The origins of Swiss wealth management? Genevan private banking, 1800–1840

Stefano Ugolini

The Origins of Swiss Wealth Management?

Genevan Private Banking, 1800-1840

Stefano Ugolini[1]

October 26, 2017

Abstract:

Geneva is host to the most ancient and venerable private banks of Switzerland, but not much is known about the circumstances in which the city allegedly developed an early competitive advantage in wealth management. Using an extraordinary qualitative source (Jacques Mirabaud's papers, and especially his memoirs), this article outlines the microstructure of Genevan private banking at the time of its emergence in the early nineteenth century. It finds that in those years, wealth managers' "raw material" did not consist of foreign capital, but of a remarkably abundant stock of domestic capital. Financial and social factors were intertwined in producing a very hierarchical division of labour in the origination and distribution of international sovereign loans.

Keywords: Financial centres, Private banking, Sovereign loans, Geneva.

JEL: F34, G24, N23.

[1] University of Toulouse (Sciences Po Toulouse and LEREPS): stefano.ugolini@ut-capitole.fr. For their useful comments on an earlier draft, I thank Vincent Bignon, Damian Clavel, Marc Flandreau, Kim Oosterlinck, Tobias Straumann, and participants to presentations in Geneva and Bern. I am also indebted to Rui Pedro Esteves and two anonymous referees for their help in improving the text. Financial support by Yves Mirabaud is gratefully acknowledged. The usual disclaimers apply.

“… at your place [Geneva], where interests are so simple, so little complicated, that one only has – so to say – to manage the affairs of a family …”. Jean-Jacques Rousseau, *Letters Written from the Mountain* (1764), II, 7 (my translation).

Since Swiss banking has started sailing into uncharted waters in 2008, the solution that has been generally advocated to preserve this vital national industry consists of a re-focalization on its most renowned branch of activity – viz., wealth management (Swiss Finance Institute 2015). Wealth management is indeed not only the most famous, but also the oldest specialty of the Confederation’s financial sector. The very symbol of Swiss expertise and continuity in this area are the glorious private banks of Geneva, most of which track their roots to the very beginning of the nineteenth century. According to the traditional narrative, it was in this very period that Geneva started to develop a competitive advantage in the wealth management business (see e.g. Mottet 1986; Cassis 2006).

Curiously, not much is known about how and why this allegedly happened. What were the special factors triggering the emergence of a sector in which Switzerland would lately become a world leader? What was special about Restoration Geneva, and is it replicable? Given our scanty knowledge of the subject, answers remain, at best, tentative: despite being traditionally seen as the turning point, the early nineteenth century remains a widely unexplored era.

Studying the origins of Genevan private banks is interesting not only in view of the international leadership in the wealth management industry assumed by them in the twentieth century. It is also interesting in terms of the long-term evolution of the industrial organization of the financial sector. Although Geneva is traditionally considered as one of the most important European financial centres (Cassis 2006), this definition lacks qualification. What kind of banking place was actually Geneva, and how did it compare to its main competitors on the international scene? This is an issue whose relevance goes far beyond the boundaries of Swiss national history.

In order to address these questions, this article makes use of “insider information” provided by a previously unexplored qualitative source in order to shed light on the microstructure of Genevan banking in the age of Restoration. In view of the overwhelming pre-eminence of government finance in early-nineteenth-century markets, it only focuses on this branch of activity – i.e., most specifically, on the origination and distribution of international sovereign loans. The article is structured as follows. Section I presents the general trends in the evolution of the private banking industry, puts the Swiss case into an international perspective, and presents the original sources mobilized in order to reconstruct the structure of the Genevan financial centre. Section II characterizes the actors intervening in the fully internalized financial market revolving around Calvin’s Citadel, contrasting the role played by firms to the role played by individuals. Section III looks at the demand side of the market, analysing how foreign sovereign loans were originated by Genevan banks. It shows that the business model of the members of the “Genevan diaspora” consisted in facilitating the procurement of good investment opportunities, thanks to the mobilization of their political networks abroad. Section IV looks at the supply side of the market, analysing how the originated financial products were distributed by Genevan banks. It shows that the "top four" investment banks played an inescapable role in securing the success (or the failure) of each proposed operation, as they monopolized access to the pool of wealth cumulated by the highest-ranked families of the place. Finally, Section V concludes with a global assessment of the Genevan banking industry and its alleged competitive advantage under the Restoration.

I

Private banking[2] appeared in Western Europe with the emergence of the first merchant companies in late-medieval Italy. These early partnerships (some of them, like the Florentine Bardi and Peruzzi companies, acquired a huge size and a high standing) were characteristically active in three branches of the financial sector: trade finance, sovereign lending, and wealth management. Medieval companies did not offer pure payment services, but only financial services: they did not take sight deposits, but only time deposits from selected well-to-do customers. In fact, they were more similar to investment funds than to commercial banks: they collected long-term funds from wealthy investors, which they reinvested into corporate and sovereign loans (Hunt 1994). This "old" model of private banking, which dominated European finance from the thirteenth to the seventeenth century, was brought to its highest perfection in late-sixteenth-century Genoa: syndicates of Genoese partnerships acted as oligopolistic direct lenders to the Spanish Crown (Drelichman and Voth 2014), while refinancing themselves from a restrictive "club" of investors through the "Bisenzone" fairs (Pezzolo and Tattara 2008). Since the very end of the seventeenth century, however, a different business model gradually emerged in Amsterdam: rather than directly lending to sovereigns, private bankers started to securitize the debt they underwrote and to discharge them directly into the portfolios of their customers, who could in turn discharge them onto the newly-created sovereign bond market. Following the first issuance of Austrian bonds by Deutz & Co in 1695, Dutch houses specialized in the securitization business, thus contributing strongly to the international financial primacy of Amsterdam throughout the eighteenth century (Riley 1980; Jonker 1996). In the course of the Napoleonic Wars, the "new" model of private banking was successfully transplanted to London, where new big houses like Baring and Rothschild became the international leaders of both the securitization and the wealth management business (Chapman 1984).
The early nineteenth century was thus the golden age of "new" private banking. This innovative form of intermediation rapidly established itself not only in Amsterdam and London, but also in Paris (Gille 1965) and Frankfurt (Holtfrerich 1999): all of these centres saw the synchronous development of both the sovereign bond market and the wealth management industry. "New" private banking came to be seen as synonym to financial modernity, and "new" private bankers like Rothschilds as the financial masters of the time. At first sight, in this very period "new" private banking was also acclimatized to Geneva, where

[2] In this paper, the term "private banking" is used interchangeably with "merchant" or "investment banking", and in opposition to "deposit" or "commercial banking". For a discussion, see De Roover (1974) and Cassis and Pohle-Fraser (2009).

it allegedly provided the basis for the development of a local wealth management business. Was this actually the case, though?

