

The Verlag system, proto-industry and the merchant bankers — overview and summary

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In 1750 two brothers of an old Zurich family, Caspar and Hans Conrad Schulthess, opened a silk business in the house “Zum gewundenen Schwert” on the Limmatquai. They bought raw silk, had it worked up by spinners and weavers in the city and the countryside, and sold the finished cloth abroad. Within a generation Hans Conrad was dealing as actively in bills of exchange and securities as in silk. In 1805 the firm, by then called Caspar Schulthess sel. Erben & Schinz, appeared in the official calendar of the canton under the heading of bankers. Silk it abandoned altogether in 1855. Through a sequence of partners and names it survives today as Rahn+Bodmer Co., the oldest private bank in Zurich, which celebrated its 275th anniversary in 2025.¹ The history of that one house compresses the argument of this chapter. Zurich’s private banking grew out of the counting houses of textile merchants who organised the work of tens of thousands of rural households, advanced them raw material and credit, collected their products and sold them on the markets of Europe. In the course of that business these merchants accumulated capital, correspondents and a knowledge of foreign exchange that could, at the right moment, be turned into a banking business of its own.

The chapter covers the period from the early seventeenth century to the eve of the French Revolution, the long ancien régime of the city-state of Zurich. Part B of this book described how the Reformation reshaped the city’s institutions and ethics of wealth and how the Protestant refugees from Locarno, after 1555, introduced silk and new forms of commercial organisation (see Chapter B.V). The present chapter takes up the story where that one ends, with the Seidenhof and the first silk enterprises of the Werdmüller, Muralt and Orelli. It first describes how Zurich’s textile trades, silk, cotton and, to a lesser extent, wool, grew into a system of production that spread across the whole territory of the state, and how that system, known in German as the *Verlagssystem* or putting-out system,

rested on chains of credit linking the city's merchants to rural producers. It then turns to the Kaufmännisches Direktorium of 1662, in which the merchants organised themselves and which also ran the postal service, and to the city's monopoly of trade that shaped relations with the countryside. The final sections identify the families that formed the merchant elite, follow the capital they accumulated as it began to flow abroad and examine how the thinkers of the Zurich Enlightenment reflected on this economy.

The relevance for the financial centre of today lies in continuities of three kinds. The first is capital: the wealth that Zurich's merchants gathered in the seventeenth and eighteenth centuries became the seed capital of nineteenth-century industry, of the Kreditanstalt of 1856 and of a series of private banks. The second is orientation. Because the Zurich economy of the ancien régime was built on imports of raw materials and exports of finished goods to distant markets, it cultivated habits of calculation, correspondence and risk assessment that are the habits of an international financial centre. The third is structure: the relationship between a metropolitan centre that holds capital, information and market access and a hinterland that supplies labour and receives credit has marked Zurich's economy to the present. The tensions this relationship generated, which exploded in the Stäfner Handel of 1794–95 and in the upheavals treated in Chapter C.III, belong to the prehistory of the Swiss federal state and its financial law.

1 Notes

1. Rahn+Bodmer Co., "History", <https://www.rahnbodmer.ch/en/history>, and "275 Jahre Innovation und Tradition: Rahn+Bodmer Co. im Wandel der Zeit", Nota Blog, February 2025, <https://www.rahnbodmer.ch/notablog/2025/02/275-jahre-innovation-und-tradition-rahnbodmer-co-im-wandel-der-zeit/>. The bank gives 1750 as its founding year and records the entry as "Banquiers" in the official calendar of 1805 and the exclusive concentration on banking from 1855 under Heinrich Schulthess. ↩

2 Conclusion

The two centuries between the Seidenhof and the French Revolution transformed Zurich from a guild city with a promising silk trade into the centre of one of the densest proto-industrial regions of Europe. Silk and, above all, cotton were worked by tens of thousands of rural households, organised through a layered system of merchants, rural Tüchler and Fergger, and financed at every stage by credit advanced from the city. At

the head of this system stood the merchant houses of Zurich, which controlled imports, finishing and exports. As the ultimate creditors of the rural economy, they appropriated through the trade monopoly of the city burghers a large share of the value it created. They organised themselves in the Kaufmännisches Direktorium of 1662, which regulated the trades, defended the privileges of Swiss merchants in France and ran the postal service that carried their correspondence and their bills.

The capital accumulated in this way flowed into rural mortgages, guild and family funds, landed lordships and, from the early eighteenth century, into foreign investments, from the shares of the South Sea Company acquired by the city in 1727 to the loans of foreign states placed through the Zinskommission of 1755. Some Zurich merchants became bankers abroad, like Hans Konrad Hottinger in Paris, while others, like the Schulthess brothers of 1750, turned their counting houses into banks at home. The same international orientation drew Zurich capital and Zurich goods into the Atlantic economy of slavery, a connection that the city and its historians have begun to address openly.

The Zurich Enlightenment reflected on this economy with ambivalence. The economic commission of the Physical Society and Hirzel's portrait of Kleinjogg promoted agrarian improvement as a counterweight to the risks of the textile economy, while Waser's political arithmetic sought to make the state's finances the object of rational analysis and public discussion, and cost him his life. The rural elites created by proto-industry demanded in 1794–95 the freedom to trade on their own account and equal rights with the city. That demand, suppressed in the Stäfner Handel, was fulfilled after 1798 and again after 1830.

For the financial centre of today, the legacy of this period lies in capital, export orientation, credit networks and a model of business self-organisation under public law. The oldest private bank of Zurich still traces its origin to a silk business of 1750. From the families of the eighteenth-century merchant elite came many of the founders of Zurich's great nineteenth-century financial institutions. The next chapter turns to the institution through which the Zurich state itself became an investor: the Zinskommission of 1755 and Leu & Co.

3 In five sentences

1. Between about 1600 and 1790 Zurich's silk and cotton trades grew in three surges into a proto-industrial system that by 1787 employed some 34,000 spinners and thousands of weavers in the countryside.

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2. The putting-out system linked city merchants, rural Tüchler, Fergger and home workers in a chain of credit in which the merchant of the city pre-financed raw materials and stood as ultimate creditor of the rural economy.
3. The Kaufmännisches Direktorium of 1662, a merchants' body under public law, regulated the trades, defended Swiss privileges in France and ran the postal service founded on the Zurich–Lyon letter post of 1610, accumulating assets of more than one million gulden.
4. The trade monopoly of the city burghers concentrated the profits of the whole territory in a small merchant and rentier elite, whose capital flowed from the early eighteenth century into foreign investments and, in part, into the Atlantic slave economy, and whose privileges provoked the rural protest of 1794–95.
5. Merchant houses such as that of the Schulthess brothers, founded in 1750 and today Rahn+Bodmer Co., turned their business in bills and securities into banking, making the proto-industrial counting house a direct ancestor of Zurich private banking.

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