevan capital was largely invested in France. A French crisis therefore struck the bankers of Paris and their clients in Geneva at the same time. Diversification towards London and Amsterdam reduced this risk without removing it.

The limits of the model

Caution. The strengths of a network founded on personal trust — specialisation, loyalty, concentration — can become weaknesses when the environment changes. The contemporary Geneva financial centre, which long rested on long-term personal relationships with its clientele, has had to learn to combine this tradition with formalised procedures and greater diversification.

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