

Lending to the public sector

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The private banks of Basel also lent to public bodies: the canton, the city, the municipalities of the region and, increasingly, other Swiss cantons and foreign states. Public borrowing, which Part A described in the form of the medieval annuity market, continued in the nineteenth century through the issue of bonds, which the banks placed with their clients or held in their own portfolios.

The financing of public infrastructure, roads, bridges, water supply, schools and later gas and electricity works, required capital that the cantons and municipalities borrowed. The Basel banks participated in the placement of these bonds and earned commissions on them. Their clients, the patrician families and the institutions of the city, bought the bonds as safe investments. Public debt thus connected the private wealth of the Basel elite with the public infrastructure of the canton, in a relationship that recalls the medieval city, in which the rulers and the creditors of the city were the same people.

In the second half of the nineteenth century, the financing of public infrastructure was increasingly taken over by the cantonal banks, which were founded for this purpose, and by the large joint-stock banks. The Basler Kantonbank, founded in 1899, became the principal lender to the canton of Basel-Stadt and its public enterprises. Part D examines its foundation.

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