As a matter of fact, we are rather ill-informed about the state of the Genevan financial sector during the early nineteenth century. The events preceding the French Revolution are well known. Having developed large commercial networks for their trades in luxury goods, Genevan merchants took profit from the War of the Spanish Succession to become the exclusive bankers of the Sun King's armies (Rowlands 2014). Throughout the eighteenth century, the city-state established itself as the biggest foreign creditor to the French monarchy, thus cumulating fabulous fortunes at the expense of the Bourbons' finances. This took place through "old" model of private banking: Genevan partnerships syndicated direct loans to the French sovereigns, and then refinanced themselves from local wealthy investors (Lüthy 1959). What happened afterwards is, however, less clear. Because of their vast exposure to France's public debt, Genevan bankers are thought to have been very hardly hit by Revolutionary hyperinflation (Chapuisat 1908; Sayous 1937). This is thought to have opened scope for newcomers to come into the picture and adopt the "new" private banking model on the basis of the sole asset left unscathed by the shock – i.e., the vast network of correspondents built since Calvin's times, often referred to as the "Huguenot International" (Körner 2009).[3]

Therefore, the traditional historiography has fully embraced the idea that the early nineteenth century was an age of strong discontinuity for the Genevan economy. As far as its social aspects are concerned, this thesis has however started to be questioned. In his important prosopographic study, Perroux (2006) finds that, far from being disrupted by the fall of the Old Regime, Genevan elites survived remarkably well the Revolutionary period, and continued to dominate the city's life throughout the nineteenth century. Perroux (2006, pp. 142-6) himself, however, continues to underwrite the discontinuity story as far as its financial aspects are concerned – as, following Simonde de Sismondi, he writes that the Genevan economy had to restart from a "*tabula rasa*". Yet, this economic narration raises a number of issues. First, it seems inconsistent not only with the discourse of the opponents to the Genevan oligarchic regime who inspired the so-called "Fazyst Revolution" of 1846 (Clavel and Flandreau 2016), but also with indirect pieces of evidence from other countries (e.g. Gille 1965; 1968), suggesting that Genevan capital continued to be copiously exported during the Restoration period. Second, it does not provide a plausible rationale for the (costly) maintenance of a vast international network throughout the Revolutionary period in front of the disappearance of its reasons for being, given the alleged dramatic contraction in Genevan exports of both manufactured goods and capital. Third, it falls short of explaining how traditional local sources of capital were replaced with foreign ones in order to develop wealth management: what made Geneva attractive to foreign investors, given that some of the features generally characterizing attractive financial centres were actually totally missing? In fact, none of the following factors, typically enhancing financial competitiveness, were

[3] A good example of this traditional interpretation is provided by Mottet (1986, p. 77, my translation): "It is interesting to remark that it is precisely during these years of hardship that emerged many of those Genevan private banks that, to this day, still contribute to the renown of the place of Geneva. […] The international high society discovers – or rediscovers – the appeal of Genevan private banks and becomes their very loyal customer, as it appreciates their reliability, their discretion, and their continuity". Note that no evidence is quoted to back these claims.

actually at work in early-nineteenth-century Geneva: a convenient geographical situation, the presence of a liquid securities market,[4] a relatively advantageous tax policy, a higher level of banking secrecy, or a relatively stronger currency.

One of the reasons why so little is known about the early nineteenth century is that sources are particularly scanty and patchy. On the one hand, there exists basically no quantitative evidence allowing to track the evolution of the Genevan financial system in this period. The one systematic quantitative source that can be mobilized consists of notarial successions, reporting the consistence and composition of patrimonies at the moment of their owner's death. Perroux (2006, pp. 178-97) collected these data for a sample of notable families at select dates. His partial survey allows drawing two important conclusions. First, contrary to the claims of the traditional literature, the stock of capital owned by the Genevan elite appears to have remained impressively substantial notwithstanding the reverses of the Revolutionary period. Second, until the mid-nineteenth-century, such capital remained overwhelmingly invested in foreign government debt. This allows characterizing Restoration Geneva as a banking place specialized in this branch of business, and justifies our exclusive focalization on international sovereign loans in the rest of this article. On the other hand, qualitative sources do exist, but they are quite diverse in nature, and dispersed across a myriad of different archival funds – many of which inaccessible to researchers. A number of these sources have been used for biographical purposes, but no systematic analysis of the Genevan banking world has been performed on the basis of such evidence.

In order to overcome these difficulties, this article adopts a peculiar approach. It tries to understand early-nineteenth-century Genevan banking indirectly, by following into detail the career of one single, but important actor: Jacques-Marie-Jean Mirabaud (1784-1864), the progenitor of the banking dynasty lending its name to two of Europe's most famous private banks (one based in Geneva, and one in Paris). This choice is dictated by the existence of a source that is – as far as we know – rather unique in the Genevan banking world: the memoirs written by Mirabaud himself, providing a wealth of information on the working of his time's financial sector that cannot be equally extracted from a typical business correspondence. Information drawn from the memoirs is then completed by (and, as far as possible, contrasted to) evidence from the banker's correspondence and private papers, which are also partially preserved. The motivations that led Jacques Mirabaud to write his memoirs are not explicitly stated in the source. For sure, the text was not meant for publication, as it contains plenty of confidential and intimate details whose disclosure would have certainly been inconvenient and obnoxious to his reputation. But the manuscript was not a pure exercise in introspection either, as it often contains advices explicitly addressed to his sons. As a result, we can speculate that Mirabaud's goal was indeed mythopoetic, but the scope of the effort was intended to remain limited within the boundaries of his family: to all likelihood, the banker was trying to establish his figure as that of a dynasty's founder. The specificity of this kind of source (obviously suffering from a strong selection bias in the information it conveys) is of course its limit, but also its strength: the selection strategy adopted by the writer is, *per se*, a

[4] Note that Geneva did not even possess a stock exchange during the Restoration: the Napoleonic bourse was closed down after 1814, and the modern bourse was only founded in 1857.

precious source of information on what a banker of his times considered as legitimate or illegitimate practices.[5]

In order to adequately appreciate this extraordinary source, it is important to situate Jacques Mirabaud within the early-nineteenth-century Genevan banking elite. As synthesized by Perroux (2006), the scanty secondary literature suggests that the Citadel's financial microcosm was characterized by the coexistence of at least three different groups of actors. The first group featured four top investment banks, those that would form the so-called "*Quatuor*" syndicate in the 1840s: Calandrini/Louis Pictet, De Candolle-Turrettini, Lombard-Odier, Hentsch. Most partners in these firms came from Geneva's most highly ranked families, and were considered as close to the Conservative Party. The second group featured a number of houses whose partners were relative newcomers to the Genevan oligarchy, and were considered as close to the Liberal Party. Some of the most prominent firms in this group (Roget, Paccard-Ador, Bonna, Chaponnière, Chenevière) would create the so-called "*Omnium*" syndicate in the 1840s. Finally, the third group was that of the "Genevan diaspora" abroad. It consisted of a network of bankers established in foreign financial centres (the most important being Paris), but strictly connected to their home town through multiple business and family ties.

Jacques Mirabaud alternatively belonged to the second and third group, but constantly worked in close connection with the first group in order to finalize his financial operations. The orphan of an established merchant freshly co-opted into the Genevan oligarchy, Mirabaud left his hometown in 1801 to start an apprenticeship at the Milan house Labaume & Cie. Hardly a financial centre during the eighteenth century, Milan was then starting to thrive following Napoleon's choice to establish it as the capital of the French-controlled satellite state of Northern Italy. After Claude Labaume's death in 1806, Mirabaud was promoted to the co-leadership of the house. In 1813, he quit Labaume & Cie to become an active partner in Lacarte & Cie, a house that would shortly become the Milan court's official banker. With the end of the Napoleonic regime and the liquidation of Lacarte & Cie, in 1815 Mirabaud created his own private bank (Casa Mirabaud), that he run until his return to Geneva in 1833. During these eighteen years, Mirabaud managed to accomplish three financial operations of international renown, whose success was made possible thanks to the involvement of first-rank Genevan houses. The first operation was an emergency loan to king Charles-Felix of Sardinia, extended in 1821 (under the patronage of the Holy Alliance) with the aim of financing the repression of the Piedmont Revolution. The second one was the liquidation of Monte Napoleone (i.e. the public debt of the former Napoleonic Kindgom of Italy, shared by the different Austrian-controlled political entities that succeeded to the dissolved state). The third one was a loan to the Duchy of Parma, issued together with the house of Rothschild in 1827.[6] In 1833, Mirabaud came back to Geneva after dissolving his Milan house, whose

---

[5] The Mirabaud papers have already been used by a number of historians, but in no case in connection to a systematic analysis of the structure and functioning of Genevan banking. Gille (1965, 1968) used Mirabaud's correspondence to complement information from the Paris Rothschild archives. Dubouloz (1965) strictly focused on the memoirs as a document on its own. Chancelier (2001) was only concerned with biographical details on the Mirabaud family. Perroux (2006) commented on one single passage of the memoirs.

