

Revolution, occupation and privatisation, 1798

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The collapse of the old Confederation in 1798 is the subject of Chapter C.III, and only its consequences for the commission are considered here. French troops entered Zurich on 27 April 1798. On 5 June 1798 the state treasure was removed by force from the vault of the Grossmünster, an act that contemporaries understood as the symbol of Zurich's lost independence.¹ The French authorities confiscated, among other assets, the state treasuries of Bern and Zurich. In Bern, Gottlieb Abraham von Jenner succeeded by bribery in bringing foreign bonds with a value of twelve million French *livres* back to Bern. The Historical Dictionary adds a sober judgement: the extraction of assets was painful for contemporaries, but it did not threaten the economic survival of the country, since most wealth was held in land.²

For the *Zinskommission* the danger was acute. As a body of the old republic, administered by its councillors and housed in its town hall, it could be regarded by the occupying power and by the new Helvetic authorities as part of the property of the state. The deposits of guilds, foundations and private families would then have shared the fate of the treasure. The managers reacted by converting the commission into a private enterprise. In the account of Saller, the commission was privatised in 1798 as Leu & Cie. precisely in order to protect the depositors' funds, since the occupying power and the Helvetic Republic could lay claim only to the treasuries of the state.³ The Historical Dictionary gives a more economic explanation: after the French Revolution and the devaluation of foreign assets, the bank required restructuring and became a private company in 1798.⁴ Both explanations are compatible. The losses on French and other foreign paper since 1789 had weakened the balance sheet, while the political upheaval made the continued public character of the institution a liability in both senses of the word. The restructuring included a reduction of the interest paid on the bonds held by depositors.⁵

The new constitution of the house was democratic in the manner of a mutual. On 25 July 1798 the first general assembly met, attended by 686 voting members, the holders of obligations exceeding 2,000 gulden, who elected the first board of directors, a board on which the name Escher appears three times.⁶ The depositors had become the owners. Legally, the transformation separated the assets of the institution from the property of the state and placed them under the control of the creditors. That solution anticipated the modern principle that client assets and the funds of depositors must be kept distinct from the estate of any public or private owner. In practical terms the privatisation saved the institution. Although the treasure in the Grossmünster was lost, the portfolio of Leu & Cie., however diminished, remained with its depositors.

The privatisation also changed the mandate. The rule that had confined the commission to foreign investments was abandoned. The private bank granted its first domestic credit, 20,000 gulden to Georg Escher.⁷ The turn towards the domestic market was a response to the destruction of the foreign markets on which the commission had lived. France had defaulted in substance on much of its debt and Austria was at war, while the Danish and German borrowers were exposed to the same upheavals. The Zurich countryside, by contrast, offered land as security, a legal system that the new bank understood and borrowers whom its directors knew personally. One tradition of the bank even holds that in 1799 Leu was able to spare Zurich from plundering by paying General Masséna directly.⁸ The details of the contributions levied on Zurich during the war of the Second Coalition belong to Chapter C.III.

1 Notes

1. Staatsarchiv des Kantons Zürich (ed.), *Kleine Zürcher Verfassungsgeschichte*, cited above, p. 35. ↩
2. HLS, Martin Illi, “Franzoseinfall”, version of 14 September 2021, <https://hls-dhs-dss.ch/de/articles/008915/2021-09-14/>. ↩
3. Saller, “Schwarze Flecken: Die Bank Leu, Teil eins”, cited above. ↩
4. HLS, Baumann, “Bank Leu”, cited above. ↩
5. DeWiki, “Bank Leu”, cited above (consulted for orientation). ↩
6. Saller, “Schwarze Flecken: Die Bank Leu, Teil eins”, cited above. ↩
7. Saller, “Schwarze Flecken: Die Bank Leu, Teil eins”, cited above. Saller adds that most of the early credit applications were rejected after careful review as too risky. ↩

8. “Das Aus für die Bank Leu nach 256 Jahren”, St. Galler Tagblatt, cited above, which reports that an immediate payment to General Masséna in 1799 protected the city of Zurich from plundering by the French troops. ↩

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