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The Neutrality of Switzerland: Deception, Gold, and the Holocaust

Kyra McComas

From 1939 to 1945, Europe and Asia saw the deaths of 52 million people and the mutilation and displacement of millions more as a result of the Second World War. Amidst the carnage however, global commerce and the flow of capital continued. Notably, a sum of at least 1.7 billion Swiss francs worth of gold was deposited by Germany into the vaults of the Swiss National Bank in Bern. Additional unknown amounts from private German deposits of looted gold were laundered, making Switzerland one of the world's wealthiest nations after the war.¹ But how did Switzerland elude the scrutiny of the international community? This essay seeks to illustrate how Switzerland's image of neutrality has been maintained, despite its complicity during the war, because of its history and political and economic factors. I will further argue that Swiss complicity was a decisive factor in the prolonged success of the Third Reich's murder machine, bestowing partial responsibility on Switzerland for the Holocaust and undermining the myth of Swiss "neutrality."

A History of Neutrality and Protection

The notion of Switzerland's neutrality is grounded in its history as a protecting power. Swiss neutrality was formally recognized in 1648 under the Peace of Westphalia and renewed at the Congress of Vienna in 1815. Seven centuries of cooperation between Romansh, French, Alemannic, and Italian cultures, with four principal languages and three religions, makes Switzerland unique in European history. Such coexistence has been far from multicultural however, as there is little cross-cultural engagement, yet Switzerland's national identity is rooted in their alliance and neutrality. In other words, they avoid conflict among themselves by eschewing global conflict. As such, at least prior to World War II, Switzerland embraced a policy of neutrality that removed it from the international arena. As André Gorz interpreted it, denial of existing conflicts indicated no international actuality. Yet if the war did nothing else to Switzerland's global image, it certainly modified the understanding of neutrality, refocusing it on

¹ Jean Ziegler, *The Swiss, the Gold, and the Dead* (New York: Harcourt Brace & Co., 1997).

furthering peace and preventing evasion of responsibility via moral indifference. The latter definition has been associated with pacifism (with a reservation on self-defense) and mediation.² Importantly, neither definition includes neutrality in the banking or financial sector.

Switzerland exploited the former definition of neutrality to justify its lack of confrontational involvement in World War II, by side-stepping the war and the atrocities and unofficially providing aid for one side or the other. Ironically, assistance is exactly what they provided by laundering German plunder. They effectively used the narrative of neutrality to obscure their war-time actions. Today, the second definition is used to support the claim that they simply, mediated economic exchanges, which carried on despite the war and were crucial to the rest of the world, especially the other non-belligerent countries.

As an international protecting power leading up to and during the war, Switzerland had three primary roles: repatriating captives, transferring grants-in-aid, and visiting prisoner camps (in league with the International Committee of the Red Cross, headquartered in Geneva).³ Switzerland had demonstrated its dedication to these functions and was thus heavily favored and trusted by the international community, evidenced by its protective representation of at least thirty-five nations on the eve of the war.⁴ Although commendable, this does not excuse Swiss assistance to Hitler or the subsequent post-war suppression complicity. The Red Cross never issued a public appeal for the Jewish Holocaust victims,⁵ claiming that protestation would “produce a stiffening of the indicted country’s attitude with regard to the Committee, even the rupture of relations with it,” jeopardizing their humanitarian abilities and linking altruism to the neutral Swiss image.⁶

² Ibid.

³ Milford Bateman, “International Committee of the Red Cross,” in *Modern Genocide: The Definitive Resource and Document Collection, Vol. 1: Armenian Genocide, Bosnian Genocide, and Cambodian Genocide*, eds. Paul R. Bartrop and Steven Leonard Jacobs (Santa Barbara: ABC-CLIO, 2015), 275.

⁴ Ziegler, *The Swiss, the Gold, and the Dead*.

⁵ Paul R. Bartrop, “Holocaust International Reaction,” in *Modern Genocide: The Definitive Resource and Document Collection, Vol. 3: The Holocaust and Kurdish Genocide*, eds. Paul R. Bartrop and Steven Leonard Jacobs (Santa Barbara: ABC-CLIO, 2015), 1130.

