

## War, Fascism and the Border, 1914-1945 — overview and summary

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Between 1914 and 1945 the Canton of Ticino lived on a border that twice became a front line of European politics without ever becoming a front line of war. In the First World War the Italian kingdom entered the conflict on the side of the Entente in May 1915, which turned the canton's southern frontier into the edge of a belligerent state. In the following decades Fascist Italy claimed the Gotthard as its natural frontier, financed Ticinese sympathizers and watched over the Italian anti-fascists who had taken refuge in Lugano and Locarno. In the Second World War the same border was crossed by deserters, partisans, Jewish families, smugglers and, in the spring of 1945, by the emissaries of an SS general who wanted to negotiate the surrender of the German armies in Italy. Throughout these thirty years money crossed the border as well. It came as Italian savings fleeing inflation, currency controls and political risk, as payment for smuggled rice, coffee and cigarettes, and as the funds of anti-fascist organizations and of Fascist propaganda alike.

This chapter asks how these three decades prepared the ground for the rise of Lugano as Switzerland's third financial centre after 1945. Its argument is that the essential elements of the later boom were assembled in this period, although the volumes remained small. They comprise a banking structure dominated by the national banks and by Italian-linked institutions after the crash of 1914, a statutory banking secrecy protected by criminal law since 1934, an Italian State that restricted the export of capital and punished its violation, and a Swiss State that did not regard foreign currency offences as its own concern. A political lesson completed the picture. Ticino learnt that its Swiss identity was compatible with Italian language and culture, and that the Confederation would defend the canton against irredentist pressure, though it also bargained with Rome over the treatment of refugees. The historiography of the Swiss refugee policy, culminating in the reports of the Independent Commission of Experts chaired by Jean-

François Bergier, has shown how much this bargaining cost the people who were turned back at the frontier.

The chapter proceeds chronologically and thematically. It begins with the First World War and the Ticinese economy after the bank crash described in Chapter C.IV, turns to Fascism, irredentism and the anti-fascist exile, and then examines the Italian currency regime and the first flows of Italian flight capital. Two sections are devoted to the Banking Act of 8 November 1934 and its Article 47. The Second World War is treated in three sections: the border and its refugees, the economy of gold, goods and smuggling, and the secret negotiations of 1945 known as Operation Sunrise. A final section connects the history to the present law on banking secrecy, dormant assets, capital flight and asylum. The lira economy of the post-war decades, with its *spalloni* and numbered accounts, belongs to Chapter D.II, the Chiasso scandal of 1977 to Chapter D.III and the criminal law against money laundering to Chapter D.IV.

## 1 Conclusion

The years from 1914 to 1945 did not make Lugano a large financial centre. The balance sheet of its leading private bank barely grew between the two world wars, the canton's economy remained peripheral and its population modest. What these three decades produced was the institutional and legal framework within which the post-war boom took place. Banking in Ticino after 1920 rested on a State bank, branches of the national banks and institutions linked to the great Italian banking groups, which from the mid-1930s were themselves controlled by the Italian State through IRI. From 1935 the Banking Act protected client information by criminal law. On the other side of the border, the Italian State had introduced a foreign exchange monopoly and criminal penalties for capital exports, while Switzerland neither enforced foreign currency law nor granted assistance in currency and tax matters. Once the lira economy of the 1950s and 1960s generated large private savings in northern Italy, this framework channelled them to Lugano.

The political history of the period shaped the canton's relationship with both States. Fascist irredentism, from Mussolini's speech of June 1921 to his claim of November 1938 that Italy would carry its frontier to the Gotthard, tested Ticino's loyalty and found it firm. *L'Adula* was suppressed, the Federazione fascista ticinese failed in its march on Bellinzona and the Criminal Code of 1937 armed the Confederation against attacks on its independence. The Confederation paid a price for its caution towards Rome, and the Italian anti-fascists paid much of it: warnings, expulsions

and the harsh asylum practice that the Federal Council hoped would moderate Mussolini's claims. Giuseppe Motta's foreign policy embodied this bargain, which protected Ticino and limited the freedom of the exiles who had found refuge there.

The Second World War brought the border's two faces into sharp relief. Through Chiasso and the Gotthard passed the German coal that kept Italy's war economy alive. Across the hills and lakes came deserters, partisans, Jewish families and future leaders of the Italian Republic, some of whom were admitted and some turned back. Smugglers carried rice and coffee, guides carried refugees and private persons carried money. In March 1945 Lugano and Ascona hosted the secret talks that ended the war in Italy a few days early. The law of the present, from Article 47 BankA and the capital flight chapter of the banks' code of conduct to the rules on dormant assets and the constitutional prohibition of refolement, still bears the marks of these experiences.

## 2 In five sentences

Between 1914 and 1945 Ticino lived on a border that Italy's entry into the First World War, Fascist irredentism and the German occupation of northern Italy turned into a frontier of European politics, while smuggling, transit and capital movements tied it ever more closely to Lombardy. After the crash of 1914 the canton's banking system was rebuilt around a State bank, the national banks and Lugano institutions linked to Italian banking groups, which received the first Italian flight capital of the interwar years. Fascist Italy claimed the Gotthard as its frontier and financed Ticinese sympathizers, while the Confederation suppressed *L'Adula*, armed its Criminal Code against attacks on its independence and restricted the activity of Italian anti-fascist exiles such as Tonello, Pacciardi and the organizers of Bassanesi's flight over Milan. The Banking Act of 8 November 1934 made banking secrecy a criminal matter under Article 47, at the moment when Italy established its foreign exchange monopoly and punished capital exports, so that a foreign prohibition and a Swiss duty of confidentiality combined to form the legal basis of the later Lugano business with Italian clients. During the Second World War the southern border carried German coal to Italy, received tens of thousands of Italian soldiers and civilians after 8 September 1943 while turning others away, and hosted the negotiations of Operation Sunrise, and its legacy lives on in today's rules on banking secrecy, capital flight, dormant assets and asylum.

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