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Press release

The SNB's gold transactions in the Second World War - monetary policy background

Swiss National Bank publishes study

The Swiss National Bank is publishing a study on the monetary policy background of its gold transactions during the Second World War. The aim of this paper by research staff members Patrick Halbeisen (historian) and Vincent Crettol (economist) is to contribute to a better understanding of the economic policy situation at that time. The National Bank has a strong interest in analysing a difficult phase in its history even more profoundly and shedding still more light on the Bank's conduct during those years. The study is not intended as a reply to the interim report on the Bank's gold operations of the Independent Commission of Experts Switzerland - Second World War (ICE); it has, however, been put at the Commission's disposal as a research contribution.

The study divides the period of the Second World War into five phases based on major monetary policy decisions of the National Bank and also investigates the monetary environment of the pre-war period. It shows that the responsible persons at the National Bank strove to adhere to the monetary policy of the thirties and pursued three main objectives during the War: to preserve confidence in the Swiss franc, to prevent an excessive rise in inflation and to guarantee Switzerland's international solvency in order to safeguard vital supplies to the country. In compliance with a Swiss concern prevalent at the time they tried, in this way, to avoid the errors of monetary policy committed during the First World War with their disastrous social implications. They regarded the link to gold and the gold convertibility of the Swiss franc - also in times of war - as indispensable for achieving their aims. This was the core of the National Bank's monetary policy.

The study draws the conclusion that essentially the National Bank has achieved these aims. Moreover, it points out that the strategy of adhering to gold convertibility even in times of war was basically justified for maintaining confidence in the currency, price stability and vital supplies to the country. The other side of the coin, however, were the gold purchases from the Deutsche Reichsbank associated with this strategy, with the origin of the acquired gold becoming increasingly certain as the war progressed.

In the course of 1943, certainly, the monetary leeway enjoyed by the National Bank would have permitted it to cut back gold transactions with the Deutsche Reichsbank more quickly. While prior to this, substantially reducing gold purchases from Germany would have threatened solvency and, concomitantly, the financing of the country's supplies, at a later stage this would no longer have been probable. The question therefore arises why the responsible persons at the time did not revise their policy vis-à-vis Germany more rapidly despite warnings from the Allies. A conclusive answer to this question is beyond the scope of this paper. The authors suspect that foreign policy considerations could have played a certain part but regard it as more decisive that the National Bank's management misjudged the political, legal and moral aspects of the gold transactions with the Reichsbank at that time.

From today's vantage point it is regrettable that the National Bank's then Governing Board did not become more alert to the problem of looted gold. Had restrictions on transactions with the Deutsche Reichsbank been imposed at an earlier stage, the risk of the National Bank accepting gold deriving from private origins - albeit unwittingly - could have been clearly reduced.

The study is divided into the following sections:

1 Introduction

2 Preconditions and goals of Swiss monetary policy prior to the Second World War

2.1 The gold standard prior to 1914

2.2 The development of the international currency system after 1914

2.3 Swiss monetary policy prior to 1939

3 Swiss monetary policy in the Second World War

3.1 First period: from the outbreak of war until 2Q 1940

3.2 Second period: 3Q 1940 until 3Q 1941

3.3 Third period: 4Q 1941 until end-1942

3.4 Fourth period: 1Q 1943 until 1Q 1944

3.5 Fifth period: 2Q 1944 until the end of the War

4 Interpretation of monetary policy during the Second World War

4.1 The external stability of the currency

4.2 Stabilisation of purchasing power

4.3 Maintaining the payments system to safeguard vital supplies

4.4 The issue of the political motives

5 Conclusions

The study is available on the Internet in German and French, and from end-April in English, under <http://www.snb.ch> (Publications - Gold transactions in the Second World War). A printed version is obtainable from the Swiss National Bank, Library, Börsenstrasse 15, P.O. Box, 8022 Zurich.

Swiss National Bank