⁶ International Committee of the Red Cross, Report of the International Committee of the Red Cross on Its Activities During the Second World War, September 1, 1939 – June 30, 1947, vol. 1

Faith in Swiss diplomacy to protect national interests extended to capital interests as well. Long chosen as a repository for unstable countries' finances, Switzerland appeared as the best option for the safekeeping of Jewish funds and valuables, especially with the rise of Nazism. The Swiss National Bank encouraged such deposits by fortifying banking secrecy laws in 1934 to ensure client anonymity.⁷ Who would have suspected that these same protective protocols would be exploited to conceal nefarious transactions with the Third Reich?

Economic Crisis and the Failure of the Gold Standard

On a more objective level, the Swiss had a very real obligation to the global economy. With the failure of the gold standard and the post-World War I economic downturn, Switzerland's significant role in the international market was not just a matter of maintaining the Swiss national image, but was also crucial for the recovery of the global economy and the continuance of foreign exchange. The Swiss franc showed remarkable resilience in the aftermath of the war. It became one of the first European currencies to attain its pre-war parity in 1924 and prompted Switzerland to attempt to restore the gold standard. The Swiss franc was the only currency accepted worldwide and was thus crucial to stable foreign exchange, which continued despite wartime hardships. With the Swiss franc relatively unscathed, the Swiss global economic presence was enhanced.⁸

Gold Laundering in the Context of War

Switzerland's monetary history provided latitude for the Swiss National Bank (SNB) to orchestrate its dealings with the Third Reich amidst the context of wartime economics, politics, and militancy. One defense of the World War II gold transactions between the SNB and the German Reichsbank is that the Swiss were

(1948), 21, quoted in Samantha Power, *A Problem From Hell* (New York: Basic Books, 2002), 34.

⁷ Institute of the World Jewish Congress, "The Sinister Face of 'Neutrality': The Role of Swiss Financial Institutions in the Plunder of European Jewry," *PBS Frontline*, 1996, <http://www.pbs.org/wgbh/pages/frontline/shows/nazis/readings/sinister.html> (accessed 30 Oct. 2015).

⁸ Vincent Crettol and Patrick Halbeisen, "Monetary Policy Background to the Gold Transactions of the Swiss National Bank in the Second World War," *Swiss National Bank Report* (1999).

fearful of German invasion and attack. However, such an invasion would have been unlikely, given Germany's limitations on means of payment for their wartime imports. The SNB was the only willing acceptor of gold in exchange for Swiss francs, which importantly, were freely exchanged across the international market.⁹ Thus, the German economy relied on their exchange policy with the Swiss in order to pay other countries for raw material imports that were crucial to the German war effort. A memorandum from the German Reichsbank's Ministerial Director Clodius evidences the belief that the Swiss were their only hope. He wrote, "Switzerland represents our only means of obtaining freely disposable foreign exchange," and confirmed this with the president of the Reichsbank, Reich Minister Funk.¹⁰ This raises the question of Switzerland's essential role in the longevity of the Third Reich.

From 1939 to three weeks before Hitler's suicide in April, 1945, the Swiss gold-laundering machine exchanged gold from the German Reichsbank for 1.7 billion Swiss francs. The gold was deposited in bank vaults at Bern and was laundered via purported "triangular transactions." In this system, Germany deposited looted gold in the SNB in exchange for Swiss francs, which they subsequently used to purchase war materials from Turkey, Portugal, Sweden, Spain, and other non-allied nations. These nations' banks then used the Swiss francs to pay for gold from Switzerland, the same gold for which the Swiss had exchanged these very Swiss francs. Moreover, these nations could claim legitimacy for their gold purchases, which were strictly through "neutral" Switzerland, as part of the normal flow of foreign trade.¹¹ Essentially, Switzerland functioned as the middleman. But was such "mediation" de facto benign?

