

A republic with money to spare: Zurich's public finances in the eighteenth century

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The Zurich state of the seventeenth and eighteenth centuries was a city republic that ruled a sizeable rural territory. Constitutionally, sovereignty lay with the burgomaster and the councils of the city: the Small Council and the Great Council, together 212 members, elected through the guilds and the *Konstaffel*, the corporation of the old patrician families.¹ The Small Council of roughly fifty members governed day to day, with two burgomasters who alternated every six months. The Great Council, the “Council of Two Hundred”, comprised the Small Council, 144 guild representatives known as the *Zwölfer* and eighteen representatives of the *Konstaffel*.² The same small circle of families supplied the councillors, the bailiffs of the rural districts and the officers of the treasury, so that the finances of the state were managed by men who were at the same time merchants, officers and landowners.

The revenues of this state were, by the standards of the great monarchies, unusual in both their composition and their size. They consisted chiefly of land rents, tithes and the proceeds of regalian rights such as salt, tolls and coinage, administered with a frugality that became proverbial. The decisive fact is recorded laconically in the Historical Dictionary of Switzerland: a public treasure was formed from 1670 onwards and invested partly abroad, above all with abbeys and chapters in southern Germany. In the eighteenth century the interest thus earned became the canton's most important source of revenue.³ A government whose largest item of income is the return on its own investments is, in the vocabulary of today, a rentier state. The observation deserves emphasis because it inverts the familiar picture of early modern public finance. The kingdoms of Europe borrowed, whereas the Swiss republics lent.

The reasons are well known and belong partly to the preceding chapters. The Reformed city had no court to maintain, no standing army of any size

and no colonial empire. It drew pensions and subsidies from foreign princes for the right to recruit mercenaries. Its merchant class, enriched by the silk and cotton trades described in Chapter C.I, accumulated capital that sought safe employment. Martin Körner, in his survey of Swiss banking history, attributes the peculiar development of Swiss finance precisely to this constellation. In his account the city republics escaped the chronic indebtedness that fuelled banking in the great kingdoms, while foreign service, proto-industrialisation and trade produced enormous accumulations of private and public money, which then flowed abroad in search of investment.⁴ Capital was abundant and domestic uses were limited. Interest rates fell accordingly. The five per cent ceiling on *Gülten* inherited from the Reformation, discussed in Part B, had long since ceased to bind in the upward direction. By the middle of the eighteenth century a mortgage rate of four per cent had become the norm in Zurich.⁵

Before Leu & Co. existed, the Zurich treasury had already experimented with investment on the international capital market, and not always happily. In 1727 the *Seckelamt*, the city treasury, acquired 120 shares of the South Sea Company, worth 100,000 Zurich gulden, following an example that Bern had set earlier. In 1730 Zurich lost 45 of these shares through the failure of a bank but kept the remaining 75 for roughly a century. They yielded, in the words of the report that reconstructed the episode, a “handsome profit” for the state treasury.⁶ The purchase came seven years after the collapse of the South Sea Bubble, when the company had been reduced to a holder of British government debt and an operator of the Atlantic slave trade under the *asiento*. The investment shows three features that would recur in the history of Leu: a preference for claims on the British state, the use of intermediaries in London whose solvency could not be controlled from Zurich, and an indifference to the moral origin of the returns that later generations would judge harshly.

The problem that confronted the Zurich authorities by the 1740s was therefore twofold. The state itself had funds to place. At the same time the guilds, the charitable foundations administered since the Reformation, the church and hospital funds and a growing number of wealthy private families sought returns that the domestic mortgage market could no longer offer at an acceptable rate. Each of these holders could in principle lend abroad on its own account, but the costs of information, the need for correspondents in Amsterdam, London, Paris or Vienna, and the risk of default made that practical only for the largest merchant houses. The obvious solution was to pool. The question was whether the state should organise the pool, and if so under what conditions. It was a question for an

administrator who combined legal training, a sense of public order and an encyclopaedic knowledge of the Confederation. Zurich had such a man.

1 Notes

1. HLS, “Zurich (canton)”, section by Meinrad Suter on the Zurich government, state and administration in the early modern period, <https://hls-dhs-dss.ch/fr/articles/007381/>. The French version describes the government as composed since the fifteenth century of the burgomaster and the Great and Small Councils of the city of Zurich (212 members), elected by the Konstaffel and the guilds. ↩
2. Staatsarchiv des Kantons Zürich (ed.), *Kleine Zürcher Verfassungsgeschichte*, Zurich: Chronos, 2000, pp. 20–21, <https://www.zh.ch/content/dam/zhweb/bilder-dokumente/themen/politik-staat/recherche-im-staatsarchiv/z%C3%BCrcher-geschichte/zh-verfassungsgeschichte.pdf>. The two rotating halves of the Small Council were known as the Natalrat and the Baptistalrat. ↩
3. HLS, “Zurich (canton)”, section on the Zurich government, state and administration (Meinrad Suter), <https://hls-dhs-dss.ch/fr/articles/007381/>: “Un trésor public fut constitué dès 1670 et investi en partie à l'étranger (abbayes et chapitres d'Allemagne du Sud avant tout); les intérêts perçus devinrent au XVIIIe siècle la première ressource du canton.” ↩
4. HLS, Martin Körner, “Banken”, section “Die ersten Privatbanken (17.–18. Jahrhundert)”, version of 17 August 2006, <https://hls-dhs-dss.ch/de/articles/014061/>. ↩
5. Toni Saller, “50 Prozent Eigenkapital: Die Bank Leu, Teil zwei”, *Inside Paradeplatz*, 9 January 2019, <https://insideparadeplatz.ch/2019/01/09/50-prozent-eigenkapital-die-bank-leu-teil-zwei/>. Saller, a former Credit Suisse employee who worked through the Leu records in the Staatsarchiv, refers to the ceiling of 1529 and to the four per cent mortgage rate of the mid-eighteenth century. ↩

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6. Marcel Brengard, Frank Schubert and Lukas Zürcher, Die Beteiligung der Stadt Zürich sowie der Zürcherinnen und Zürcher an Sklaverei und Sklavenhandel vom 17. bis ins 19. Jahrhundert, report for the Präsidialdepartement der Stadt Zürich, University of Zurich, 2 September 2020, p. 18, <https://www.stadt-zuerich.ch/content/dam/web/de/stadtleben/stadt-portraet/koloniales-erbe/sklaverei-bericht-uzh.pdf>. ↩

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