

Banknotes before the National Bank

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Before the foundation of the Swiss National Bank in 1907, banknotes in Switzerland were issued by private and cantonal banks. In Basel, the *Bank in Basel*, founded in 1844 by a group of Basel bankers and merchants, received the right to issue banknotes, which circulated in the city and the region.¹ Other issuing banks operated in other cantons. By the 1870s, dozens of banks issued their own notes, of varying design, denomination and reliability.

The multiplicity of issuing banks created problems similar to those of the multiplicity of coinages in earlier centuries. The notes of one bank were not always accepted in other cantons, their value depended on the solvency of the issuer, and the total issue was not coordinated with the needs of the economy. Whenever the public rushed to convert notes into coin in periods of crisis, banks with insufficient reserves could fail. The Federal Banknote Act of 1881 introduced uniform rules for the issue of banknotes, including reserve requirements and the mutual acceptance of notes, but it did not end the multiplicity of issuers.²

The revision of the Federal Constitution in 1891 gave the Confederation the monopoly of banknote issue, which it could exercise through a state bank or a central joint-stock bank. After long debates about the form of the central bank, the Swiss National Bank was founded as a joint-stock company with special legal status, owned by the cantons, the cantonal banks and private shareholders. It began operations in 1907, with seats in Bern and Zurich.³ Basel, which had hoped to obtain one of the seats, was disappointed. But the city would receive, a quarter of a century later, an institution of greater international significance: the bank of the central banks.

1 Notes

1. On the Bank in Basel, founded in 1844 as a note-issuing bank, and its later history, see HLS, article "Banken"; the literature on Swiss banknote issue before 1907. Date to be verified. ↩
2. Federal Act of 8 March 1881 on the Issue and Redemption of Banknotes, which introduced uniform rules for the note-issuing banks. To be verified. ↩
3. Revision of Art. 39 of the Federal Constitution of 1891 (banknote monopoly of the Confederation); National Bank Act of 6 October 1905; the Swiss National Bank began operations on 20 June 1907, with legal seats in Bern and Zurich. To be verified. ↩

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