

The First World War: neutrality and the inflow of capital

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Switzerland remained neutral during the First World War. That neutrality did not shield it from hardship: supplying the country became difficult, social tensions grew and culminated in the general strike of 1918, and the divisions between French-speaking Swiss, who sympathised with France, and German-speaking Swiss, who were more receptive to Germany, deepened.¹ Neutrality nevertheless preserved Swiss territory from the fighting and made the country a place of refuge for people and for capital.

The Swiss financial centres benefited from this situation. Foreign capital, in particular from the belligerent countries, sought refuge in Switzerland, attracted by the stability of the franc and by the security of the country. The Swiss banks also took part in the financing of international trade, to the extent that the war allowed, and in certain financial transactions with the belligerents.²

The debate on the regulation of banks began during the war. *Le Temps* recalls that the idea of introducing auditors charged with inspecting the banks had been put forward as early as 1916, and that it would be taken up again in the draft legislation of the 1930s.³ This idea did not immediately lead to legislation, but it shows that the question of banking supervision already concerned the authorities.

For Geneva, the war also had a lasting consequence: it paved the way for the choice of the city as the seat of the League of Nations. The humanitarian reputation acquired by the Red Cross, which during the conflict organised extensive work on behalf of prisoners of war, contributed to that choice.⁴ Part F will trace this history, which strengthened the international image of the financial centre.

Key points. Swiss neutrality during the First World War attracted foreign capital and strengthened the country's reputation as a refuge. The idea of

banking supervision by auditors appeared as early as 1916, almost twenty years before the Act of 1934.

1 Notes

1. Dictionnaire historique de la Suisse (DHS, Historical Dictionary of Switzerland), art. “Guerre mondiale, Première” (First World War): the “rift” between French- and German-speaking Swiss after the invasion of Belgium, Carl Spitteler’s lecture “Notre point de vue suisse” (Our Swiss Standpoint) (14 December 1914), the colonels’ affair (January 1916); DHS, art. “Grève générale” (General strike): strike called on 12 November 1918 by the Olten committee (Robert Grimm), around 250,000 strikers, Federal Council ultimatum on 13 November, return to work on 15 November, three strikers killed at Grenchen on 14 November; 48-hour week obtained from 1919. ↩
2. Dictionnaire historique de la Suisse (DHS), art. “Guerre mondiale, Première”: Switzerland turned its neutrality to advantage in developing as a financial centre, the banks handling transactions between belligerents through bodies such as the Treuhandstelle in Zurich. ↩
3. “1934 : le secret bancaire entre dans la loi” (1934: banking secrecy enters the statute book), *Le Temps*, 4 April 2009. ↩
4. ICRC, L’Agence internationale des prisonniers de guerre : le CICR dans la Première Guerre mondiale (The International Prisoners-of-War Agency: the ICRC in the First World War) (icrc.org): “On 21 August 1914, the ICRC set up in Geneva the International Prisoners-of-War Agency (IPWA)”, which recruited hundreds of staff; Wikipedia (fr), “Agence internationale des prisonniers de guerre”: housed in the Palais Eynard and then in the Musée Rath, integrated into the ICRC at the end of 1919; Ville de Genève, “La Société des Nations” (The League of Nations) (geneve.ch): Swiss accession narrowly approved by popular vote in May 1920, the choice of Geneva championed by Gustave Ador and William E. Rappard, first Assembly on 15 November 1920 in the Salle de la Réformation, Palais Wilson so named in 1924. ↩

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