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The Return to Order in the Swiss Confederation after the Great War: The Edification of a Liberal-Conservative Bastion in Europe

Christophe Farquet

Although several case studies have dealt with Swiss history after the First World War, no general overview thus far has shown how the evolution of this country differentiates itself from belligerent countries, and this is what this article aims to do. The article situates the Swiss case in the European context and demonstrates that neutrality during the war, the relative lack of social disturbances after the conflict, and some economic mutations during the 1920s transformed Switzerland into a liberal-conservative bastion. The linkage of diverse fields of research, which are usually analysed separately, highlights that this process was based, in addition to the intensification of political conservatism, on the maintenance of a weak state and the expansion of financial liberalism.

Introduction

It is sometimes necessary to consider revising a country's history for an entire period, whatever the academic cost of such an undertaking is. Such is the case when specialised monographs have been produced for decades without inducing a discussion on their historical foundations. This assumption can be applied to Swiss post-First World War history. Despite advances in research, historiography suffers from a lack of

synthesis and international perspective on the Swiss case. For foreigners, Swiss history may appear to be a strange patchwork that is difficult to link with the European context.¹

In foreign countries, monographs on international relations after the First World War, peace treaties, reparations, or the League of Nations are innumerable; however, in Switzerland, the history of foreign policy between 1918 and 1929 is incomplete, except for some narrow case studies and out-dated analyses of neutrality whose relevance is questionable.² The country's domestic history is not well developed. Although some articles and books have addressed the general strike of November 1918, the financial policy, or the political parties, no general view is distinguishable, and substantial gaps remain. Notably, no relevant study exists regarding the overall evolution of the Swiss economy during the 1920s; the only work ever realised about the crisis at the beginning of the decades is a master's thesis

(1) The following article is a beautiful example of this eclecticism: Pierre Eichenberger, Thomas David, Lea Haller, Matthieu Leimgruber, Bernhard C. Schär and Christa Wirth, « Beyond Switzerland: Reframing the Swiss Historical Narrative in Light of Transnational History », *Traverse. Zeitschrift für Geschichte*, 1, 2017, 137-152.

(2) Mauro Cerutti, « La politique extérieure, de la Première à la Deuxième Guerre mondiale », *Traverse. Zeitschrift für Geschichte*, 1, 2013, 215-241.

written 40 years ago.¹ Regarding comprehensive overviews, Hans Ulrich Jost's chapter on 1914–1945 in the *Nouvelle histoire de la Suisse et des Suisses*, published for the first time in 1983, remains the reference work. Nonetheless, this text was incisive regarding the 1930s and the Second World War. There were no strong theses within this chapter on the preceding decade, except for a few interesting thoughts on the non-contemporaneity of Swiss culture compared with other dimensions of Swiss society.²

These gaps might seem unimportant if Swiss history in the years after the First World War were not tinged with a deep contradiction. Some historians have insisted on the acuity of social confrontations caused by the war despite the preservation of neutrality and their impact on the Swiss policy during the 1920s. Other historians, on the contrary, have described a conservative society that was almost hermetic to the European crisis after the First World War.³ This tension between changes and immobility is present to some extent in the whole of European history. After the intense economic and political troubles at the end of the war and at the beginning of the 1920s, a period of appeasement occurred starting in the mid-1920s, during which conservatism and monetary stability were coupled with the short-lived pacification of international

relations. However, the situation was different in Switzerland due to the Swiss Confederation's non-participation in the hostilities; the political and economic upheavals caused by the war remained, according to international standards, at a small magnitude. The return to order had therefore been achieved in Switzerland before other larger European countries did so, and it was more complete. Conversely, this does not mean that the Swiss economy and Swiss society did not transform. This is the paradox that this article addresses.