The SNB continues to project its image of the "neutral banker" today. It denies the implications of "triangular transaction," emphasizing its commitment to the gold standard and its resulting guarantee to accept any gold it is offered. It also claims that Germany certainly had its own gold reserves (that were not looted) as well as legally acquired gold from Austria and Czechoslovakia, and this was the gold involved in the transactions. Interestingly, the Swiss never mandated evidence of the legality of the German gold, perhaps in an effort to maintain their neutrality

⁹Ibid.

¹⁰ Ziegler, *The Swiss, the Gold, and the Dead*, 47.

¹¹ Ibid.

by not being certain of the moral nature of the material they transacted.¹² Their function in the world market would be heavily undermined if it was discovered they knew of the illicit nature of the gold, expunging their “neutral” front. But even ignorance does not abrogate responsibility.

Chairman Ernst Weber, Alfred Hirs, and Paul Rossy constituted the executive board of the SNB throughout the war. They continually referenced “neutrality” to manipulate and aggrandize the term in their argument for justification. They also called on the Swiss bank traditions of secrecy and clientele loyalty, which were paramount to their exchanges with Germany, primarily through Emil Puhl.¹³

The dismal state of the German economy was a major factor in how Puhl would negotiate with the gold barons in Bern. In a letter to Hitler on January 7, 1939, Dr. Hjalmar Schacht, president of the Board of the Reichsbank, elucidated the poor state of German finances, stating, “No increase in the production of goods can be achieved by increasing the amount of paper money.”¹⁴ The German dependence on foreign wartime materials mandated the need for a banker, but Schacht’s request for increased Reichsbank control did not please Hitler, who turned to Puhl for management of German funds.¹⁵ Unlike Schacht, Puhl was not a danger to Hitler’s authority, and was a friend and business partner of Weber, Hirs, and Rossy. “He played like a virtuoso on the Swiss neutrality myth,” and astutely assuaged their consciences with their own “neutrality” ploy to justify their dealings.¹⁶

Pervasive Anti-Semitism

The manipulation of historic labels was not the only justification successfully employed by the Germans: anti-Semitism was a notable and ubiquitous ideology. After the war, the American Jewish Committee asserted, “Long before Hitler the environment of much of Eastern Europe was poisoned by

¹² Ibid.

¹³ Ibid.

¹⁴ Hjalmar Schacht, “Confidential Reichsbank Matter” letter from the President of the Board of the Reichsbank to the Führer and Reich Chancellor, Berlin (January 1939), in Ziegler, *The Swiss, the Gold, and the Dead*, 38.

¹⁵ Ziegler, *The Swiss, the Gold, and the Dead*, 39.

¹⁶ Ziegler, *The Swiss, the Gold, and the Dead*, 42.

anti-Semitism and was receptive to the anti-Jewish teachings of Hitlerism.”¹⁷ Switzerland was no exception. As a historic amalgam of communes and regions, Switzerland was not a traditional nation-state. Xenophobia would become a prominent feature of the Swiss Confederation. With such a prejudicial notion already enmeshed in the nation, it is no surprise that anti-Semitism caught on so easily. Due especially to the potency of Joseph Goebbels’s propaganda machine and the inspirational rhetoric espoused by Hitler, anti-Semitism was readily integrated into the *zeitgeist* of countless European countries. Anti-Semitism became an official policy. A 1938 law mandating a “J” to be stamped onto the passports of German Jews and the refusal to allow Jews to enter Switzerland as refugees are two among many anti-Semitic actions undertaken by the Swiss government.¹⁸

A 1998 study of Swiss World War II camps confirmed the prevalence of Swiss anti-Semitism. In these camps, Jewish refugees were often forced to work with little to no pay under harsh and cruel conditions and were subjected to a “special Jew-tax,” which other non-Jewish refugees were not required to pay. Families were frequently torn apart as children were separated from their parents and “adopted” by Christian families who supposedly (and perhaps genuinely) wanted to help. The British Foreign Office declassified records revealing that 80 to 98 percent of the camps’ inmates were Jewish, suggesting that they were intended expressly for Jews.¹⁹

The potency of the anti-Semitism, which would infiltrate Swiss mentality and be used to legitimize actions such as looting, is evidenced in the writings of Austrian cabinetmaker Felix Landau. While on the Russian campaign, his faith in Germany and his admiration of the Wehrmacht and Hitler were deepened. He described how the “Ukrainians had done a pretty good job plundering. [But] they had really thought they were the masters,” until they saw the power of the German

¹⁷ Joseph M. Proskauer, “The American Jewish Committee: Statement to The Anglo-American Committee of Inquiry,” *World Affairs* 109, no. 1 (1946), 19.

