

Geneva and international high finance

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In the second half of the nineteenth century, Geneva's bankers took part in the great operations of international finance. They worked with the houses of the Parisian haute banque, with which they had long-standing family and religious ties, and with the large joint-stock banks that were developing in France, Germany and Great Britain.

The founding of the Crédit lyonnais in 1863 illustrates these ties. The new bank, created in Lyon by Henri Germain, brought together capital from Lyon, Paris and Geneva; several Geneva financiers were among its first shareholders and directors.¹ A few years later, the Banque de Paris et des Pays-Bas, founded in the early 1870s, likewise combined interests of the Protestant haute banque, with which the Genevans maintained close relations.²

Geneva's bankers also took part in the placement syndicates for foreign government loans: Russian, Ottoman, Egyptian and Latin American loans, as well as loans of cities and railway companies. These operations earned commissions and made it possible to offer clients high-yielding investments. They also carried risks, as the defaults of several borrowing states at the end of the nineteenth century show.³

At the end of the century, financial companies were created in Geneva to manage international holdings and investments. These companies, often linked to the banks of the financial centre, invested in industrial enterprises, public utilities and infrastructure in Europe and elsewhere.⁴ They foreshadowed Geneva's role as a centre for the management of holdings and international investment structures.

Geneva's integration into international high finance strengthened its reputation and its networks. But it also exposed the financial centre to the international financial crises that multiplied at the end of the century. Geneva's bankers had to learn to manage increasingly complex risks, in an

environment where information travelled faster, thanks to the telegraph, and where markets were ever more interconnected.

Key point. In the nineteenth century, Geneva's bankers took part in the founding of major French banks, in foreign loan syndicates and in the creation of international financial companies. This integration into high finance strengthened the financial centre while exposing it to crises and sovereign defaults.

1 Notes

1. Fondation napoléon, "La fondation du Crédit lyonnais (6 juillet 1863)" (napoleon.org): initial capital of 20 million francs in 40,000 shares of 500 francs; Henri Germain (1824–1905), founding chairman, holds 2,150 shares; among the 353 original shareholders, more than 70 Swiss shareholders, mainly bankers and stockbrokers from Geneva, Basel, Winterthur, Schaffhausen, Lausanne, Bern and Zurich; Wikipedia (en), "Crédit Lyonnais": the world's largest bank by total assets in 1900.
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2. Wikipedia (en), "Banque de Paris et des Pays-Bas": created on 27 January 1872 by the merger of the Banque de Paris (1869) and the Banque de crédit et de dépôt des Pays-Bas (Amsterdam, 1863, Bischoffsheim family); among the founders, Henri Bamberger, Adolphe-Ernest Fould, Eugène Goüin, Edouard Hentsch, Edmond Joubert and Henri Cernuschi, Hentsch representing the Geneva banking interests. ↩
3. Bank Underground (Bank of England), "Rescuing a SIFI, Halting a Panic: the Barings Crisis of 1890" (10 February 2016): Barings had channelled £140 million of investment into Argentina between 1885 and 1890; meeting with Governor Lidderdale on 8 November 1890, guarantee fund of £17.1 million announced on 15 November 1890, advance of £7.5 million from the Bank of England; Wikipedia (en), "Ottoman Public Debt Administration": administration created in 1881 to service the debts of the Ottoman Empire to its European creditors.
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4. Wikipedia (fr), “Association des banquiers privés suisses”: the Union financière de Genève, founded in 1890, lives on in the form of the Groupement des banquiers privés genevois, active until December 2013. ↩

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