The paper proposes the thesis that, more than the social troubles after the war and the repressions and concessions with which they were contained, the maintenance of strong continuity in Swiss policies was a crucial feature that enables an understanding of the country's evolution. The decisive political actions were the rapid return to the financial normalcy of the pre-war period and the stabilisation of the franc. The constancy of policies transformed Switzerland into a liberal-conservative bastion in the middle of Europe, a position that Swiss elites actively occupied and preserved in subsequent decades. The key to the problem is that the constancy of the Swiss policies, along with the strengthening of right-wing tendencies, caused deep mutations. Because of its differences in policy with foreign countries, this permanence triggered structural transformations in the Swiss economy and strengthened the Confederation internationally. In other words, it is only when one puts Switzerland's situation into the broader European context and demonstrates how its policy partially took the opposite approach by comparing it to large European countries that one can understand the significance of the country's evolution after the First World War. Beyond Swiss history, the article also has broader relevance from a methodological point of view. By proposing a new historical analysis whose relevance should be tested on other small, neutral countries in Europe during the 1920s, this article advocates

(1) Dieter Fahrni, « Die Nachkriegskrise von 1920-1923 in der Schweiz und ihre Bekämpfung », Master Thesis, University of Basel, 1977.

(2) Hans Ulrich Jost, « Menace et repliement, 1914-1945 », in *Nouvelle Histoire de la Suisse et des Suisses*, Lausanne, Payot, 2004, 716-725. The most comprehensive study on the inter-war period in Switzerland dates to the 1970s: Roland Ruffieux, *La Suisse de l'entre-deux-guerres*, Lausanne, Payot, 1974. See, more recently, Jakob Tanner, *Geschichte der Schweiz im 20. Jahrhundert*, München, C. H. Beck, 2015.

(3) Compare, for instance, Adrian Zimmermann, « Klassenkampf und Klassenkompromiss: Arbeit, Kapital und Staat in den Niederlanden und der Schweiz, 1914-1950 », PhD Thesis, University of Lausanne, 2012, and Ruedi Brässel-Moser, *Dissonanzen der Moderne. Aspekte der Entwicklung der politischen Kulturen in der Schweiz der 1920er Jahre*, Zürich, Chronos, 1994.

the necessity to internationalise national histories.

Social Destabilisation

A significant crisis erupted in Switzerland at the end of the war. The most acute expression of this crisis was the general strike at the armistice on 12 November 1918, in which 250,000 workers, responding to the call of Socialist and syndicalist rulers, stopped working. In the main cities of the country, important demonstrations were organised. After some confrontations between the labour movement and the army, the left capitulated on the night of 14 November. Swiss historians have written numerous pages on these extraordinary events in Swiss history.¹ However, compared to the social conflicts in belligerent countries at the end of the war, the general strike remains quite anecdotal. It only makes sense when placed amidst a longer period of troubles between the middle of 1917 and the second half of 1919.

During these two years, the political stability of the Swiss Confederation was challenged in two ways. First, Swiss rulers had to make a difficult change in their previous orientations regarding international relations. The persistence of neutrality initially seemed to dominate Swiss foreign policy. Recognised at the Congress of Vienna in 1815, neutrality was immediately confirmed by the government at the beginning of the hostilities on 4 August 1914. Although the sovereignty of the territory was essentially preserved because of belligerent countries' military calculations, the policy of neutrality found real expression during the war, for example, in the asylum granted to refugees or deserters. However, this perpetual neutrality dissimulates the fact that belligerent countries committed severe infractions against

the economic sovereignty of Switzerland during the war, and that the majority of Swiss elites initially had a clear affinity with the Central Powers. From the Belle Époque onwards, Swiss foreign policy was marked by a German orientation, visible in its commercial, diplomatic, and military relations. This affinity sometimes went so far that Entente countries suspected Switzerland of being an informal part of the Triple Alliance. During the war, most members of the Swiss government remained sympathetic to the Central Powers. The army went even further: Its highest officer, General Ulrich Wille, pushed for entry into the war in the summer of 1915, after Italy had joined the Entente.²

From the spring of 1917 onwards, Swiss foreign policy was at a turning point after a resounding scandal that followed a series of affairs. The implication of Foreign Affairs Minister Arthur Hoffmann in political steps aimed at facilitating the conclusion of a separate peace between Russia and Germany led to his dismissal on 18 June 1917 amidst strong pressure from the Entente. His replacement by Gustav Ador, a Genevan politician known for his Francophile tendencies, was considered a first move towards an orientation more favourable to the allied countries. However, Switzerland radically changed its foreign policy only at the very end of the war because of the events on the battlefields and its increased economic dependency on the Entente and the United States. The international rehabilitation of Swiss rulers was achieved only a year and a half later, at the beginning of 1920, when Geneva was selected for the seat of the League of Nations, and the winning powers formally

(1) Roman Rossfeld, « Streik! Wege und Desiderate der Forschung zur Geschichte des schweizerischen Landesstreiks vom November 1918 », *Archiv für Sozialgeschichte*, 57, 2017, 413–437.

