

Legacy for Zurich as a centre for international transaction finance

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The Gotthard left Zurich a double legacy. The first was institutional experience. The Kreditanstalt had led an international syndicate, negotiated with German and Italian banks as an equal, handled the placement of securities in three markets and managed a restructuring in which governments, shareholders and bondholders had to be brought to agreement. No Swiss bank had done anything comparable before. The experience strengthened the position of Zurich against Basel and Geneva in the business of issuing securities and arranging large transactions. Nils Herger's recent survey of Swiss banking history describes the railway boom of the period as closely intertwined with the emergence of Zurich as a leading banking centre.¹ The Gotthard was the largest single transaction of that boom and the one that most clearly required international co-operation.

Geneva, the subject of the companion volume, played a different role. Its private bankers had long experience with foreign sovereign lending and with French capital markets, and Favre himself was a Genevan. Geneva's banks did not, however, lead the Gotthard financing, which remained in the hands of the Zurich–Basel axis and its German and Italian partners. The contrast illustrates a division of labour that would characterise the Swiss financial centre for much of the following century. Geneva was strong in private wealth management and in relations with France and the Latin world. Zurich specialised in corporate and industrial finance, in the underwriting of securities and in relations with Germany and, through the Gotthard, with northern Italy.

The second legacy was a lesson in reputation. The Gotthard crisis showed that the financial centre depended on public confidence and on political support, and that a single failure could damage both. The fall of Escher, the rejection of subsidies by the Zurich electorate and the federal subsidy

compromise marked the end of the period in which a small group of liberal businessmen could dominate the economic policy of the canton and the Confederation. From then on, large transactions involving public money required political legitimacy in addition to financial soundness. The democratic institutions that had checked Escher, the referendum in particular, became part of the environment in which the Zurich financial centre operated. They remain so today, as the popular votes on the NEAT and on its financing demonstrate.

The Gotthard also established Zurich's orientation towards the south. The line connected Zurich directly with Milan, the financial and industrial capital of northern Italy. Through the Gotthard, Zurich became the natural financial hub for trade and investment between Germany and Italy, a role that later showed itself in the close relations between Zurich banks and Italian clients. The Banca della Svizzera Italiana, founded in Lugano in 1873 during the construction of the line, belongs to the same axis.² The financial connections along the Gotthard axis have outlasted the railway company by more than a century.

Finally, the Gotthard contributed to the self-image of the Zurich financial centre as a place where large and complex international transactions can be organised with discretion and reliability. The story of the Gotthard is told in Zurich as a story of achievement, symbolised by the Escher monument in front of the main station, although the construction phase was also a story of crisis, loss and humiliation. Both parts of the story belong to the heritage of the financial centre. The achievement shows what the combination of vision, capital and international co-operation can accomplish. The crisis shows the price of overconfidence and of an excessive concentration of power. A financial centre that remembers both is better equipped to handle the large transactions of its own time.

1 Notes

1. Nils Herger, "Railway Boom, the Big Banks, and the Ascent of Zurich as Financial Centre (1848–1914)", in id., *Switzerland and its Banks* (Cham: Springer, 2023), 61–73, https://link.springer.com/chapter/10.1007/978-3-031-35904-0_5. ↩

2. HLS, Gian Franco Pordenone, “Banca della Svizzera Italiana (BSI)”, version of 24.10.2019, <https://hls-dhs-dss.ch/de/articles/041947/>, which states that BSI opened for business in Lugano in 1873 and links its foundation with the construction of the Gotthard railway. ↩

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