

The decline of the municipal exchange

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The municipal exchange, the *Stadtwechsel*, founded in 1504, served the city and its merchants for more than two centuries. It exchanged coins, accepted deposits, lent to the city and to citizens and bought precious metals for the mint. But its importance declined in the eighteenth century. The growth of private merchant houses, which offered financial services more flexibly and on a larger scale, reduced its business. The city's own finances, which the exchange had served, were increasingly managed through other channels. And the exchange suffered from mismanagement and losses.¹

The decline of the *Stadtwechsel* shows the limits of public banking in a period of growing private commerce. A public institution, governed by officials appointed by the council, was less flexible and less innovative than private houses whose owners bore the risks and reaped the rewards of their business. The public exchange had been valuable in a world of monetary chaos and limited private credit. In the eighteenth century, when merchant houses with international networks could provide the same services better, it lost its reason to exist.

The history of public and private banking in Switzerland continued to oscillate between these poles. In the nineteenth century, the cantons founded cantonal banks to provide credit to farmers, craftsmen and small businesses that the private banks neglected. In Basel, the Basler Kantonalbank was founded in 1899. The Swiss National Bank, founded in 1907, took over the issue of banknotes, which had previously been the business of cantonal and private banks. Part D examines these developments. The balance between public and private institutions in the Swiss financial system, which remains a subject of political debate, has its roots in these historical choices.

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1 Notes

1. On the decline of the Basel Stadtwechsel in the eighteenth century and its dissolution (date to be verified, often given as 1746), see HLS, article "Banken"; the literature on the financial history of Basel. To be verified.
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