

From Leu & Cie. to the Aktiengesellschaft Leu & Co.: the nineteenth century

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The first half of the nineteenth century transformed the former commission into a domestic institution. According to the Historical Dictionary, Leu became in these decades the leading mortgage institution of the canton of Zurich.¹ The reorientation was the mirror image of the mandate of 1755. Whereas the commission had been created to take Zurich savings abroad, the private bank now brought them back and lent them against the land of the canton. The political context favoured the change. The Mediation and Restoration periods, and above all the liberal regeneration after 1830 treated in Chapter C.III, opened the rural economy, abolished feudal burdens and created a demand for credit among farmers, millers and the owners of the new textile mills in the Oberland and along the Töss and the Glatt. The mortgage became the principal asset of the bank.

The bank did not remain alone in this market for long. Savings banks spread across Switzerland from the late eighteenth century. After the first was founded in Bern in 1787, their number rose to 132 by 1840. The first banks organised on a more modern basis followed: the Kantonalbank von Bern in 1834, the Bank in Zürich and the Bank in St. Gallen in 1837, the Bank in Basel in 1844–1845 and the Kantonalbank of Vaud in 1845.² The Bank in Zürich, a note-issuing joint-stock bank, belongs to the monetary history discussed in Chapter C.IV. For Leu, the new competitors meant that the informal structure inherited from 1798, a private firm owned by its depositors, no longer sufficed. In 1854 the house was converted into a joint-stock company, the *Aktiengesellschaft Leu & Co.*³

The conversion of 1854 preceded by only two years the foundation of the Schweizerische Kreditanstalt by Alfred Escher, which is the subject of Part D. The two institutions represent two generations of Zurich banking. Leu was a mortgage bank rooted in the savings of the city's families and

institutions, whereas the Kreditanstalt was a *crédit mobilier* on the French model, founded to finance the railways and industries of the new federal state. Saller notes that the joint-stock form brought Leu into sharper competition with the new banks of the period.⁴ It also preserved, for a time, a link with the state. According to the same account, the canton held a substantial block of shares in Leu until 1870, when it founded the Zürcher Kantonalbank and sold its holding in the older institution.⁵

The foundation of the Zürcher Kantonalbank on 15 February 1870, following the approval of a new cantonal constitution by popular vote in 1869, marks the point at which the canton of Zurich created a new vehicle for its role as investor and lender. The new bank was to meet the commercial and agricultural credit needs of the population and provide broad sections of the population with secure opportunities for savings and investment. It opened its first office on the Paradeplatz.⁶ The democratic movement that produced the constitution of 1869 regarded the existing banks, including Leu, as institutions of the old liberal elite. Where the *Zinskommission* of 1755 had served the savings of the patriciate, the Kantonalbank was intended to serve the farmers, artisans and small savers of the canton, with the full guarantee of the state behind it. The history of the Kantonalbank belongs to Part D. For the present chapter it matters that the canton, having created Leu in 1755 and having remained connected with it until 1870, then chose to exercise its public banking function through a new institution and to leave Leu to the market.

The decades after 1870 turned Leu from a specialised mortgage bank into a universal bank that competed with the Kreditanstalt and the other large Zurich institutions.⁷ The transition was not smooth. In 1872 a capital reduction of two million francs became necessary because of trading losses.⁸ The episode, only two years after the loss of the state as a shareholder, shows the risks of the move from secured lending into securities business. It also illustrates a pattern that would repeat itself throughout the later history of the bank: an institution with a strong domestic franchise that suffered heavy losses whenever it ventured into markets where it lacked comparative advantage.

1 Notes

1. HLS, Baumann, “Bank Leu”, cited above: “zum führenden Hypothekarinstitut des Kantons Zürich”. ↩
2. HLS, Körner, “Banken”, section “Sparkassen und erste Kantonalbanken (19. Jahrhundert)”, cited above. ↩

3. HLS, Baumann, “Bank Leu”, cited above. A local register gives 1855 as the year in which the name Aktiengesellschaft Leu & Co. was adopted: Gebrüder Dürst, “Namen alter und ehemaliger Bankhäuser in der Stadt Zürich”, cited above. The Historical Dictionary’s date of 1854 is followed here. ↩
4. Saller, “The Big Sleep: Die Bank Leu, Teil vier”, cited above. ↩
5. Saller, Ein kurze Geschichte der Bank Leu, cited above. ↩
6. Zürcher Kantonalbank, “Geschichte: Die nahe Bank seit über 150 Jahren”,
<https://www.zkb.ch/de/ueber-uns/unser-unternehmen/geschichte.html>. ↩
7. Saller, “The Big Sleep: Die Bank Leu, Teil vier”, cited above. ↩
8. DeWiki, “Bank Leu”, cited above (consulted for orientation). ↩

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