

Party banks

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The defining feature of the Ticinese banking system before 1914 was its link with party politics. Chapter C.I describes the long conflict between radicals and conservatives that dominated the canton from the 1830s, with its coups, its armed clashes of 1839, 1841 and 1890 and its federal interventions. The banks took sides. Nosetti describes the Banca Cantonale Ticinese as the bank of the liberals and the Credito Ticinese of Locarno as the bank of the conservatives.¹ The president of the Banca Cantonale Ticinese in the last years before its failure was Giuseppe Stoffel (1863–1929), a radical-liberal member of the National Council from 1902 to 1914 who also sat on the Bank Council of the Swiss National Bank from 1906 to 1914.² He thus combined in one person the presidency of the canton's oldest bank, a seat in the federal parliament and a seat on the supervisory body of the central bank.

The research project of the University of Milan on industry and banking in Ticino summarizes the result in severe terms. It speaks of a plethoric banking system administered in dilettante and often dishonest ways and compromised by the close ties of its administrators to the cantonal parties. The project highlights the role of Stoffel, who sat on the boards of several industrial companies, as an example of the links between the bank, the parties and the enterprises that it financed.³ The political character of the banks had concrete effects. The Milan project stresses the close ties between the administrators of the banks and the two great cantonal parties. Boards composed in this way were poorly placed to refuse credit to party friends, to municipalities governed by the party or to enterprises promoted by its notables, which weakened internal control. When one of the party banks fell into difficulty, the other party had little interest in helping it. The cantonal government, itself the product of party majorities, could not act as a neutral lender of last resort.⁴

1 Early warnings

The weakness of the Banca Cantonale Ticinese was visible long before 1914. A numismatic catalogue that describes its surviving share certificates and bonds summarizes its troubled history: from its foundation it suffered from a lack of public confidence, it incurred considerable losses on investments in Italy, and in 1890 an embezzlement by its cashier provoked a run in which depositors withdrew nearly half of their deposits.⁵ The catalogue's attribution of the embezzlement to the bank's own cashier is doubtful. According to the Federal Court's judgment of 1892, the frauds that came to light in 1890 were committed against the cantonal treasury by the cantonal cashier, Luigi Scazziga, and they drew the bank into a dispute with the canton over their current account. The year of the embezzlement coincides with the political crisis of September 1890, when the radicals seized power in Bellinzona by force and a member of the conservative government, Luigi Rossi, was killed. Chapter C.I recounts those events. The bank survived the run of 1890, but its reserves never recovered. At the end of 1912, its capital of CHF 2 million was backed by reserves of only CHF 20,000.⁶

The other banks also operated with thin margins. The Credito Ticinese had capital of CHF 3 million and reserves of CHF 300,000. The Società Bancaria Ticinese had capital of CHF 500,000 and no reserves at all.⁷ Federal law imposed no capital or liquidity requirements on such banks. There was no federal banking act and no banking supervisor. Banks were ordinary companies under the Code of Obligations of 1881, which required the publication of accounts but did not regulate their content in any detail. The only institution with a view across the system was the Swiss National Bank, which discounted bills presented by the banks and used some of them as agents, but which had no power to inspect their books.⁸

For the practitioner. The pre-1914 Ticinese banks show the warning signs that modern supervision tries to detect early: - concentration of lending on a small number of borrowers linked to the bank's directors or their party, - high deposits relative to the local lending market, leading to lending in unfamiliar foreign markets, - low reserves and large amounts of unpaid capital, - directors who combined bank office with political office and seats on the boards of borrowers, - a name that suggested a public guarantee that did not exist.

2 Notes

1. Nosetti 2013 (as above). ↩

2. Dodis, "Stoffel-Schenkel, Giuseppe (1863–1929)", <https://dodis.ch/P17892>; Dodis, "Banca cantonale ticinese", <https://dodis.ch/R23215>. ↩
3. Università degli Studi di Milano, project 2007-ATE-0033 (as above).
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4. Università degli Studi di Milano, project 2007-ATE-0033 (as above): "gli stretti legami degli amministratori delle banche con i due grandi partiti politici cantionali". The consequences for lending are the author's assessment and are not based on individual documented loans. ↩
5. Spink, lot SW1008000289 (as above): "In 1890, it was discovered that the cashier had taken substantial sums for personal speculation. When this information was made public, there was a classic run on the bank, which resulted with a withdrawal of almost half of the bank's deposits." The catalogue note is a secondary description. On the cantonal cashier see BGE 18 No. 146 (as above). ↩
6. Wetter (as above), 89. On the events of 11 September 1890 see Marco Marcacci, "Tessiner Putsch", in HLS, version of 10 February 2012, <https://hls-dhs-dss.ch/de/articles/043029/2012-02-10/>. ↩
7. Wetter (as above), 88–89. ↩
8. On the absence of federal banking legislation before 1934 see Balz Bruppacher, "La vigilanza sulle banche in Svizzera: una breve storia degli scandali", [swissinfo.ch](https://www.swissinfo.ch/ita/posizione-svizzera/la-vigilanza-sulle-banche-in-svizzera-una-breve-storia-degli-scandali/91769822), 29 July 2026, <https://www.swissinfo.ch/ita/posizione-svizzera/la-vigilanza-sulle-banche-in-svizzera-una-breve-storia-degli-scandali/91769822>. Federal Code of Obligations of 14 June 1881, Arts. 612 ff. and 656 on the accounts of companies limited by shares. ↩

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