

Flight capital in the 1930s

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The political and economic crises of the 1930s drove capital to Switzerland. Investors from France, Germany, Italy, Austria, Spain and Eastern Europe, fearing devaluation, confiscation, exchange controls, revolution or war, transferred their assets to Swiss banks. The inflow of flight capital strengthened the Swiss banks and the franc and established Switzerland's reputation as a safe haven, which it would retain for the rest of the century.¹

Among the flight capital were the assets of persons persecuted by the Nazi regime in Germany, above all Jews, who tried to save part of their wealth from confiscation. The German regime made the transfer of assets abroad a crime punishable by death in certain cases and imposed confiscatory taxes on emigrants, the Reich flight tax. Many persecuted persons deposited assets in Swiss banks before or during their emigration. Some of them were murdered in the Holocaust without being able to recover their assets or inform their heirs. The dormant accounts of victims of the Holocaust became, half a century later, the subject of one of the most serious crises in the history of the Swiss financial centre, which Chapter V examines.

The flight capital of the 1930s also included assets of dubious origin, of persons who evaded the taxes and exchange controls of their home countries, and of persons connected with the regimes that persecuted others. The Swiss banks did not distinguish systematically between these categories. Their duty of confidentiality applied to all clients at a time when their duty of diligence regarding the origin of funds was not yet developed. The modern rules on the identification of clients and the origin of funds, introduced from the 1970s onwards, are in part a response to the lessons of this period.

1 Notes

1. On the inflow of foreign flight capital into Swiss banks in the 1930s from France, Germany, Italy, Austria and other countries, see the literature on Swiss banking history and the reports of the Independent Commission of Experts. To be verified. ↩

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