

What remains: five traits of a financial centre's culture

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Beyond the academic debate, the Calvinist tradition has left in the culture of the Geneva financial centre traits that observers still note. Five of them can be distinguished, with the proviso that each calls for a critical reading.

The first is the sense of the long term. The conception of wealth as stewardship, to be passed on and made to grow in the service of the family and the community, favoured a prudent management of assets, concerned with preserving capital over several generations. The great Genevan wealth management houses lay claim to this orientation, and several of them were long organised as firms whose partners were personally liable for their commitments, as Part D will examine.

The second is sobriety. Ostentatious display of wealth was long frowned upon in good Genevan society. This restraint contributed to the image of seriousness enjoyed by the financial centre among a clientele that sought security above all.

The third is fiduciary responsibility. The idea that whoever manages the property of others must do so with loyalty and diligence, and render account of it, finds an echo in the Calvinist morality of stewardship. Contemporary law has made this a legal obligation, spelled out in the rules of conduct of financial services law.

The fourth is education. The value placed on teaching and on written culture gave Geneva a skilled population and elites capable of mastering complex subjects, from international law to financial analysis.

The fifth is reputation. In a community where everyone's conduct was watched, reputation was a precious capital. The contemporary financial centre still lives on its reputation, and the crises it has gone through, linked to bank client secrecy, to money-laundering cases or to scandals in commodity trading, have shown how fragile that capital can be.

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These traits have a darker side. Discretion, transformed into banking secrecy, for decades protected undeclared assets and at times funds of criminal origin. Apparent sobriety could mask questionable practices. And the value placed on material success could serve as a justification for conduct that Calvin would have condemned. Tradition is a resource that each generation can mobilise or betray.

Worked example. Assets of 1 million francs invested at a real return of 3 per cent a year, with no withdrawals, reach about 4.38 million after fifty years, since 1.03 raised to the power of 50 is approximately 4.38. If the family withdraws each year the equivalent of 4 per cent of the capital for its expenses, the real value of the assets declines by about 1 per cent a year and is worth only about 0.61 million after fifty years. The difference between these two trajectories illustrates the importance of sobriety and of the long term in preserving family fortunes. The figures are simplified and take account of neither taxes nor fees.

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