[6] These operations were big comparative to the size of Casa Mirabaud (a house with a paid capital of only fr. 40,000), but not in absolute terms: the emergency Sardinian loan of 1821 amounted to fr. 2m (around £ 80,000), while the Parmesan loan of 1827 amounted to fr. 6m (around £ 240,00). Compare this with the size of the

business was taken over by a new partnership into which he remained invested. From his return to his homeland until his death, Mirabaud continued to be active in the banking business and participated to the design of a few international operations – many of which, however, ended in failure (Gille 1968, pp. 31 and 38-9; Lützelschwab 2003, pp. 19-20 and 380).

As the following sections will show into detail, Jacques Mirabaud's entire business can only be understood as an integral component of the Genevan banking system, resting on a large web of expats operating on a number of foreign financial centres. This is why his memoirs are an extremely precious source on Geneva although the period they actually cover (1784-1829) only relates to their author's career abroad.

II

Having a glance at Jacques Mirabaud's banking career, one circumstance may appear as striking to the economic historian – and, perhaps, even more to the business historian. That is the stark contrast between the continuity of the business model adopted and the discontinuity in the corporate entities within which such business has been conducted over time. On the one hand, the core financial activities exerted by Mirabaud throughout his long life (underwriting, securitization, arbitrage, accepting, and discounting) coincided with the classical operations of nineteenth-century private banking, and did not display any significant qualitative evolution. On the other hand, though, the corporate framework presiding over such activities considerably changed over time. Since the end of his apprenticeship in 1806, Jacques Mirabaud conducted his Milan business within the framework of six different firms, each with quite diverse capital stock and composition: 1) Labaume & Cie (1806-13); 2) Lacarte & Cie (1813-4); 3) Casa Mirabaud (1815-33); 4) Pasteur, Girod & Cie (1833-42); 5) Ulrich, Van der Broeck & Cie (1842-6); 6) Ulrich, Brot & Cie (1846-). After his "retirement" to Geneva in 1833, Mirabaud actually continued to be an active partner in the firms that consecutively took over Casa Mirabaud's business; he often referred to them as "my Milan house" in his correspondence. In 1847, for instance, he personally took the initiative to offer services to the Vienna Rothschilds as a leading partner in Ulrich, Brot & Cie,[7] of which he owned 25% of capital (Gille 1968, p. 54). Moreover, since 1833 Mirabaud conducted his Geneva business in the framework of what he called "a sort of half-house".[8] Judging from the papers that have been preserved,[9] this informal entity seems to have been actually organized as a sort of private bank. Upon Jacques's death (1864), however, nobody directly took over this half-house's business as, by that time, both of his male heirs were already fully involved into two other houses – the ones that will eventually evolve into the Geneva and Paris Mirabaud banks.

sovereign loans floated on the London market in the 1820s, displaying a mean of £ 2.6m and a median of £ 2m: Flandreau and Flores (2009, pp. 665-6).

[7] Archives de l'Etat de Genève [henceforth AEG], Fonds Famille Mirabaud [henceforth FFM], I.41, Letter to Leopold von Wertheimstein, 29 January 1847.

[8] AEG, FFM, I.1, pp. 37-8, copy of a letter to Georg Simon Sina, 18 January 1833.

[9] AEG, FFM, *passim*; see esp. the accounting journals (I.22-38, 1833-60) and the letter copy books (I.1-16, 1832-51).

At first sight, such a great instability of corporate entities might be interpreted as a sign of weakness. Instability is something firms are supposed to minimize, as it is costly not only in organizational, but also in reputational terms. In fact, the early nineteenth century is the period in which a number of private banks (above all, Rothschild and Baring) started to assume a rather stable corporate form and a well-defined brand identity, which would boost their reputational capital for many decades to come (Chapman 1984; Flandreau and Flores 2009). As a result, rampant instability might legitimately be seen as the outcome of some fundamental problem (organizational shortcomings, scant profitability, or a gloomy outlook).
Another interpretation is possible, though. As it has already been noted (Perroux 2006, pp. 148-54), endemic instability of corporate entities was an old tradition in Genevan banking, which continued to persist well throughout the nineteenth century. Such instability gives scope for much confusion (and some embarrassment) in the genealogy of the still surviving private banks. As said, nowadays' Mirabaud & Cie does not descend from Jacques Mirabaud's "half-house", but from the firm Paccard, Ador & Cie (established in 1819) – into which Jacques's son, Georges, became a partner after marrying its founder's daughter. Yet, the phenomenon is associated not only to firms that may be suspected of being second-rank actors, but also to definitely first-rank ones. Tellingly, today's Pictet Group does not track its roots to the bank Louis Pictet & Cie (established as Calandrini & Cie in 1791, and one of the "big four" of the early nineteenth century), but to its peer Turrettini, De Candolle & Cie (established in 1805)… while Louis Pictet & Cie is, instead, ancestor to another current-day private bank that no longer resonates with the Pictet name – viz. Bordier & Cie (Mottet 1986; Perroux 2006). Perroux (2006, pp. 366-8) contrasts the instability of corporate entities to the remarkable stability of familiar networks, concluding that the latter was effective in compensating for the shortcomings of the former. Yet, the direction of causality may well have gone the other way round: corporate stability was made unnecessary precisely by the actual petrification of social life. In Genevan banking, trust appears to have been grounded not on the (material and immaterial) capital of *firms*, but on the (material and immaterial) capital of the *individuals* that did (and undid) such firms.
In the case of Jacques Mirabaud, we know that – at least at the beginning – material capital was not abundant. In recounting the circumstances presiding over the foundation of the Milan house bearing his own name (1815), his memoirs have a very interesting passage:

> As far as I can remember, at that time I only had 40,000 francs at best. I had a very bad moment, as succeeding to a first-rank banking house with such a minimal capital as the one I was providing as a guarantee to the public meant having little chance to deliver; I had a moment of true discouragement, but all of a sudden I tried to dive back into it, and I told myself that working night and day (so to say) and having the advantage of being personally acquainted with more than a half of my correspondents, I would end up captivating their confidence and making them forget, thanks to my good conduct, that I had so little capital… Which is precisely what happened.[10]

Mirabaud states that the capital he and his partners were able to put on the table "to the public as a guarantee" was way too small for grounding customers' trust. Nonetheless – Mirabaud implies – there were two immaterial substitutes to material capital he could resort to in order to build trust: reputational and social capital. Reputational capital would be based on

[10] Graduate Institute of International and Development Studies [henceforth IHEID], Fonds Mirabaud [henceforth FM], 3.B.1 [Jacques-Marie-Jean Mirabaud, *Journal détaillé de ma carrière dès 1789 à 1829*, 1835-7], pp. 159-60.

commercial probity and repeated interaction, but it would take a long time to accumulate. Social capital, by contrast, had already been accumulated and constituted his true competitive advantage. In another passage, Mirabaud writes that his network of foreign correspondents was way larger than that of any other competitor in Milan, and that this more than compensated his own deficiencies in other respects.[11]

Jacques Mirabaud's concern with the construction and maintenance of his social network resurfaces in almost every page of his memoirs, to the point of appearing almost obsessional. There are three dimensions along which his huge relationship-building effort was deployed. The first one concerns commercial correspondents in foreign financial centres.[12] Mirabaud explains to have developed his correspondent network in two ways: 1) by periodically touring foreign financial centres, and 2) by implementing a very aggressive communication policy throughout Europe. In particular, Mirabaud appears to have "bullied" local competitors by regularly "spamming" foreign correspondents with commercial circulars on the state of affairs in Milan, thus establishing himself as the reference source of information from this emerging market.[13] The second dimension along which Mirabaud's relationship-building efforts was deployed relates to power: it will be analysed in Section III. The third dimension had to do with Genevan correspondents: this will be the subject of Section IV.

