

The 1920s: Switzerland as a refuge for European capital

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The post-war years were a period of monetary disorder in Europe. Germany and Austria experienced hyperinflation that destroyed the savings of millions of people. France suffered monetary and budgetary instability, marked by a depreciation of the French franc and by crises of confidence in the mid-1920s.¹ Italy, Belgium and other countries also experienced difficulties.

In this context the Swiss franc, which had remained stable, attracted European capital. Individuals and companies placed their assets with Swiss banks to protect them against inflation, currency depreciation, political instability and, frequently, the tax authorities of their own country. Income and wealth taxes, raised sharply during and after the war in many countries, gave wealthy taxpayers an incentive to conceal part of their assets.²

The Swiss banks, in particular the large commercial banks of Zurich and Basel but also the Geneva private bankers, profited from this inflow. Their balance sheets and their assets under management grew. The big banks developed considerable international business, including substantial loans to Germany, which would prove risky in the crisis of the 1930s.³

This inflow of foreign capital gave rise to diplomatic tensions. The neighbouring countries, faced with budgetary difficulties, reproached Switzerland for harbouring capital removed from the reach of their tax authorities. The historian Christophe Farquet has devoted a study to the history of what he calls the “Swiss tax haven” and to its international relations in the twentieth century.⁴ The question of international tax cooperation, which would dominate the history of the financial centre at the beginning of the twenty-first century, was thus already on the table in the inter-war years.

Caution. The attractiveness of Switzerland for European capital in the 1920s was due both to legitimate factors, such as monetary and political stability, and to questionable ones, such as the possibility of escaping taxation in the country of residence. The two dimensions coexist in the history of the financial centre and must be kept distinct.

1 Notes

1. Wikipedia (fr), “Hyperinflation de la république de Weimar” (Hyperinflation in the Weimar Republic): the dollar quoted at 4,200 billion marks at the last fixing before the reform; Rentenmark created on 15 November 1923; Encyclopædia Universalis, “Dévaluation Poincaré” (Poincaré devaluation): “The pound, which was worth 100 francs in 1924, reached 243 francs in July 1926”; return of Poincaré in July 1926, de facto stabilisation from the autumn of 1926, legal devaluation in June 1928 reducing the franc “to one fifth of the gold parity that had defined it since 1803”. ↩
2. Assemblée nationale, “Institution de l’impôt sur le revenu” (Introduction of income tax): general income tax (Act of 15 July 1914), schedular taxes (Act of 31 July 1917); Christophe Farquet, *Histoire du paradis fiscal suisse*, Paris, Presses de Sciences Po, 2018, chap. 3 (“L’affirmation du paradis fiscal suisse après la Première Guerre mondiale”, The rise of the Swiss tax haven after the First World War). ↩
3. Independent Commission of Experts Switzerland – Second World War (ICE), *La place financière et les banques suisses à l’époque du national-socialisme* (The Swiss financial centre and banks in the National Socialist era), summary (uek.ch, publication 13): in 1931, the investments of Swiss banks in Germany consisted almost entirely of short-term loans; “From July 1931, the Swiss banks had to contend with two major problems: the freezing of their loans in Germany and the Swiss economic crisis”. ↩

4. Farquet, Christophe, Histoire du paradis fiscal suisse. Expansion et relations internationales du centre offshore suisse au XXe siècle (History of the Swiss tax haven: expansion and international relations of the Swiss offshore centre in the twentieth century), Paris, Presses de Sciences Po, 2018, cited in the article “Secret bancaire en Suisse”, Wikipédia (fr) (accessed September 2026). ↩

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