¹⁸ Ziegler, *The Swiss, the Gold, and the Dead*.

¹⁹ John-Thor Dahlburg, “Jews Mistreated in Swiss WWII Camps, Study Says,” *Los Angeles Times* (Los Angeles, CA), January 13, 1998.

forces.²⁰ His arrogance and confidence in Germany reflects broader European anti-Semitism which nurtured a sense of identity which pitted the supposedly good, the non-Jewish supporters of Hitler's leadership and Nazism against the repulsive Jew. For Landau, sparing the Jews was unthinkable. Tellingly, he believed that the major in charge of his battalion was an imbecile because "his actions [were] a danger to the state. Take his remark that the Jews fall under the protection of the German Wehrmacht. Who could have thought such a thing possible? That's no National Socialist."²¹ Understanding the prevailing anti-Semitic culture and indoctrination helps explain why the Swiss may have ignored the ethical implications of laundering Nazi gold.

Consequently, rampant anti-Semitism legitimized the theft of Jewish possessions such as art, gold, and capital. At a time when one could be "arrested for having an anti-German attitude," looting Jewish people and property became a method of conveying German power and supremacy.²² This translated at the national level, wherein acceptance of Jewish loot was not only condoned, but was encouraged, as in the case of the SNB. Greed, perhaps even more so than anti-Semitism, drove people to willingly plunder. One German police official noted "that people today give a false impression when they say that the actions against the Jews were carried out unwillingly. There was great hatred against the Jews; it was revenge, and they wanted money and gold."²³ And much of this loot was then sent to Swiss banks for safekeeping.

International Response, or Lack Thereof

While Swiss covertness proved successful during the war, how were they able to continue avoiding responsibility once the war ended and the international community turned to judgment? The most obvious answer comes from the context of war. The overwhelming economic, political, and cultural upheaval of World War II and the extent of human loss was more than enough to overshadow the

²⁰ Felix Landau, *Once Again I've Got to Play General to the Jews* (personal diary), quoted in *The Good Old Days*, eds. Ernst Klee, Willi Dressen, and Volker Riess (New York: The Free Press, 1991), 93.

²¹ *Ibid.*, 95.

²² *Ibid.*, 101.

²³ "A Police Official from Neu-Sandez Grenzpolizeikommissariat (Cracow District/General-Gouvernement)," in *The Good Old Days*, 76.

relatively petty monetary crimes of the Swiss (who were notably not directly involved in the killings or atrocities of the Holocaust). Still, the Washington negotiations that were held in 1946 to hold the Swiss accountable for looted and laundered gold and dormant accounts were meant to serve due justice, but even those fell short. As Ziegler notes, “The Swiss vanquished the victors of World War II.”²⁴

The main reason for the ineffectiveness of the 1946 Washington Agreement was its lack of evidence and objectivity. The United States made the mistake of leveling preposterous claims against Switzerland, blaming them for organizing Operation Odessa and personal theft of central European banks. Plus, there was no physical list detailing all the Nazi transactions with Swiss banks.²⁵ Such overt disregard for and exaggeration of actual transgressions facilitated Swiss evasion.

