

## The legacy for the financial centre

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The half-century between the Stäfa memorial and the federal state left Zurich with an institutional inheritance that its later financial centre would draw on in several ways. The first and most fundamental was the principle of economic freedom. Conceded under pressure in February 1798, practised under the Helvetic Republic, written into the federal Act of Mediation and then guaranteed in express terms by Article 7 of the cantonal constitution of 1831, the freedom of trade and commerce replaced the guild-based order in which access to profitable business depended on birth and membership of a corporation. Whereas the merchant bankers of the eighteenth century had operated within a privileged circle, the bankers of the nineteenth century would operate in an open market, in which newcomers from the countryside, from other cantons and from abroad could establish themselves. The Zurich financial centre of today, with its foreign banks, its independent asset managers and its fintech firms, stands on that principle, even if it is now exercised within a dense framework of prudential supervision.

The second legacy concerns property. The long process of redeeming tithes and ground rents, begun by the Helvetic law of 10 November 1798, continued by the cantonal redemption laws after 1803, guaranteed by Article 16 of the constitution of 1831 and completed only in the 1860s, transformed the legal character of land. Property burdened with perpetual feudal charges became property that could be freely sold, mortgaged and inherited. That transformation was the precondition for the development of mortgage credit on a large scale, which became the core business of the savings banks, of the cantonal bank founded in 1870 and of a large part of the Swiss banking system to this day. The inviolability of property guaranteed by Article 15 of the constitution of 1831, and defended against the machine-breakers of Uster by the property protection law of 1835, provided the security on which long-term investment in industry depended.

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The third legacy is a new elite. The revolution ended the political monopoly of the city patriciate, which nevertheless kept much of its wealth. Many patrician families adapted to the new order by moving into industry and banking. Alongside them emerged a class of entrepreneurs from the countryside and from outside the old governing families, such as Heinrich Kunz, together with innovators within the old families, such as Hans Caspar Escher, who built the mechanical spinning mills and engineering works of the first industrial revolution in Switzerland. By the 1830s, the liberal industrialists, merchants and lawyers who carried the regeneration had become the leading political and economic force in the canton. They founded the Bank in Zürich in 1836 and would found the Schweizerische Kreditanstalt twenty years later. The combination of political liberalism, industrial enterprise and financial innovation that characterises Zurich in the age of Alfred Escher was formed in these decades.

The fourth legacy is institutional. The separation of cantonal and municipal property in 1803 created the dual structure of public finance that still distinguishes the canton from the city. The Obergericht of 1831 and the legal culture that Keller and his colleagues created laid the foundation for Zurich's reputation as a place where commercial disputes are resolved competently. The university of 1833 gave the canton an institution that trained its lawyers, physicians, theologians and scientists and later, through its faculty of economics, a large part of the personnel of its financial institutions. Each of these institutions had predecessors in the old republic, but each acquired its modern form in the period described in this chapter.

The fifth legacy is a set of experiences that shaped attitudes. The removal of the state treasure in 1798 taught the governing families that liquid reserves are vulnerable in times of war and occupation. The two battles of 1799 and the requisitions that accompanied them showed how quickly the savings of a generation can be consumed by armies. The fiscal collapse of the Helvetic Republic demonstrated the limits of a state that attempts to reform its finances without the consent of those who pay. The Bockenkrieg and the Usterbrand showed that social conflict over property can turn violent and that the state's willingness to protect property is a condition of investment. The Züriputsch showed that liberal reform can provoke a backlash and must be anchored in broad consent. Each of these lessons found its way, in one form or another, into the conservative, security-minded, internationally diversified culture of Zurich banking that the later chapters of this book describe.

A brief comparison with Geneva, whose history in this period the companion volume treats in detail, brings the Zurich pattern into focus. Geneva was annexed by France in 1798 and became the capital of the French department of Léman. Having experienced the revolutionary period as a French city, it entered the Confederation only in 1815, bringing with it a banking tradition oriented towards Paris and the financing of states. Zurich remained a Swiss canton throughout, losing its sovereignty for five years and regaining it in a reduced form. It entered the nineteenth century with an economy based on textiles and machine-building and a financial sector oriented towards the needs of industry. The different paths of the two cities in the revolutionary period help to explain why Geneva's banking developed first as private banking for international clients and state finance, while Zurich's developed first as industrial and commercial banking, before the two traditions converged in the twentieth century.

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