

What accession meant for the economy of Basel

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The accession to the Confederation changed the economic position of Basel in several ways. It gave the city access to the Swiss market, the markets of the cantons and their subject territories, on privileged terms. It integrated Basel into the Swiss system of alliances, pensions and mercenary contracts, which brought money into the country and created networks of patronage and credit. And it turned Basel, which had been a city of the Upper Rhine, into the northern gate of Switzerland, facing Alsace and southern Germany across a border that became, over the centuries, an international border.

The Confederation of the sixteenth century had no central government, no central treasury and no common currency. Each canton retained its sovereignty, its finances and its coinage. The common institutions were limited to the diet, the *Tagsatzung*, an assembly of envoys of the cantons that met regularly to discuss common affairs, and to the common administration of certain subject territories. This decentralisation meant that Basel retained full control over its finances, its currency and its trade policy. It also meant that the Confederation could not provide the financial support that a centralised state could offer to its members in times of crisis.

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The decentralised character of Switzerland, which survived the creation of the federal state in 1848 in the form of a strong federalism, is a feature of the Swiss financial centre to this day. The cantons retain wide competences in taxation, which creates tax competition between them, and in the organisation of their cantonal banks. Basel-Stadt has its own cantonal bank, the Basler Kantonalbank, founded in 1899 and guaranteed by the canton, which Part D and Part E examine. The competition between Swiss cantons for companies and wealthy individuals, which Part G discusses in connection with corporate taxation and the pharmaceutical industry, is a modern expression of the sovereignty that the cantons retained when they joined the Confederation.

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