

Swiss stability in an unstable world

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The post-war monetary order, founded on the Bretton Woods agreements, organised a system of fixed exchange rates around the dollar, which was itself convertible into gold.¹ Switzerland, which did not immediately join the Bretton Woods institutions, maintained a strong currency backed by substantial gold reserves.² The Swiss franc became a safe-haven currency, sought after by investors who feared the depreciation of their own currency.

Switzerland's political stability contrasted with the upheavals experienced by many countries. In Europe, France lived through the end of the Fourth Republic, the Algerian War and the events of 1968. Italy suffered chronic governmental instability. In Latin America, coups d'état, revolutions and inflation followed one another. In the Middle East, decolonisation, conflicts and rising oil revenues transformed societies. In Africa, independence brought new elites to the fore. In all these contexts, wealthy families sought to protect part of their assets by placing them in a safe country.

The end of the Bretton Woods system in the early 1970s and the oil shocks further increased monetary instability. The Swiss franc appreciated sharply, which strengthened its appeal as a safe haven but weighed on the export economy. At certain periods the National Bank took measures to curb the inflow of foreign capital, such as negative commissions on the assets of non-residents.³

Geneva benefited particularly from this context. Its tradition of international wealth management, its French-speaking culture, its proximity to France and its links with the Mediterranean world, the Middle East and Africa made it a favoured destination for a great deal of capital. The presence of the international organisations, including the United Nations Office, reinforced its image as a neutral and open city.

Key point. After 1945, Switzerland's political, monetary and legal stability, in a world marked by wars, revolutions and inflation, made Geneva a favoured destination for the capital of wealthy families from all over the world.

1 Notes

1. Bretton Woods Conference of 1 to 22 July 1944, system of fixed exchange rates around the gold-convertible dollar, suspension of convertibility by the United States in August 1971; Dictionnaire historique de la Suisse, "Bretton Woods, accords de", hls-dhs-dss.ch, 15 October 2004. ↩
2. Switzerland's accession to the International Monetary Fund and the World Bank was approved by popular vote on 17 May 1992 and took effect in November 1992; Dictionnaire historique de la Suisse, "Bretton Woods, accords de", cited above. ↩
3. Swiss National Bank, chronicle of monetary policy measures (snb.ch): ordinance of July 1972 prohibiting the payment of interest on foreign funds and introducing a commission on foreign assets in francs (RO 1972 1521); new measures in November 1974 (RO 1974 1822); extension of the prohibition to all foreign assets in francs and increase of the commission in January 1975 (RO 1975 105); increase of the commission in February 1978 (RO 1978 246); partial repeal in February 1980 (RO 1980 213 and 214) and full repeal in August 1980 (RO 1980 1110 and 1111). The franc has floated since 23 January 1973; on 1 October 1978 the SNB announced its intention to bring the rate "well below 80 francs per 100 marks". See also Dictionnaire historique de la Suisse (DHS), art. "Banque nationale suisse". ↩

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