

Other republics, other models: Bern, Basel, St. Gallen and Geneva

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Zurich was neither the first nor the largest Swiss investor on the European capital market. That distinction belongs to Bern. The Bernese republic began to manage its financial surpluses professionally in the late seventeenth century. From 1710 it commissioned the banking house of Malacrida & Cie., acting together with Samuel Müller & Cie. in London, to invest public funds abroad. Nikolaus Malacrida, a former watchmaker who had turned to banking and paper manufacturing, had founded his bank in 1702 with the support of several patricians. The house enjoyed great confidence throughout Europe but collapsed in 1720 after the failure of John Law's system in France, causing substantial losses to Bernese families. His son-in-law David Gruner negotiated a settlement with the Bernese government in 1722 and took over the business.¹ The total loss of the crisis has been estimated at 440,000 thaler spread among some five hundred creditors, from the state and village communities to guilds, family trusts and individuals. For want of any procedure for cross-border insolvency, the liquidation dragged on for about eleven years.²

The Bernese model differed from Zurich's in a decisive respect. Bern invested the state treasure itself, through private bankers acting under mandate, whereas Zurich, a generation later, created a public intermediary that pooled public and private funds. The Bernese experience of 1720 may well have informed the Zurich design: the collapse of Malacrida showed the danger of entrusting public money to a private house whose other business the state could not control. The commission of 1755, staffed by councillors and holding its assets under a three-key system in the town hall, can be read as an answer to that danger, although the literature consulted for this chapter does not document a direct line of influence.

The scale of the Bernese effort dwarfed anything Zurich attempted. At the moment of its seizure in 1798 the Bernese state treasure was worth some

21.6 million *livres tournois*, of which about 10.6 million consisted of gold and silver and roughly 11 million of securities. Zurich's treasury, by comparison, held only 622,000 *livres*. Bern had been, for a time, the largest shareholder of the South Sea Company in 1719 and had sold before the bubble burst. It also held bonds of the Holy Roman Empire. The treasure allowed Bern to dispense with direct taxation and to support lending to private citizens and entrepreneurs at home.³ A study published in 2020 by Christoph Schaltegger and his co-authors Thomas Studer, Laura Zell and Michele Salvi estimated that, had the treasure been managed after 1798 as the Bernese councils had managed it before, the canton could have dispensed with taxes for 115 years.⁴ The calculation is a thought experiment, but it makes vivid the position that Bern had achieved as, in the words of one report, at times the largest investor on the London financial market.⁵

Other Swiss republics experimented with public credit institutions of a more domestic orientation. Martin Körner notes that the older state banks shared the fate of the Basel *Stadtwechsel*, which was liquidated in 1744–1746, and lost importance, but that new institutions arose in the middle of the century: in 1752 St. Gallen opened the *Obrigkeittliche Leinwatcassa*, which provided credit to linen manufacturers, and Zurich founded Leu in 1755.⁶ The St. Gallen *Leinwatcassa* and the Zurich *Zinskommission* thus appeared within three years of each other. They represent two answers to the same problem of capital in a proto-industrial economy. St. Gallen used public funds to finance its principal export industry at home, whereas Zurich used them to export capital abroad and leave domestic credit to the merchants. The Zurich choice reflects the strength of the private merchant bankers and *Verleger* discussed in Chapter C.I, who financed the silk and cotton trades from their own resources and had no wish to see a public competitor in their market.

Geneva, the subject of the companion volume, followed a third path, in which the decisive actors were private. The capital of the city was mobilised by private banking families, among them the d'Aubert, Boissier, Fatio, Lullin, Mallet, Rigot, Rilliet, De la Rue, Sellon and Thellusson, some of whom operated exclusively as bankers by about 1700 and maintained family, friendship and business relationships in the major cities of Europe and access to governments.⁷ The most celebrated Genevan technique of the late eighteenth century was the pooling of French life annuities on the lives of thirty carefully selected young girls, the *trente demoiselles* or *trente immortelles de Genève*. The bankers chose children aged between four and seven from good families, whose life expectancy promised long payment streams, grouped the annuities into large blocks and sold participations to

clients, often on instalment through so-called *billets solidaires*. The main waves of speculation occurred in 1771, 1778–1779 and 1782–1783. By 1793 about 10.3 million *livres* of annuities had been accumulated.⁸

The comparison illuminates the Zurich model. Geneva's bankers took large, concentrated and leveraged positions in French public debt. Many of them failed when the revolutionary state consolidated its annuities on unfavourable terms and the assignats collapsed, the houses of Lullin, Passavant and Bontems among them.⁹ Bern held a vast state treasure, managed through private agents, and lost most of it to a foreign army. Zurich stood between these poles. Its public commission was smaller, more diversified and more conservative than the Genevan houses. Its portfolio was held on behalf of depositors whose claims could, with some effort, be distinguished from those of the state. That combination of moderate size, diversification and a separate legal identity explains in large part why Leu survived the revolution when so many Genevan houses and the Bernese treasure did not.

1 Notes

1. HLS, "Malacrida, Nikolaus", version of 14 August 2008, <https://hls-dhs-dss.ch/de/articles/042062/2008-08-14/>. ↩
2. Wikipedia, "Bern banking crisis of 1720", https://en.wikipedia.org/wiki/Bern_banking_crisis_of_1720 (consulted for orientation), on the mandate of 1710, the partnership with Samuel Müller & Cie., the estimated losses and the duration of the liquidation. ↩
3. Article on the study Napoleons reiche Beute by Christoph A. Schaltegger and co-authors (Brunne Zytig), PDF hosted by the University of Lucerne, https://www.unilu.ch/fileadmin/fakultaeten/wf/Dekanat/Bilder/Professuren/Schaltegger/Artikel_BrunneZytig.pdf. ↩
4. University of Lucerne, "Napoleons reiche Beute", news release of 20 July 2020, <https://www.unilu.ch/news/napoleons-reiche-beute-5275/>; the book appeared with Stämpfli Verlag, Bern. ↩
5. SRF News, "Bern wäre reich – hätte Napoleon den Staatsschatz nicht erbeutet", cited above. ↩
6. HLS, Körner, "Banken", cited above. ↩
7. HLS, Körner, "Banken", cited above. ↩
8. Marc Cramer, "Les trente Demoiselles de Genève et les billets solidaires", journal of the Swiss Society of Economics and Statistics,

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1946, issue II, here p. 113 (online archive), <https://www.sses.swiss/journal/archive/pdf/1946-II-2.pdf/>; see also Daniela Solfaroli Camillocci, “Trente immortelles de Genève”, 100 Elles, <https://100elles.ch/biographies/trente-immortelles-de-geneve/>.
↩

9. Cramer, “Les trente Demoiselles de Genève”, cited above, pp. 129–131.
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