

From city-state to canton: losses and gains

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Entry into the Confederation profoundly transformed Geneva's situation. The city lost some of the attributes of a sovereign state. It no longer conducted its own foreign policy, which fell to the Confederation. Its customs and monetary policy would gradually be unified at federal level, particularly after the creation of the federal state in 1848, which abolished internal customs duties and prepared the introduction of the Swiss franc as the single currency.¹

In return, Geneva gained security. It was no longer an isolated enclave at the mercy of its neighbours, but a canton of a neutral state whose neutrality was recognised by the powers. It also gained a domestic market, that of Switzerland, and a political community that shared its values of local autonomy and republican government.

This passage from city-state to canton did not erase Geneva's singularity. Geneva remained a French-speaking, Protestant city, oriented towards France and the wider world, within a Confederation that was predominantly German-speaking and, at the time, dominated by cantons of a different tradition. Relations between Geneva and the rest of Switzerland in the nineteenth century would be marked by this tension between belonging and singularity, which Part J will examine with regard to language.

For the financial centre, the balance is clearly positive. Security, neutrality, the rule of law and, later, the stability of the Swiss franc became powerful arguments with international clients. The Genevan bankers of the nineteenth century would be able to rely on these assets to rebuild and develop their houses. The vulnerability of the small republic, which had cost the financial centre so dearly over the centuries, gave way to the protection of a neutral state.

Worked example. In the eighteenth century a Genevan capitalist had to take into account, in his investment choices, the risk that the Republic would be invaded, annexed or subjected to foreign intervention, as in 1782 and 1798. If that risk is put at a probability of 2 per cent a year, the probability that such an event occurs at least once in thirty years reaches about 45 per cent, since 0.98 raised to the power of 30 is about 0.55. Reducing that risk to 0.2 per cent a year, thanks to membership of a neutral and stable state, brings the probability down to about 6 per cent over thirty years. The figures are fictitious; they show how a reduction in political risk transforms the horizon of long-term investment.

1 Notes

1. Dictionnaire historique de la Suisse (DHS), art. “Monnaies”: the Federal Constitution of 1848 gave the Confederation the exclusive right to mint coinage; Federal Act on Coinage of 7 May 1850 (RO I 305) creating the Swiss franc; SNB, “Chronique monétaire” (snb.ch). ↩

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