Swiss representative Walter Stucki capitalized on such absurdities and deliberately manipulated the course of the accords, creating compromises that favored the Swiss. In addition to the emotional nature of the negotiations was the stress of the looming Cold War and the perceived threat of communism to the Western world. This became a far higher priority for American foreign affairs than obtaining justice for the victims of the war. In the end, Switzerland agreed to pay 250 million Swiss francs as the final settlement of all claims relating to the laundering of Nazi gold. Stucki exploited the language of altruism by shrewdly labeling this as “Switzerland’s voluntary contribution to the reconstruction of Europe,” injecting the reparations with neutral undertones and reifying a positive Swiss global image.²⁶ Stucki’s success in defying the victorious Allies at the Washington Agreement and avoiding responsibility for war-time atrocities lasted for nearly fifty years. It was not until the World Jewish Congress finally forced the reopening of dormant Jewish accounts, which they later documented at \$1,297,240,126 attributed to 457,100 Jewish descendent claimants.²⁷

The pardoning of Swiss gold laundering was also predicated on the fact that there were dormant accounts in other European countries, the United States, and Israel. If the international community condemned the Swiss for hiding and

²⁴ Ziegler, 193.

²⁵ Ibid.

²⁶ Ibid., 184.

²⁷ *Swiss Bank Claims, Holocaust Victim Assets Litigation, 2014*, case no. CV 96-4849.

benefiting from dormant accounts, they would subsequently have to recognize their own financial profiteering. In other words, plenty of other nations were guilty of similar dealings. Hence, the origins of personally beneficial funds (that functioned to augment global image and presence) became a null point of condemnation for the Swiss. Other nations, especially the United States, which dominated the Washington Agreement, had their own greedy motivations.²⁸ In fact, between 1939 and 1945, the Allies exchanged substantially more gold with the SNB than did the Reichsbank. The United States sold 2.242 million francs worth of gold, and France and Great Britain sold even more at 189 million francs and 673 million francs, respectively. This was largely as a result of the growing importance of the Swiss franc in international trade, attesting to the fact that gold had become the most important form of payment by 1941. Moreover, just as they employed a neutrality argument for their dealings with Germany, the Swiss did the same in accepting blocked gold in the United States since Swiss francs had become so vital.²⁹

With money as a major motivator, the Allies wanted to benefit from their holdings as much as the Swiss, so they had to be cautious of how they accused the Swiss. Thus, the focus of the debates at the Washington Agreement was on “the symbolic issues... such as whether governments and companies are willing to acknowledge their responsibility as beneficiaries from or collaborators with the Nazi regime.”³⁰ But because of the successful secrecy of SNB actions and its policy of confidentiality, most evidence for supporting an ethical case against direct Swiss dealings with the Nazis (thereby implicating themselves as accomplices in genocide) was highly censored and effectively hidden.

Swiss Fear of a Faltering National Image

While Switzerland may have evaded just international scrutiny, they faced a looming identity crisis. The historical narrative of neutrality had long been essential to Swiss self-perception; to avoid a plight around national identity, the Swiss could not afford to allow such a narrative to be unraveled and doubted. The

²⁸ Regula Ludi, “Waging War on Wartime Memory: Recent Swiss Debates on the Legacies of the Holocaust and the Nazi Era,” *Jewish Social Studies* 10, no. 2 (2004), 116-152.

²⁹ Robert Vogler, “The Swiss National Bank's Gold Transactions with the German Reichsbank from 1939 to 1945,” *Swiss National Bank Report* (1984).

³⁰ Ludi, “Waging War on Wartime Memory,” 117.

Washington Agreement enabled Switzerland to transform itself from a Nazi accomplice into an esteemed member of Western democracy, largely for economic reasons. Once again, global politics played a key role, since Zurich, Basel, and Geneva were pivotal financial centers in the fight against communism. This heavily benefited the West: the United States knew it was to their advantage to appease the Swiss in the interest of the future global economy and trade. Thus, they arguably allowed themselves to be beguiled by Stucki and the other cunning Swiss representatives.³¹ This reassurance and reinstatement as a respected member of the free world may have prevented the complete shattering of Swiss national identity.

