

A Geneva comparison: the banker and the registrar

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The contrast with Geneva, to which this book is a companion, is instructive at this point. In the interwar years, Geneva was already a banking centre of international rank. Its financial community, with a history of several centuries, included private banks that managed the fortunes of foreign families and commercial banks that financed trade. Geneva's attraction for foreign capital rested on its banks, its bankers and the discretion they offered, with the canton's tax regime playing a secondary part.

Zug had no such banks. Its offer to foreign capital in the 1930s was purely fiscal and legal: a seat for a company, a low tax on that company's capital and no tax on its profits. The capital itself was managed elsewhere, in Zurich, Basel, Geneva or abroad. Zug was, in the language of a later age, a registrar and a tax jurisdiction. The services that the holding companies needed, banking, legal advice, accounting and administration, were largely supplied from Zurich. Only after the Second World War, as the number of companies grew and the practice on mixed companies attracted active businesses, did a service industry of any size develop in the canton itself.

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The difference has consequences that persist. Geneva's financial centre is built on institutions that manage wealth, whereas Zug's business location is built on institutions that house companies. While Geneva's regulatory exposure concentrates in banking and asset management, Zug's concentrates in corporate taxation, company law, commodity trading and, more recently, the regulation of crypto-assets and Digital Assets. The two cities share the commodity trade, but even there the difference is visible: Geneva's traders grew out of a financial centre that could finance them, while Zug's traders came for the tax and the location and drew their financing from banks in Geneva, Zurich and abroad. Part D and Part E return to this comparison.

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