III

In many passages of his memoirs, Jacques Mirabaud overtly imputes his financial achievements to the quality of the web of relations he has been able to construct. More often than not, this means his relations with power. In Mirabaud's narration, the value of each relationship is explicitly measured in terms of its potential to create new links, to open new business opportunities, or to create rents. For instance, the opportunity to realize his first large-scale operation (the Sardinian emergency loan of 1821) is directly linked by Jacques to his proximity to count Giorgio Mocenigo, the Russian ambassador to Turin, charged by the Holy Alliance to coordinate the efforts to suffocate the Piedmont Revolution;[14] involvement into this operation gave Mirabaud the chance to become acquainted with count Ferdinand von Bubna, high military commander of the Lombard-Venetian Kingdom; Bubna's "most insistent" recommendations allowed him getting in touch with the most senior statesmen of the Austrian Empire, count Johann-Philipp von Stadion (the finance minister) and prince Klemens von Metternich (the chancellor);[15] in turn, his contact with Metternich was admittedly key to the achievement of the two other most important operations in his career,

[11] IHEID, FM, 3.B.1, p. 174.
[12] On the importance of correspondent networks in early-nineteenth-century private banking, see Liedtke (2006).
[13] IHEID, FM, 3.B.1, p. 176; IHEID, FM, 3.D.2 [Dossier des pièces remises au comte de Kolowrat, 1821-30], Note titled 'Résultat produit, en partie, par les quatre circulaires', 23 January 1830. On the role of "spamming", see Bartolomei *et al.* (2016).
[14] IHEID, FM, 3.B.1, pp. 189-92.
[15] IHEID, FM, 3.B.1, pp. 197-8.

the liquidation of the debt of the Napoleonic Kingdom of Italy[16] and the Parmesan loan of 1827.[17]

Mirabaud appears to have developed his political network in two ways: 1) by attending and organizing worldly events, and 2) by bragging about his credits to the established power. As for the first strategy, the "jet set" is one of the protagonists of his memoirs. For instance, Mirabaud writes that the choice of taking dancing classes at the right places allowed him to become acquainted with the right people (esp. Michel Hennin, viceroy Eugène de Beauharnais's treasurer), thus contributing substantially to his ascent as official banker of the Napoleonic court.[18] But the most meticulously described event of the whole memoirs is the organization in of a ball in his new Milan mansion on Via Meravigli (imaginatively rebranded by himself as "*Rue des Merveilles*"). Taking advantage of the Austrian court's visit to Milan in 1825, Mirabaud had the idea to give a party in honour of Prince Metternich. In order to encourage participation and thus secure the success of the event, the banker consulted the most revered "judge of elegance" of the local high society, count Carlo Cicogna-Mozzoni, who urged him to secure the presence of all the most beautiful girls in town.[19] To the delight of all male guests (including Metternich himself), Cicogna's plan impeccably worked, and the ball turned out a big hit. Mirabaud concludes that the party considerably strengthened his links not only with the Austrian chancellor, but also with more than two dozen influential statesmen and diplomats from different Italian states, most of whom would turn out to be "useful" to him afterwards.[20]

The second strategy implemented by Jacques Mirabaud in order to increase his proximity to power consisted of boasting the good services he had allegedly provided in the past. For instance, when in 1830 he tried to establish a contact with count Franz-Anton von Kolowrat (the interior minister, and Metternich's arch-rival) with the aim of being considered for the issuance of a Lombard-Venetian loan, the banker wrote to the statesman that it had been thanks to the favourable news spread by his circulars that the price of Austrian government bonds had substantially recovered in the early 1820s.[21] Mirabaud's pursuance of this strategy was aggressive to the point of appearing, at times, unscrupulous. Sure, after 1814 the banker had been prudent enough to wait some years before signalling himself to the restored Austrian rulers, giving them some time to forget his high-level collaboration with the Napoleonic regime. Although his memoirs profess awareness of the fact that flip-flopping naturally instils sentiments of "repugnance",[22] Mirabaud's correspondence provides evidence of a highly risky communication strategy. Two episodes can be quoted to illustrate the point. The first one dates to July 1847. Seeking the Austrian government's approval of two projects, the banker sent to baron Carl-Friedrich von Kübeck (head of the Treasury) a self-promotional memorandum which states that he "increasingly venerates the Austrian government,

16 IHEID, FM, 3.B.1, pp. 288-9.
17 IHEID, FM, 3.B.1, pp. 280-7.
18 IHEID, FM, 3.B.1, pp. 151 and 259-60.
19 IHEID, FM, 3.B.1, pp. 239-42.
20 IHEID, FM, 3.B.1, pp. 243-7. Note that the word "useful" is underlined in the manuscript.
21 IHEID, FM, 3.D.2, Note titled 'Résultat produit, en partie, par les quatre circulaires', 23 January 1830, and Letter to count Kolowrat, 3 February 1830.
22 IHEID, FM, 3.B.1, p. 174.

especially in view of the misfortunes of his miserable homeland (Geneva)";[23] alleges that he had been chosen by the late count Stadion as his private advisor on Milanese affairs;[24] and lists the long number of good services he had been offering to Austrian rulers over the years.[25] The second episode dates to April 1852, i.e. less than five years after the former. Seeking the French government's approval of another project, Mirabaud wrote to prince-president Louis-Napoléon Bonaparte a letter to remind him that over the years he had been offering his good services to the members of the Bonaparte family (by which he meant Eugène de Beauharnais and – rather oddly – Marie-Louise of Parma); that he had personally suffered a lot because of prince Eugène;[26] and that he now realized he had always preserved an intimate political affinity to Bonapartism:

> When I think of my joy at hearing about the outcome of the coup d'état of December 2, and when I go over my whole past, I find myself being, without any doubt, '*a purebred Napoleonist!*'.[27]

Sometimes, Mirabaud seems to have appreciated that he was pushing the game too far. In the case of his enticement of Kübeck, for instance, he would subsequently ask Metternich to intercede in order to have his self-promotional memorandum returned from the Vienna Treasury, as he would himself sense the document to be "too little modest", "marred by presumption", and "a bit ridiculous".[28] In any case, the efficacy of such aggressive relationship-building practices appears to have been dubious. Of the three above-mentioned recipients of Mirabaud's advances (Kolowrat in 1830, Kübeck in 1847, and Bonaparte in 1852), none appears to have really paid attention to him.

