

The founding of the Zinskommission, 1750–1755

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The immediate origins of the commission lie in deliberations of the early 1750s. According to the *Neue Deutsche Biographie*, Leu, as a member of a commission appointed to address the surplus of capital, submitted proposals in 1750 and 1751. He became president of the institution that resulted, the house of “Leu & Co. (Compagnie)”, which opened on 15 April 1755 as a bank that accepted deposits from the public and paid interest on them.¹ The problem that the proposals addressed was stated with disarming directness by those who later worked through the records. In the paraphrase of Toni Saller, there was simply too much money that wanted to be invested and to earn interest.² The domestic market for mortgages and annuities was saturated at four per cent. The foreign market promised higher returns, although it required knowledge and correspondents that few Zurich lenders possessed.

The founding commission of 1754 brought together the leading figures of the Zurich financial administration. Beside Leu as treasurer and Heidegger, it included the former treasurer Conrad Escher, Felix Nüscher and Heinrich Orell, the latter a member of the community descended from the Protestant refugees from Locarno whose arrival in 1555 is described in Part B.³ The presence of an Orell is a small but telling detail. The Locarnese families had brought with them the commercial techniques and the international connections of the Italian silk trade. By the eighteenth century their descendants belonged to the core of the Zurich merchant elite. The name Escher, which recurs in the founding commission, in the first board elected in 1798 and among the early borrowers of the privatised bank, points in the same direction. The *Zinskommission* was a public institution staffed by the very families whose private fortunes it was designed to serve.⁴

The institution was endowed with public capital of 50,000 gulden.⁵ This endowment was the equity of the enterprise. It stood behind the deposits

of the public and was intended to absorb losses before they reached the depositors. Saller, who has read the founding regulations, emphasises the conservatism of the design. Deposits were initially to be admitted only in proportion to the public capital, which amounted to a capital ratio of fifty per cent, a figure that no bank of the twentieth or twenty-first century would recognise.⁶ The ratio did not survive the success of the institution. Within three years the deposits had reached 183,000 gulden, more than three times the initial public capital. The commission was repeatedly forced to close its books to new money because it could not find sufficiently safe investments for the inflow.⁷

The physical setting underlines the public character of the undertaking. The commission worked in one room of the town hall, the Rathaus on the Limmat, which had been built between 1694 and 1698 and inaugurated on 22 June 1698. Before 1798 the building housed the sessions of the councils and the burgomasters of the city-state and served as the seat of the Reformed synod.⁸ Depositors who brought their money to the *Zinskommission* thus brought it to the seat of government itself. One modern account of the commission's early investments carries the title *Rathausobligationen*, “town-hall bonds”, a phrase that captures that association well. For a Zurich guardian or guild master of the 1750s the difference between lending to the state and lending through the state must have seemed slight. As the following section shows, that ambiguity lay at the heart of the institution's legal character.

The choice of name deserves a moment's attention. The commission appeared before foreign borrowers, correspondents and courts as *Leu et Compagnie*, a firm name in the style of a private merchant bank, with the treasurer's surname in the place of the principal partner.⁹ The practical reasons are easy to reconstruct. A private firm name kept the sovereign in the background when the commission negotiated with foreign princes and cities. It also avoided questions of diplomatic precedence and of state immunity while allowing the commission to hold securities and correspond with bankers in the ordinary forms of commerce. The same device, a public mandate executed through a private-law vehicle, would reappear many times in Swiss financial history. Today it is familiar from the investment subsidiaries of sovereign funds, which acquire assets through companies whose names reveal nothing of the state behind them.

1 Notes

1. Schmid, “Leu, Johann Jakob”, NDB 14 (1985), pp. 363–365, <https://www.deutsche-biographie.de/gnd12889010X.html>. ↩

2. Toni Saller, Ein kurze Geschichte der Bank Leu in fünf Kapiteln (compilation of the five-part series first published in Inside Paradeplatz, January 2019), PDF at https://louverture.ch/wp-content/uploads/2021/08/Schwarze_Flecken.pdf: “Es gab schlicht zu viel Geld, das investiert und verzinst werden wollte.” ↩
3. Saller, “50 Prozent Eigenkapital: Die Bank Leu, Teil zwei”, cited above. Saller refers to Leu as “Hans Jacob”; the treasurer of 1749 was Johann Jacob Leu. ↩
4. Toni Saller, “Verstrickungen: Die Bank Leu, Teil fünf”, Inside Paradeplatz, 29 January 2019, <https://insideparadeplatz.ch/2019/01/29/verstrickungen-die-bank-leu-teil-fuenf/>, which lists Caspar and Conrad Escher among the members of the founding commission of 1754 and notes three Eschers on the board of 1798. ↩
5. Saller, Ein kurze Geschichte der Bank Leu, cited above; the figure of 50,000 gulden is also given in the German-language encyclopaedic summary “Bank Leu”, DeWiki, https://dewiki.de/Lexikon/Bank_Leu. ↩
6. Saller, “50 Prozent Eigenkapital: Die Bank Leu, Teil zwei”, cited above. ↩
7. Toni Saller, “Rathausobligationen: Die Bank Leu, Teil drei”, Inside Paradeplatz, 14 January 2019, <https://insideparadeplatz.ch/2019/01/14/rathausobligationen-die-bank-leu-teil-drei/>. ↩
8. Kantonsrat Zürich, “Das Rathaus”, <https://www.kantonsrat.zh.ch/besuch/das-rathaus/>. The page states that the Rathaus was erected in 1694–1698 and inaugurated on 22 June 1698, and describes its use by the city council and burgomasters before 1798. ↩
9. HLS, Zelger-Vogt, “Leu, Johann Jacob”, cited above, which states that the commission appeared publicly as “Leu & Cie.” ↩

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