

The railways: capital, speculation and politics

*Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland), Solicitor (Hong Kong),
Solicitor (England & Wales)*

The rise of the railways was the great economic event of the mid-nineteenth century. In Switzerland, the Federal Act of 1852 entrusted the construction and operation of the lines to private companies under cantonal concession.¹ This choice mobilised considerable capital, in Switzerland and abroad, and provoked fierce competition between companies and between regions.

Geneva joined the venture. The city was connected to Lyon and the French network by a line that opened in the mid-1850s, and then to the Swiss network by the Lausanne line.² These lines transformed the city's position, as it was now linked rapidly to Paris, Lyon, Switzerland and Italy. Tourism, trade and financial exchanges benefited.

Geneva's bankers took part in financing the railway companies by subscribing to and placing their shares and bonds. The railways offered attractive but risky investments. Several Swiss companies ran into financial difficulties, mergers and restructurings, and investors suffered losses. Speculation in railway securities fuelled stock market crises.³

The railway question was also political. The choice of routes, the granting of concessions and public subsidies gave rise to struggles for influence between cantons, between companies and between financial groups. At the end of the nineteenth century, the difficulties of the private companies and the desire to control a strategic infrastructure led to the nationalisation of the main lines and the creation of the Swiss Federal Railways.⁴

The history of the railways offers a lesson on the financing of major infrastructure. Such projects require considerable capital over long periods, and their profitability is uncertain. Private financing stimulates initiative, but it exposes investors to losses and can lead to duplication and bankruptcies. Public financing ensures the coherence of the network, but it weighs on the finances of the state. The debate between these two models

remains topical for the energy and digital infrastructure of the twenty-first century, in which Geneva's wealth managers invest on behalf of their clients.

Worked example. In 1856 a Geneva investor subscribes for shares in a railway company for 10,000 francs. The company promises a dividend of 5 per cent, but construction costs exceed forecasts by 40 per cent, and traffic remains below expectations. For ten years the dividends are halved, after which the company is restructured and the value of the shares reduced to 6,000 francs. The investor has received 2,500 francs in dividends and lost 4,000 francs of capital. An investor who had bought bonds of the same company would have received his interest and retained a better position in the restructuring. The figures are fictitious; they illustrate the difference between the risk borne by a shareholder and that borne by a creditor.

1 Notes

1. Dictionnaire historique de la Suisse (DHS; Historical Dictionary of Switzerland), art. "Chemins de fer": under the Federal Act of 1852, the Confederation leaves the construction and operation of the railways to the cantons, which entrust them to private companies; the Zurich–Baden line runs from 1847; "As early as 1861, four fifths of the Swiss railway companies were facing financial difficulties". ↩
2. Genève à la carte (ge200.ch), "Le chemin de fer arrive à Genève": "In March 1858, Geneva celebrates its connection to the railway for three days" (Lyon line, Cornavin station); "From June, trains also run on the Lausanne–Versoix–Geneva line"; Wikipedia (en), "Lausanne–Geneva railway": Lyon–Geneva line opened in March 1858, Geneva–Versoix junction in June 1858. ↩
3. Dictionnaire historique de la Suisse (DHS), art. "Chemins de fer": "As early as 1861, four fifths of the Swiss railway companies were facing financial difficulties"; the over-indebted Nationalbahn is placed in compulsory liquidation around 1878. ↩

4. Dictionnaire historique de la Suisse (DHS), art. “Chemins de fer fédéraux (CFF)”: Federal Act concerning the acquisition and operation of railways on behalf of the Confederation, approved by the people on 20 February 1898; five large companies (Central-Suisse, Nord-Est, Union-Suisse, Jura-Simplon, and the Gothard in 1909) are taken into state ownership and united under the name CFF; CFF, “Historique” (company.sbb.ch): 386,634 votes in favour against 182,718 against; Central-Suisse trains operated on behalf of the Confederation from 1 January 1901; takeover of the Nord-Est on 1 January 1902, the date regarded as the official birth of the CFF. ↩

For general information only. This article does not constitute legal or tax advice, does not replace advice on an individual case and creates no lawyer-client relationship. It reflects the legal position as of September 2026.

Online version: helveticaregister.com/geneva-the-railways-capital-speculation-and-politics