Why were political networks so important to bankers in the Restoration period? An obvious answer has to do with classical rent-seeking: statesmen have the power to create rents that private bankers are eager to appropriate. One often finds examples of this phenomenon in the memoirs of Jacques Mirabaud: for instance, the banker recounts that in 1806 the "benevolence" of finance minister Carlo Visconti di Modrone allowed him becoming the official purveyor of horses to the Italian army;[29] that in 1809, the French military authorities in Trieste, to whom he had rapidly become acquainted, let him make exclusive use of military couriers for his own gold arbitrages, thus giving him a considerable advantage with respect to competitors;[30] or that the fact of showing off the decorations received from the king of Sardinia and the duchess of Parma had lowered transaction costs for him in many circumstances (at customs, or in the waiting rooms of ministries and fellow bankers).[31]

But it seems that more than "plain-vanilla" rents could be extracted by bankers thanks to their proximity to power. As it is well known, following the Congress of Vienna, the restored sovereigns of the many satellite states of Europe founded their legitimateness to rule not on

---

[23] Mirabaud refers here to the "Fazyst Revolution" which overthrew the oligarchic regime in 1846.
[24] As Mirabaud does not mention this circumstance in his memoirs, it appears to be very doubtful.
[25] IHEID, FM, 3.C.1 [Correspondance de Jacques Mirabaud, 1814-65], Confidential note to baron Kübeck, 16 July 1847.
[26] Mirabaud refers here to the affair of the fake Austrian banknotes remitted in 1814 by the viceroy's army to the Lacarte house, which had cost Mirabaud a process and the temporary detention of two of his closest aides (including his brother-in-law): see IHEID, FM, 3.B.1, pp. 151-8.
[27] AEG, FFM, I.41, Note to president Louis-Napoléon, 10 April 1852. Original emphasis.
[28] AEG, FFM, I.41, Letter to prince Metternich, 29 July 1847.
[29] IHEID, FM, 3.B.1, pp. 51-2.
[30] IHEID, FM, 3.B.1, p. 83.
[31] IHEID, FM, 3.B.1, pp. 224-5.

domestic approval, but on foreign diplomatic and military support. Aware of the fragility of their position, governments did not have incentives to increase expenditure in order to raise approval rates in the long term. As a result, restored monarchies tended to be very "light" states – with low levels of expenditure and taxation. In these circumstances, rulers had to be convinced of the opportunity of borrowing money. To say it in modern parlance, in the early nineteenth century push factors appear to have often been stronger determinants of international capital flows than pull factors. Given the utter opacity of decision-making in dynastic states, government loans were a pure matter of insider information: bankers lobbied statesmen for promoting loan schemes, and negotiations were only known to insiders before they were actually finalized.

Jacques Mirabaud's memoirs provide a very interesting illustration of this supplier-induced demand for capital. In recounting how he achieved to finalize his Parmesan loan of 1827, the banker admits he had been spending the preceding years in lobbying Parmesan and (most importantly) Austrian statesmen about this operation. Mirabaud writes that at the time of the Imperial court's visit to Milan (1825), he had repeatedly tried to persuade Metternich of the necessity of a huge loan for stabilizing the new administration of the Duchy. The Austrian chancellor must have been used to this kind of lobbying, as he reportedly replied, half-jokingly, that bankers only wished other people's misfortune to profit from it.[32] To make his case more compelling, Mirabaud spent the following months mobilizing his networks in order to deliver to Vienna bad news about Parma.[33] This direct and indirect scaremongering turned out to be very rewarding, as in late 1826 Metternich was finally ready to preside over the negotiation of a big loan for the Duchy.

Supplier-induced demand presupposes an information asymmetry between seller and buyer, and this appears to have actually been the case in talks between bankers and statesmen. In the age of Restoration, the administrators in charge of negotiating loans often ignored not only the subtleties of international finance, but also the current financial situation of the country whose interests they were supposed to represent. Again, a couple of episodes reported in Mirabaud's memoirs can be used to illustrate the point. In 1823, the banker negotiated a minor Parmesan loan with count Adam-Albert von Neipperg, a former Austrian general and current Marie-Louise's lover. The memoirs complacently reveal that, by titillating the soldier's rude sense of humour, Mirabaud induced Neipperg to accept – without understanding it – a clause that earned the banker a nice extra profit.[34] As for the major Parmesan loan of 1827, Mirabaud appears to have negotiated the whole operation from a strong informational advantage. Thanks to his long-term partnership with Parma's most entangling businessman, Pépin Castellinard, Mirabaud had a clearer outlook of the Duchy's finances than all other parties involved in the negotiation, and admittedly managed to secure the most favourable conditions for himself. Of course, such informational advantage was enhanced by the fact that the loan was not negotiated in Parma in front of domestic civil servants, but… in Vienna, in front of two Austrian public officials (baron Joseph von Werklein, a former Austrian colonel and current Marie-Louise's private secretary, and… prince Metternich himself).[35]

[32] IHEID, FM, 3.B.1, pp. 285-6.
[33] IHEID, FM, 3.B.1, pp. 286-7.
[34] IHEID, FM, 3.B.1, pp. 254-5.
[35] IHEID, FM, 3.B.1, pp. 280-5.

While the political equilibria of the Restoration certainly supplied private bankers with greatly remunerative opportunities, they also forced them to remain mired into a *de facto* role of courtiers. Actually, bankers focusing on government loans as their core business (including the most reputed ones) were obliged to play by the rules of the game, as the rents they were able to extract from the system were inevitably an emanation of the established power. Gille (1965) suggests that the Rothschilds' unrivalled primacy on the sovereign loan business during the Restoration was largely consubstantial to the grand diplomatic system put in place by Metternich since the Congress of Vienna. Jacques Mirabaud's memoirs largely confirm this interpretation: in many passages, the Genevan banker suggests that the power of his Frankfurter colleagues largely depended on their strict familiarity with the Austrian chancellor. In a malicious account of a dinner at Metternich's mansion in 1826, for instance, Mirabaud depicts baron Salomon von Rothschild as a sort of Molieresque "*bourgeois gentilhomme*", tolerated but ridiculed by all tablemates. Mirabaud perfidiously points out that Rothschild referred to Metternich as *The* Prince, as if the whole world turned around the Austrian chancellor.[36] But this servant-master role play was a game Rothschilds were apparently eager to accept, as it granted them a stranglehold over public finance in the Holy Alliance's geopolitical sphere of influence. In fact, no operation could be accomplished in this world without the house of Rothschild's consent. This is what Salomon had scrambled to remind Mirabaud in the event of their first meeting, at the Congress of Verona in 1823. With a purely mafia-style intimidation, Rothschild had approached Mirabaud to reproach him brutally, in his very poor French, of having crossed a red line by proposing a loan to the Lombard-Venetian authorities without consulting himself.[37] The intimidation was apparently effective in making the pushy competitor fall into line, as in 1826 Mirabaud recognized that Rothschild was legitimate to play an important role in the big Parmesan loan "in view of his familiarity with prince Metternich".[38]

To sum up, the geopolitical order of the Restoration put statesmen and bankers into a sort of bilateral oligopoly: the former needed the latter only as badly as the latter needed the former. Bankers used statesmen to capture rents, and in turn statesmen used bankers to consolidate their grip on power. Only in one instance Jacques Mirabaud appears to have realized that Metternich was using him as a tool for promoting Austrian politics through his international financial networks.[39] This is consistent with Gille's (1965) finding that Metternich saw the Rothschilds as an instrument of the Holy Alliance. Therefore, operating in the government loan business necessarily implied becoming consubstantial with the establishment. Coming from a small, neutral country certainly made things easier to a banker: in such a case, in fact, the alignment of the banker's interests towards the preservation of the international order was unlikely to be questioned by the men in power.

IV

[36] IHEID, FM, 3.B.1, pp. 292-4. Gille (1965, p. 206) reports that Rothschilds referred to Metternich as "*The Uncle*" in their private correspondence.
[37] IHEID, FM, 3.B.1, pp. 255-6.
[38] IHEID, FM, 3.B.1, p. 282.
[39] IHEID, FM, 3.B.1, p. 302.

