

The Federal State of 1848 and the Swiss franc — overview and summary

*Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland), Solicitor (Hong Kong),
Solicitor (England & Wales)*

Every transaction booked in Zurich today, whether a foreign-exchange swap on a trading floor at Paradeplatz, a mortgage drawn down at a cantonal bank or a custody fee debited in a private bank on the Bahnhofstrasse, rests on two legal facts that are so familiar that they are rarely noticed. The first is that Switzerland forms a single economic area, in which goods, capital and persons move from canton to canton without customs posts, without separate coinages and without separate systems of weights. The second is that these transactions are denominated in the Swiss franc, a currency that has existed without interruption since the middle of the nineteenth century. Over the following century and a half it acquired a reputation for solidity which is itself one of the most valuable assets of the Swiss financial centre. Both facts are products of a short and dense period of constitution-making between the autumn of 1847 and the summer of 1852.

This chapter tells the story of that period. It begins with the Sonderbund War of November 1847 and the Federal Constitution of 12 September 1848, which transformed a loose alliance of sovereign cantons into a federal state and gave the new Confederation competence over customs, posts, coinage and weights and measures. It then turns to the monetary disorder that the Confederation inherited, to the debate of 1849 and 1850 over the choice between the south German gulden and the French franc, and to the Federal Coinage Act of 7 May 1850. That Act adopted the franc on the French model and led to the withdrawal of the cantonal coinages in 1851 and 1852. The chapter follows the franc into the Latin Monetary Union of 1865, whose bimetallic arrangements shaped Swiss monetary conditions until the union ended in 1926 and 1927. A further section describes the note-issuing banks, among them the Bank in Zürich, which supplied the country with paper money until the Swiss National Bank took over that function in 1907. A final section places Zurich among the competing financial places

of mid-century Switzerland, Basel and Geneva in particular, and asks what the settlement of 1848 to 1852 left to the financial centre of today.

Three perspectives run through the chapter. The historian sees a fragmented country pulled together by a victorious liberal majority, which used the constitution to impose a market order on cantons that had lived for centuries from tolls, coin seigniorage and local privilege. The lawyer sees a remarkably economical constitutional text, whose handful of articles on customs, coinage and freedom of trade created the legal architecture of a national market, together with a Coinage Act that remains a model of short and effective legislation. The practitioner sees the origin of habits that still characterise the Swiss financial centre: a preference for monetary stability over monetary experiment, an instinct for pragmatic co-operation with larger neighbours, as well as a federal structure in which the central state holds the key monetary and commercial powers while leaving much of banking, for a long time, to the cantons and to private initiative. The chapters on Alfred Escher, the railways, the Schweizerische Kreditanstalt of 1856 and the Zürcher Kantonbank of 1870 (Part D) build on the foundations described here, while the Swiss National Bank itself is treated in Part F.

1 Conclusion

The period from the Sonderbund War of November 1847 to the completion of the coin exchange in the autumn of 1852 transformed the economic conditions of Swiss banking. A war of three weeks removed the conservative veto against constitutional reform. The Federal Constitution of 12 September 1848, drafted by a commission of twenty-three liberals in less than two months and adopted by fifteen and a half cantons, gave the new Confederation the powers over customs, posts, coinage and weights and measures, guaranteed free trade between the cantons and introduced freedom of establishment. The Winterthur lawyer Jonas Furrer, Bürgermeister of Zurich, became the first President of the Confederation, while the federal seat went to Bern.

The Constitution transferred the coinage prerogative to the Confederation and ended cantonal coinage, whose last products were Zurich one-rappen pieces dated 1848. The currency debate of 1849 and 1850 opposed two bankers: Johann Jakob Speiser of Basel, who argued for the French franc, and Leonhard Pestalozzi of Zurich, who defended the south German gulden. Speiser's view prevailed in the Federal Coinage Act of 7 May 1850, which defined the franc as five grams of silver of nine-tenths fineness, divided into one hundred rappen. While the new coins were struck in

Paris, Strasbourg and Brussels, the old coinages, some 312 types in all, were withdrawn canton by canton between August 1851 and September 1852 according to detailed tariffs based on metal content.

The gold discoveries of mid-century forced Switzerland to accept French gold coins in 1860. On 23 December 1865 Switzerland joined France, Belgium and Italy in the Latin Monetary Union, which rested on bimetallism at a ratio of 1 to 15.5. The fall of silver after 1871 turned the union into a limping gold standard before the First World War destroyed it. After its dissolution at the end of 1926, only Swiss coins were legal tender in Switzerland from 1 April 1927. Paper money developed in parallel through the banks of issue, beginning with the Deposito-Cassa of Bern in 1825 and the Bank in Zürich, founded in 1836, whose first notes appeared in 1837. From eight institutions in 1850 their number grew to thirty-six. The concordat of 1876, the Banknote Act of 8 March 1881 with its forty per cent metallic reserve, the monopoly article of 1891 and the National Bank Act of 1905 led to the opening of the Swiss National Bank in 1907, with seats in Bern and Zurich.

For the Zurich financial centre, the settlement of 1848 to 1852 was a foundation. It gave Zurich a national market, a stable currency and a federal framework in which private and cantonal banks could develop. Zurich had opposed the franc, but it became the principal beneficiary of the monetary union of the country. The habits formed in this period, a preference for monetary stability, pragmatic co-operation with larger neighbours, incremental regulation and a federal balance between central competence and cantonal autonomy, remain visible in the Swiss financial centre of 2026.

2 In five sentences

1. The Sonderbund War of November 1847 cleared the way for the Federal Constitution of 12 September 1848, which turned Switzerland into a single economic area by transferring customs, posts, coinage and weights and measures to the Confederation and under which the Winterthur lawyer Jonas Furrer became the first President of the Confederation.
2. Before 1850 Switzerland used a confusion of cantonal and foreign coins, whose replacement set off a debate between Johann Jakob Speiser, the Basel banker who favoured the French franc, and Leonhard Pestalozzi, the Zurich banker who defended the south German gulden.
3. The Federal Coinage Act of 7 May 1850 adopted the franc of five grams of silver at nine-tenths fineness, after which the old coinages were

exchanged canton by canton between 1851 and 1852 for new coins struck in Paris, Strasbourg and Brussels.

4. In 1865 Switzerland joined the Latin Monetary Union with France, Belgium and Italy, a bimetallic union that suffered from the fall of silver and the fiscal weakness of some members and ended in 1926 and 1927, leaving Switzerland with its own franc intact.

5. Paper money was issued by a growing number of cantonal and private banks, beginning in Zurich with the Bank in Zürich in 1837, until the Banknote Act of 1881, the monopoly article of 1891 and the National Bank Act of 1905 led to the Swiss National Bank of 1907, completing a settlement that gave Zurich the single market, stable currency and federal framework on which its later financial leadership was built.

For general information only. This article does not constitute legal or tax advice, does not replace advice on an individual case and creates no lawyer-client relationship. It reflects the legal position as of September 2026.

Online version: helveticaregister.com/zurich-the-federal-state-of-1848-and-the-swiss-franc-overview-and-summary