

The finances of the half-canton

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The separation of 1833 left Basel-Stadt with the wealth of the city but without the rural territory whose rents and taxes had contributed to the old canton's revenues. The new half-canton had to build its own finances. In the following decades, it relied on taxes on wealth and income, which it introduced and developed in the course of the nineteenth century, on consumption taxes, on fees and on the income of its property and its enterprises.¹

The growth of the chemical industry transformed the finances of the half-canton. The profits of the chemical companies and the incomes of their employees became the principal sources of tax revenue. Measured by tax revenue per inhabitant, Basel-Stadt became one of the wealthiest cantons of Switzerland. This wealth allowed the canton to finance generous public services, among them the university, the hospitals, the schools, the museums and public transport, and to contribute to the financial equalisation among the Swiss cantons.

The dependence of the canton's finances on a small number of large companies has remained a feature of Basel-Stadt. The profits of Roche and Novartis, and the incomes of their employees, account for a large share of the canton's tax revenue. Changes in the profits or the location of these companies have a direct effect on the public budget. The corporate tax reform of 2019, which Part G examines, was designed in Basel-Stadt with particular attention to this dependence. The history of the half-canton's finances since 1833 thus shows how a small city-state became dependent on an industry that it had nurtured, and how this dependence shapes its policies.

1 Notes

1. On the public finances of Basel-Stadt after 1833 and the development of its tax system (taxes on wealth and income, consumption taxes, income of cantonal enterprises), see the literature on the fiscal history of Basel-Stadt. To be verified. ↩

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