Although most of his banking career was staged in Milan, Jacques Mirabaud's professional and personal lives always remained strongly embedded within the network of Genevan bankers that connected Calvin's citadel with all relevant financial places in Europe. In his effort to depict himself as a self-made man, Mirabaud tends to downplay the role of family ties in fostering his own ascension; despite this strong reticence, however, his memoirs indirectly provide a number of elements allowing appreciating the tangible effects of kinship.

After a preliminary (and very friendly) training in the trading house formerly owned by his father,[40] in 1801 young Jacques heard from his uncle Girod that the Milan house Labaume & Cie was looking for a clerk from Geneva.[41] Although Mirabaud never tells that explicitly, the reason why this Milanese firm was looking specifically for a Genevan clerk seems to be that Claude Labaume himself was a member of the "Genevan diaspora": in another point of the memoirs, it is said in passing that one of Labaume's heirs was married to a Genevan woman and kept intense contacts with the Lemanic town.[42] The Girods, whose trading house was a regular correspondent to Labaume, warmly recommended Jacques to the Milanese banker, who eventually decided to take him as an apprentice.[43] Although Mirabaud insists that his ascent to the co-leadership of the Labaume house was due to his hard work,[44] it is likely that his Genevan origins and his kinship to the Girods did actually play a crucial role in facilitating his career. Importantly, over the decades the Girods always remained the regular Geneva correspondents of Mirabaud's consecutive Milan houses. At the very end of his memoirs, Mirabaud devotes special thanks to Gédéon Girod-Moricand, whose work in Geneva he acknowledges as key to the success of all of his operations.[45]

Marriage has traditionally been the prime instrument for enhancing social capital. This was particularly true in Geneva, where the words "married" and "allied" were used interchangeably. Thus, when in the late 1800s Jacques Mirabaud started considering getting married, he naturally turned his eyes back to his homeland.[46] The memoirs depict his engagement to Marthe Amat as a genuine love affair,[47] to the point that the episode is taken by Perroux (2006, pp. 335-7) as the epitome of a relatively free union between families of equal rank. Mirabaud's choice, however, does not seem to have been determined exclusively by the personal qualities of his spouse. His father-in-law, Charles-Jean Amat, was a member of the French administration and the director of the first bourse of Geneva; his mother-in-law, Jacqueline-Madeleine Beurlin, appears to have belonged to the family that controlled the banking house Beurlin & Graff. In the years following the weddings, Amat would be by far the biggest provider of capital to Mirabaud's partnership;[48] while Beurlin & Graff would be the only second-rank house to join the syndicates underwriting Mirabaud's most important

[40] IHEID, FM, 3.B.1, pp. 9-10.
[41] IHEID, FM, 3.B.1, pp. 21-3.
[42] IHEID, FM, 3.B.1, pp. 217-20.
[43] IHEID, FM, 3.B.1, pp. 21-3.
[44] IHEID, FM, 3.B.1, pp. 259-60.
[45] IHEID, FM, 3.B.1, pp. 357-8: note that these special thanks were added to the memoirs in April 1859, i.e. twenty-two years after the writing of the text. Also see pp. 177-9.
[46] IHEID, FM, 3.B.1, p. 106.
[47] IHEID, FM, 3.B.1, pp. 112-23.
[48] IHEID, FM, 3.B.1, pp. 159-60.

loans (Sardinia 1821 and Parma 1827).[49] While all this is not incompatible with a sincere appreciation of his consort, it also suggests that Jacques was no exception to his fellow citizens' attitude to see marriage as a strategy for increasing centrality in the local social network. Integration into a cluster certainly provided benefits, but also implied some costs. For instance, Mirabaud writes that, for many years, he was obliged to train and employ at his Milan house his brother-in-law, Jean Amat, as his father-in-law (and major silent partner) wished his sole male heir to be actively associated to the firm. The relationship between Jacques and Jean turned out to be problematic, and the former did not hesitate to send the latter away… just months after Charles Amat's death (1826).[50]

Centrality in the Genevan social network was crucial to Jacques Mirabaud, as his entire career can only be understood within the context of the Genevan banking microcosm. From his very first steps to his death, in fact, Mirabaud's core business was constantly the same: finding abroad good investing opportunities for wealthy Genevan capitalists. In leaving the house of Claude Labaume (a Genevan) for his partnership with marquis Augustin Lacarte de la Ferté (a Frenchman), Mirabaud apparently took with himself his portfolio of Genevan customers – something that may have contributed to the fall of Labaume & Cie just some months after his departure.[51] In one of the rare accounting papers from Lacarte & Cie that are still surviving (dated 1814), it is possible to see that most of the Italian debt transacted by the house was bought on behalf of the wealthy Genevan elite, as all the well-known family names are mentioned in the document.[52] It seems that the house of Lacarte (which was no less than the court's official banker) contributed substantially to the dissemination of Italian bonds, as a later reconnaissance (1820) found that Swiss (including Genevan) citizens were the biggest foreign holders of this debt – owning more than 40% of the stock held abroad, and nearly 10% of the whole stock (Vietti 1884, p. 34). After the liquidation of Lacarte & Cie, Casa Mirabaud continued to take care of the same customers. The participation of Genevan investors is recorded for most of the operations mentioned in the memoirs. In particular, Mirabaud's first big hit (the Sardinian emergency loan of 1821) was only made possible by the opportunity to draw on a substantial pool of liquidity from Geneva: the entire sum lent to Charles-Felix of Savoy, which had to be delivered *in cash* to his army within a very short delay, was actually immediately underwritten by three Genevan banks (Beurlin & Graff, Calandrini & Cie, De Candolle-Turrettini & Cie).[53] Similarly, Mirabaud's half of the Parmesan loan of 1827 was underwritten by a Genevan syndicate (including Beurlin & Graff, Calandrini & Cie, De Candolle-Turrettini & Cie, and Hentsch & Cie)[54] set up at Louis Pictet's mansion at Champel during a very convivial dinner.[55] Even after his return to Geneva, Mirabaud's business model did not change at all. As late as in May 1849, for instance, the

---

[49] IHEID, FM, 3.B.1, pp. 189-92; IHEID, FM, 3.D.2, Circular titled 'Notice sur l'emprunt de Parme de 1827', 10 August 1827.

[50] IHEID, FM, 3.B.1, pp. 317-27.

[51] IHEID, FM, 3.B.1, p. 217.

[52] AEG, FFM, I.40, Note titled 'Note des cartelles de Consolidé au nom de Lacarte ou indossés en sa faveur quelques mois de la liquidation' (1814). The family names include: Aubert, Calandrini, Cayla, De Candolle, De la Rive, De la Rüe, Dunant, Favre, Grenus, Hentsch, Mallet, Pictet, Rilliet, Saladin, Sarasin, Tronchin, Turrettini. Also Amat appears on this list.

[53] IHEID, FM, 3.B.1, pp. 189-92.

[54] IHEID, FM, 3.D.2, Circular titled 'Notice sur l'emprunt de Parme de 1827', 10 August 1827.

[55] IHEID, FM, 3.B.1, pp. 316-7.

banker proposed to his compatriots the foundation of a public company to take over the crown properties of the Duchy of Parma. The prospectus of the operation has an interesting passage:

> The relations of any sort linking Geneva to France, and most of all the influence of those of our compatriots who rightly occupy a high position in the Parisian financial world, have long led Genevans to place in France a large share of their capitals, which they are unfortunately unable to invest entirely in their homeland. No doubt, France offered and still offers great resources and solid investing opportunities despite the crises that have shaken it – we do not mean to discredit all placements in that country; nevertheless, it seems to us that all the apprehensions they have endured and the losses they have suffered must compel Genevan capitalists to look for others destinations for their capitals and to diversify their risks more than they used to do in the past – in one word, as the popular saying goes, not to put all their eggs in one basket.

