

Legacy for the financial centre

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Late medieval Zurich had no bank, no stock exchange and no merchant house of international standing. It would be anachronistic to look for the origins of the modern financial centre in individual institutions of the period. The legacy of the fourteenth and fifteenth centuries lies in habits, legal forms and attitudes, which survived the Reformation in altered form.

The first element of this legacy is the tradition of credit administered by public bodies. From the ordinance of 1335, which placed money-changing under the control of the council, through the lease of the mint in 1364 and the treasurer's lending against pledged securities, to the management of the confiscated church rents after 1524, credit in Zurich was very often a public function. The Historical Dictionary's observation that the Swiss towns became creditors on the capital market in the sixteenth and seventeenth centuries applies to Zurich with particular force.¹ The same tradition reappears in the *Zinskommission* of the eighteenth century, which invested public funds abroad, in the foundation of the Zürcher Kantonalbank in 1870 as a state bank with a public mandate and a cantonal guarantee, as well as in the role of the cantons as shareholders of the Swiss National Bank.² The late medieval city prefigured these institutions in a modest way: it was a lender, a borrower and a regulator at once.

The second element is the Swiss law of land credit. The *Gült* of the late Middle Ages remained, according to the Historical Dictionary, the most widespread form of private land credit in German-speaking Switzerland into the nineteenth century, long after it had declined in Germany.³ In the nineteenth century the north-eastern cantons, Zurich among them, developed the *Schuldbrief*, a negotiable instrument that combined the security right in land with the personal liability of the debtor. The Swiss Civil Code of 1907, in force since 1912, adopted three forms of land charge, the *Grundpfandverschreibung*, the *Schuldbrief* and the *Gült*, of which the *Schuldbrief* became dominant.⁴ Since the revision of the property law of the

Civil Code that came into force on 1 January 2012, which also introduced the register *Schuldbrief*, no new *Gült* can be created.⁵ A Zurich lawyer who drafts a mortgage today therefore works in a tradition whose vocabulary, and some of whose concepts, go back to the *Rentenkauf* of the fifteenth century. The distinctive Swiss practice of maintaining mortgages for long periods, often without full amortisation, can be read as a distant echo of the perpetual rent, in which the capital was not expected to be repaid.

The third element is an attitude to interest. The canonical prohibition of usury, applied through the *Rentenkauf*, habituated the population of Zurich to the idea that capital could legitimately earn a moderate, fixed return, secured on real assets, whereas high returns on unsecured lending carried the stigma of usury. The standard rate of 5 per cent, which emerged in the redeemable annuity and was accepted by the reformers, remained a moral benchmark for centuries.⁶ The distinction between moderate, secured, long-term returns and speculative gain continues to shape the self-image of Swiss banking, with its emphasis on prudence, capital preservation and the long-term management of family wealth. Although it would be too simple to derive modern Swiss private banking directly from the medieval *Rentenkauf*, the moral grammar in which Zurich citizens have discussed interest for five centuries was formed in this period.

The fourth element is the use of debt as an instrument of territorial and political power. The purchase of Kyburg in 1424 and the pledge of Winterthur in 1467 show a city that understood how to convert financial strength into sovereignty. The same understanding underlies the later history of Zurich as a creditor: the city and its institutions lent to foreign states in the eighteenth century and financed railways and industry in the nineteenth, before becoming in the twentieth a centre of international capital. The legal forms changed, while the insight that capital confers influence endured.

The fifth element is less comfortable. The history of the Jewish lenders of Zurich, from the letters of protection to the cancellation of debts in 1349 and the final expulsion of 1436, shows how precarious the position of financiers could be when their rights depended on the goodwill of the political authority. The city welcomed lenders when it needed credit and expelled them when it could do without them. The reputation of the financial centre rests on the reliability of the guarantees of property rights, equality before the law and freedom of economic activity that modern Swiss law provides in the Federal Constitution.⁷ The medieval experience illustrates, by contrast, what the absence of such guarantees meant for those who lent money.

Finally, the pensions and the mercenary finance of the decades before the Reformation introduced Zurich to the problem of foreign money in domestic politics. The anxieties that the pensions aroused, about corruption, about the dependence of political leaders on foreign paymasters and about the moral effects of easy money, have remained a recurring theme in Swiss debates about finance. Zwingli's sermons against the pensions, discussed in Part B, gave these anxieties their classic expression. Their modern descendants are the regulation of political donations, the rules on the acceptance of foreign benefits by officials and the long public debates about the origin of foreign assets held in Swiss banks.

1 Notes

1. HLS, "Kapitalmarkt" (as above). ↩
2. HLS, "Zürich (Gemeinde)", <https://hls-dhs-dss.ch/de/articles/000171/2015-01-25/>, on "die 1755 gegründete staatliche Zinskommission, die später zur Bank Leu wurde"; "Bank Leu", Wikipedia (German), https://de.wikipedia.org/wiki/Bank_Leu, on the placement of its funds largely with foreign borrowers, including French government loans; "Zürcher Kantonalbank", Wikipedia (German), https://de.wikipedia.org/wiki/Z%C3%BCrcher_Kantonalbank, on its foundation in 1870 and the liability of the canton for all its obligations to the extent that its own funds are insufficient. ↩
3. HLS, "Gült" (as above). ↩
4. HLS, "Grundpfandrecht" (as above). ↩
5. "Schuldbrief", Wikipedia (German), <https://de.wikipedia.org/wiki/Schuldbrief>, on the paperless register Schuldbrief in existence since 1 January 2012 and on the Gült, which "seit 2012 nicht mehr begründet werden kann". ↩
6. HLS, "Kapitalmarkt" (as above), which records that the reformers accepted 5 per cent for long-term credit and that rates fell to 4 or 3 per cent in the seventeenth century; HLS, "Gült" (as above), which records the standardisation of Gült interest at 5 per cent. ↩

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7. Federal Constitution of the Swiss Confederation of 18 April 1999, Articles 8 (equality before the law), 26 (guarantee of ownership) and 27 (economic freedom); see “Bundesverfassung der Schweizerischen Eidgenossenschaft”, Wikipedia (German), https://de.wikipedia.org/wiki/Bundesverfassung_der_Schweizerischen_Eidgenossenschaft, on the date and on Art. 8, and “Wirtschaftsfreiheit”, Wikipedia (German), <https://de.wikipedia.org/wiki/Wirtschaftsfreiheit>, on Art. 27 and on Art. 26 as part of the constitutional economic order. ↩

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