Interestingly, the Swiss have been paradoxically bound together by modern controversies regarding their wartime position, with national pride in armed neutrality dominating any moral disgust in their economic service to the Third Reich. Both sides accounted for the German sparing of Switzerland from invasion to independent Swiss activity for its own survival, essentially reinforcing the historical image of self-preservation as a defensive confederation.³² The Swiss laundering case reveals how fear drives history, as the Swiss were motivated by a genuine fear of losing economic prestige as well as the moral high ground they held as a soft power. Such fears contributed to the national identity struggle, which inevitably failed to fully manifest thanks to a potent, albeit falsified, narrative of national, yet purportedly neutral, heroics.

The Problematic Confines of Bifurcated Guilt and Complicity

The issue with Switzerland's "neutrality" emerges in political labeling: they are officially equivocal regarding the war. Ludi contends that "the government endorses the reinterpretation of Swiss history of the Nazi era... [and simultaneously] rejects the legal responsibility this shift would entail."³³ In an effort to support the reevaluation of their history with Nazi Germany, the Swiss parliament established the Independent Commission of Experts (ICE) in 1996 to officially investigate the dormant accounts. Importantly, however, the 2002 final

³¹ Ziegler, *The Swiss, the Gold, and the Dead*.

³² Ludi, "Waging War on Wartime Memory."

³³ *Ibid.*, 135.

report did not receive much media response, indicating the waning interest in wartime history.³⁴ This reveals the deeper challenge of objective analyses of genocide as it gets farther away in memory, which is exacerbated by the tendency of post-genocidal silencing. It also suggests the decrease of Swiss global presence, since Switzerland seems less financially powerful with growing unemployment and bankruptcy claims by major Swiss companies; they have shown vulnerability to international market fluctuations, becoming financially more like other European nations.

In turn, this gives Switzerland some flexibility to redefine their international image despite their past transgressions. Claims lose potency as events fade into history and historians must be cognizant of this when evaluating key historical events, especially complex ones such as the Holocaust. Relying on a binary narrative of “guilt” only hampers attempts to sift through historical complexities. It is crucial to note the genuine Swiss honesty and altruism that has existed in dialogue with the deviance. As a Swiss native, Ziegler suggests that the vast majority of Swiss people “harbor but one ambition, that of fulfilling in the world an active role characterized by humanity and solidarity with other nations.”³⁵ Internal anger also evidences the diversity of Swiss intentions, far from being one homogenized, greedy ideology. Cash, a leading Swiss financial organ, blatantly denounced the greed and lies of the SNB, printing one headline stating, “But for Switzerland’s gold turntable, the war in Europe would have ended much sooner.”³⁶ An important note here is that such decrrial waited until 1996 to be heard, reinforcing the successful evasion from condemnation immediately following the war.

Aside from problematizing binary guilt labeling, this internal anger simultaneously raises concerns about the role of complicity. While such local Swiss differences do not condone the actions of the SNB as a Nazi accomplice, they blame the endurance of the Third Reich solely on Swiss aid. Fifty years after the Holocaust, the international community rallied behind these accusations, legitimized internally by the Swiss. But did this not also transform Switzerland into a scapegoat to assuage the broader international community’s guilt about the

³⁴ Ibid.

³⁵ Ziegler, *The Swiss, the Gold, and the Dead*, 266.

³⁶ Quoted in Ziegler, *The Swiss, the Gold, and the Dead*, 7.

Holocaust? The United States certainly capitalized on this opportunity to distract from its own responsibilities; it was an opportunity to call for Swiss justice without bringing attention to American financial offenses during the war. Thus, the notion of collective guilt becomes relevant in light of dormant Jewish accounts both in the United States and Switzerland (among other countries). But there is still the problem of how complicity actually implicates nations in assuming responsibility for the Holocaust. While the Swiss may have prolonged the Holocaust and the survival of the Third Reich, challenging the narrative of neutrality, the lack of direct killing separates them from the Nazis on the spectrum of guilt. At the same time, acknowledging the spectral nature of guilt does not pardon any nation from their responsibility to humanity. The atrocities of genocide demand robust international response such that complicity or claims of “neutrality” cannot abrogate responsibility. This is a matter not of economics or politics, but one of morality, whereby our humanity implicates us should we ignore injustices against our fellow human beings.