This excerpt, whose arguments are (curiously) complementary to those of the Fazyst propaganda, provides us with a telling analysis of the Genevan financial system. Finding domestic investment opportunities "unfortunately" unattractive, wealthy Genevans were "led" to place their capitals abroad. Most of these were placed in France, "most of all" because of the "influence" exerted by a number of Genevan bankers that were highly-situated in the French financial elite; country risk had, however, become too high, and in order to diversify their portfolios, capitalists should have started to listen to other compatriots bringing them investment opportunities from elsewhere. What Mirabaud sketches, in a nutshell, is a system structured along the following lines: a substantial pool of capital at the core; a number of peripheral antennae bringing investment opportunities to the core; and a flow of capital from the core to the periphery determined by the quantity and weight of nodes – Geneva is a large capital exporter to France, Mirabaud implies, because the Genevan network in Paris is wide and well-placed. If this is true,[56] we can think of Genevan finance as a two-tier system with a kernel of first-rank intermediaries (the "big four": Calandrini/Louis Pictet, De Candolle-Turrettini, Lombard-Odier, Hentsch) monopolizing wealth management for the elite, surrounded by a ring of second-rank intermediaries competing for the provision of investment opportunities to the core. Because access to the elite's pool of capital was vital to the preservation of their business model, the interests of second-rank bankers like Mirabaud were perfectly aligned with those of their final customers. And in fact, in many pages of the memoirs we find evidence of Mirabaud's tangible concern for the long-term performance of the investment opportunities he has offered to his fellow countrymen. In negotiating both the Sardinian loan of 1821 and the Parmesan loan of 1827, for instance, Mirabaud insisted that Austria acted as guarantor to the contracts, in order to fend off all the geopolitical risk attached to the operations.[57] Moreover, Mirabaud appears to have performed not only an *ex-ante*, but even an *ex-post* care of his Genevan customers. Writing about the events of the year 1829, he reports about accomplishing a special mission to the Rhineland:

> The main goal of this journey was to stop at Frankfurt, officially to meet in person the eldest Rothschild brother, but most of all to inoculate in that town the Parmesan bonds, of which I found too large an amount was held in Geneva (there were more than eleven million francs of such bonds); the idea that it was me that had spurred them [Genevans] to be exposed to such an extent

[56] Unfortunately, it would be impossible to prove empirically the existence of a correlation between the quantity and weight of nodes and the extent of capital flows. By contrast, Mirabaud's claim that the Genevan elite's capital was mostly invested in France is confirmed by the survey performed by Perroux (2006, p. 182).

[57] "Under any circumstance the moral guarantee of Austria can be relied on, and creditors to the Duchies will find in the future, thanks to this powerful intervention, a respite of hope they would not have got otherwise": IHEID, FM, 3.B.1, pp. 191 and 283-4.

> to the finances of Parma sometimes gave me some anxiety, and my conscience (to whom I have always rather well listened) inflicted to me a moral guarantee, whose weight I was very eager to discharge – although I should have been well at ease, as at that time those bonds were producing a gain of more than 10% with respect to the price at which I had placed them. At any rate, I have always been so much concerned with providing only good deals to my friends, that I was afraid that, in my old days, someone could reproach me for a bad one; and in order to avoid that – should that even be the result of some really extraordinary event (like e.g. a political upheaval, etc.) – I felt it expedient, for my future tranquillity, to relocate a share of these bonds. Under this respect, my journey to Frankfurt was a great success, as I managed to introduce there some of my cherished Parmesan securities; and within less than six months, nearly half of the total amount of the Duchy's debt had moved to the banks of the river Mein. This new market I had created in Frankfurt made me really glad, and that feeling was even augmented by the thought that my compatriots had also already realized immense gains on the Piedmonts and Milanese bonds, on the bills of the Caisse d'Amortissement, on the French certificates, etc. [that I had sold to them].[58]

After having offered his Genevan customers the opportunity to invest in the Parmesan public debt, Mirabaud felt compelled to offer them also the opportunity to divest (at a profit) in order to foster diversification of their portfolios. The motive adduced for such behaviour is a sort of strong repeated-game argument: planning to spend his late days within the community of his customers, Mirabaud wanted to do whatever he could in order to leave his reputation untarnished until the very end. Deep embeddedness of economic action into a tightly-knitted social network was, indeed, able to produce a perfect alignment of interests between agents and principals.

In the Genevan financial system, second-rank intermediaries apparently competed in providing good investing opportunities to first-rank wealth managers. First-rank actors appear to have enjoyed enough market power to let second-rank actors take care of "pushing" information up to them: and in fact, they do not seem to have ever needed investing into the creation and maintenance of the network infrastructure. This is what Mirabaud's personal experience appears to suggest. Despite being the sole Genevan agent in Milan, in 1815 Jacques Mirabaud struggled hard to find partners for his new house. In spite of considerable fund-raising efforts in his homeland, the banker only managed to raise capital within his family (his father-in-law, his wife, and one of his cousins).[59] The Genevan financial elite long remained extremely suspicious with respect to its Milanese antenna. Sometime after the founding of Casa Mirabaud, an attempt by Labaume's heirs to slander Jacques suddenly triggered a run of Genevan depositors to his house: the banker bitterly recalls that, in this difficult circumstance, only one person (his father-in-law) proved to really trust him.[60] Even six years later, during the finalization of the Sardinian emergency loan, the Genevan underwriting syndicate sent to Milan a special envoy in order to make sure that the whole operation was properly managed.[61] Gradually, Mirabaud managed to enhance his reputation, but not without having to support some costs.

But in such a rigidly-structured system, roles were not interchangeable: for all of their merits, peripheral actors could not compensate for the huge social gap distancing themselves from the core. Hierarchies were strictly defined, and only a very-long-term accumulation of social

58 IHEID, FM, 3.B.1, pp. 329-30.
59 IHEID, FM, 3.B.1, pp. 159-60.
60 IHEID, FM, 3.B.1, pp. 217-20.
61 IHEID, FM, 3.B.1, pp. 192-7.

capital would allow outsiders to get into the inner circle. In a rare glimpse of candour, Mirabaud reveals in a page of his memoirs that since his return to Geneva he had been ardently regretting his life in Milan:

> I remember with delight those rushes of pleasure, the sweetness of those feelings of happiness, of beatitude, that cannot be compared to anything else… and that I only very seldom (not to say never) feel since I have been retired to Geneva! Is that the age and illnesses? Is that the cold and algebraic character of my compatriots? Is that the sweet feeling and persuasion we had to be very much loved, very much esteemed in Milan, while in Geneva it seems that we are just tolerated and very little appreciated despite the good reception that we generally get?[62]

While he had had the chance to grow in the emerging market of Milan, Mirabaud apparently faced a sort of "glass ceiling" in the well-developed market of Geneva. The banker had probably hoped that his foreign merits would yield him some social recognition at home, something that actually did not happen. It is perhaps because of this that the memoirs stop at the time of the peak of Jacques's career (1829) – although the writer alleges the fact that the exercise had started to grow boring to him.[63] After his return to Geneva, Mirabaud's banking business would gradually fade out on the sidelines of that of the established hierarchy of the place.

V

Writing about the political system of his hometown, in 1764 Jean-Jacques Rousseau had famously sketched a sort of embryonic agency theory: because the Genevan elite was *de facto* a big family (with high costs to misbehaviour), there was perfect alignment of interests between its members, which greatly enhanced the stability of the system.[64] This article has shown that Rousseau's argument still perfectly applied to the Genevan banking world of the early nineteenth century: contrary to the traditional claims of a great discontinuity between the "Old" and the "New" Regimes, it was found that the post-Napoleonic period was still characterized by the same fundamental characteristics as the pre-Revolutionary one (Lüthy 1959). At the core of the system stood an impressive pool of wealth, managed by a small number of highly-ranked intermediaries; it was surrounded by a circle of second-rank intermediaries, based both locally and abroad, who provided investing opportunities to the core; thanks to the high level of embeddedness of financial relationships into the social network, the alignment of interests was perfect between monopolistic first-rank actors and competitive second-rank ones. The division of labour was extremely well-defined in this crystallized system; only slowly-accumulated social capital allowed peripheral actors being co-opted into the core. As a matter of fact, it would take many decades for the Mirabaud family to climb up the stairs of the Genevan elite thanks to a shrewd marriage policy (Perroux 2006, pp. 368-82).

The findings of this article have an important implication as far as the origins of Geneva's specialization in wealth management are concerned. Contrary to the claims of the traditional literature, we have found that the development of this glorious industry in the early nineteenth century was not the consequence of the existence of a large network infrastructure; rather,

[62] IHEID, FM, 3.B.1, p. 261. Original underlining.
[63] IHEID, FM, 3.B.1, p. 335.
[64] See opening quotation of the paper.

given the direction of capital flows within the network, the former appears to be the cause of the latter. Its competitive advantage did not consist in its reputation: while the most reputed wealth managers of the time (like Rothschilds and Barings) attracted foreign investors through their strong brand policies, Genevan banks were plagued by corporate instability. It did not consist of a relatively high level of geopolitical stability, as the recent history of Geneva featured a series of revolutions and invasions. Nor it was a matter of a relatively high level of discretion, banking secrecy being the norm in any country at the time. Rather, the strength of the local wealth management industry only consisted in the local abundance of raw material – i.e., capital. Early-nineteenth-century Genevan private banks emerged not because of their ability to attract foreign investors, but thanks to the huge "home bias" (as far as management was concerned) of domestic arch-rich capitalists. While all major European financial centres were embracing enthusiastically the "new" model of private banking, Genevan practices remained much more similar to the "old" one: sovereign loans were syndicated by a handful of oligopolistic intermediaries and then passed directly to local customers, without the need for the creation of a bond market as the ones that were flourishing elsewhere. In a sense, Geneva was *not* a financial centre properly speaking, as it did not work as a meeting place for an international demand and supply of capital. This appears to suggest that the Genevan wealth management sector's ability to attract foreign capital only developed much later (i.e. in the event of World War One), when a number of competitive advantages that were previously missing eventually materialized: a more stable and secretive environment, a more advantageous fiscal regime, and a stronger currency. This conclusion may sound pessimistic for the future prospects of this old industry at a time when these very competitive advantages may be expected to gradually melt down.

References

- BARTOLOMEI, A., DE OLIVEIRA, M., ELOIRE, F., LEMERCIER, C. and SOUGY, N. (2016). L'encastrement des relations entre marchands en France (1750-1850): une révolution dans le monde du commerce?. Working paper.
- CASSIS, Y. (2006). *Capitals of Capital: A History of International Financial Centres, 1780-2005*. Cambridge: Cambridge University Press.
- CASSIS, Y. and POHLE-FRASER, M. (2009). Introduction. In Y. Cassis and P. Cottrell (eds.), *The World of Private Banking*. Aldershot: Ashgate.
- CHANCELIER, I. (2001). *Messieurs Mirabaud et Cie: d'Aigues-Vives à Paris, via Genève et Milan*. Saint-Pierre-de-Vassols: Éditions Familiales.

- CHAPMAN, S. (1984). *The Rise of Merchant Banking*. London: Allen & Unwin.
- CHAPUISAT, E. (1908). *Le commerce et l'industrie à Genève pendant la domination française (1798-1813)*. Geneva: Jullien-Georg.
- CLAVEL, D. and FLANDREAU, M. (2016). Une révolution bancaire? Finance et politique à Genève, 1835-1847. Working paper.
- DE ROOVER, R. (1974). New interpretations of the history of banking. In J. Kirshner (ed.), *Business, Banking, and Economic Thought in Late Medieval and Early Modern Europe: Selected Studies of Raymond De Roover*. Chicago: University of Chicago Press.
- DRELICHMAN, M. and VOTH, H.J. (2014). *Lending to the Borrower from Hell: Debt, Taxes, and Default in the Age of Philip II*. Princeton: Princeton University Press.
- DUBOULOZ, B. (1965). *Un grand banquier international: Jacques-Marie-Jean Mirabaud (1784-1864)*. Unpublished master dissertation, Université de Lyon.
- FLANDREAU, M. and FLORES, J.H. (2009). Bonds and brands: foundations of sovereign debt markets, 1820-1830. *Journal of Economic History*, **69**, pp. 646-84.
- GILLE, B. (1965). *Histoire de la maison Rothschild*, volume I. Geneva: Droz.
- GILLE, B. (1968). *Les investissements français en Italie (1815-1914)*. Turin: ILTE.
- HOLTFRERICH, C.L. (1999). *Frankfurt as a Financial Centre: From Medieval Trade Fair to European Banking Centre*. Munich: Beck.
- HUNT, E. S. (1994). *The Medieval Super-Companies: A Study of the Peruzzi Company of Florence*. Cambridge: Cambridge University Press.
- JONKER, J. (1996). *Merchants, Bankers, Middlemen: The Amsterdam Money Market during the First Half of the 19th Century*. Amsterdam: NEHA.
- KÖRNER, M. (2009). Protestant banking. In Y. Cassis and P. Cottrell (eds.), *The World of Private Banking*. Aldershot: Ashgate.
- LIEDTKE, R. (2006). *NM Rothschild & Sons: Kommunikationswege im europäischen Bankenwesen im 19. Jahrhundert*. Cologne: Böhlau.
- LÜTHY, H. (1959). *La banque protestante en France: de la révocation de l'Édit de Nantes à la Révolution*. Paris: EHESS.
- LÜTZELSCHWAB, C. (2003). *La Compagnie genevoise des colonies suisses de Sétif (1853-1956)*. Bern: Lang.
- MOTTET, L.H. (1986). *Les grandes heures des banquiers suisses*. Neuchâtel: Delachaux & Niestlé.
- PERROUX, O. (2006). *Tradition, vocation et progrès: les élites bourgeoises de Genève (1814-1914)*. Geneva: Slatkine.
- PEZZOLO, L. and TATTARA, G. (2008). 'Una fiera senza luogo': was Bisenzone an international capital market in sixteenth-century Italy?. *Journal of Economic History*, **68**, pp. 1098-1122.
- RILEY, J.C. (1980). *International Government Finance and the Amsterdam Capital Market, 1740-1815*. Cambridge: Cambridge University Press.
- ROWLANDS, G. (2014). *Dangerous and Dishonest Men: The International Bankers of Louis XIV's France*. Basingstoke: Palgrave Macmillan.

- SAYOUS, A.E. (1937). La haute bourgeoisie de Genève entre le début du XVIIe et le milieu du XIXe siècle. *Revue historique*, **180**, pp. 30-57.
- SWISS FINANCE INSTITUTE (2015). The future of investment banking. White paper.
- VIETTI, A. (1884). *Il debito pubblico nelle Province che hanno formato il primo Regno d'Italia*. Milan: Quadrio.