(2) Max Mittler, *Der Weg zum Ersten Weltkrieg. Wie neutral war die Schweiz?*, Zürich, Neue Zürcher Zeitung, 2003. See also Pierre Luciri, *Le Prix de la neutralité. La diplomatie secrète de la Suisse en 1914–1915*, Geneva, Institut des hautes études internationales, 1976; Heinz Ochsenbein, *Die verlorene Wirtschaftsfreiheit, 1914–1918. Methoden ausländischer Wirtschaftskontrollen über die Schweiz*, Bern, Stämpfli, 1971.

recognised the specificity of Swiss neutrality. Switzerland would not have to enforce the military sanctions of the League in the future, which would, paradoxically, facilitate the preservation of balanced relations with Germany.¹

Second, within the country, the Federal Council had to face other political threats. The Hoffmann scandal delegitimised the government, and it widened the gap between the French-speaking part of Switzerland, where the vast majority favoured the Entente, and the German-speaking part, which was sympathetic to the Central Powers. Nevertheless, opposition to the government's policy was, above all, stimulated by the authoritarian tendencies of the Federal Council and its tactless use of the full authority granted by the Parliament at the beginning of the war. Economic policy remained remarkably lax, while no real concessions on social policy were made to diminish the harsh living conditions of the population. At the beginning of 1918, the decision to impose compulsory public employment triggered fierce contestations by the left. Inflation further inflamed this opposition and was the most important cause of instability at the end of the war. Coupled with difficulties in food importation, the decrease in purchasing power was comparable to that of the Entente countries. The inflation strengthened the Socialist Party's opposition and increased the number of members of the Swiss Trade Union Federation, which more than tripled between 1914 and 1920.²

In spite of neutrality, the confrontation between the forces of movement and those of order at the end of the war also affected the Swiss society. Conflicts between the left and

the ruling circles in Switzerland were part of the political turmoil in Europe between 1917 and 1919, and they were deeply influenced by the German revolution. Before that, these confrontations were prompted by the radicalisation of Swiss Socialists, who were stimulated by their intense contact with Russian revolutionary refugees inside the Swiss Confederation during the war (e.g., Lenin). However, most of them finally adopted a political line comparable to the German Independent Socialists rather than the Russian bolsheviks.³ Despite all these facts, however, the Swiss case distinguishes itself from the belligerent countries because of the relatively limited extent of the conflicts and their results, which were more favourable to the forces of order. Although some direct confrontations still occurred between the two sides during the first part of 1919, the situation began to stabilise in the summer. The number of strikes was relatively notable in 1920, but strikes decreased significantly in the following years.

What were the consequences of these social confrontations at the end of the war? Historians close to the labour movement have somewhat exaggerated the supposed short- and long-term benefits of the general strike despite the repression of the demonstrations.⁴ The Swiss government and the employers granted two concessions in 1919: the proportional representation of the Parliament's lower house and the 48-hour workweek. Nevertheless, the first concession was, in fact, already accepted before the general strike; hence, the Socialists only gained an anticipated election in the aftermath of the strike. Moreover, even if 41 Socialists were elected to the National Council at the end of 1919, compared to 20 before, the Radical Party (i.e., the liberal centre-right), whose

(1) *Documents diplomatiques suisses*, Bern, Benteli, vol. 7/I, 1979, vol 7/II, 1984 and vol. 8, 1988. See also Hans Kunz, « La Suisse, le bolchevisme et le système de Versailles: foyer de la révolution mondiale ou siège de la Société des nations ? », *Revue suisse d'histoire*, 32, 1982, 158-162.

(2) Willi Gautschi, *Der Landestreik 1918*, Zürich, Benziger, 1968.

(3) Bernard Degen and Julia Richers (ed.), *Zimmerwald und Kiental. Weltgeschichte auf dem Dorfe*, Zürich, Chronos, 2015.

(4) Marc Vuilleumier (ed.), *La Grève générale de 1918 en Suisse*, Geneva, Grounauer, 1977, 36-37 ; *Centenaire de la grève générale !*, Union syndicale suisse, 2018.

number of seats declined from 103 to 60 from a total of 189, quite logically chose to establish an alliance with the Catholic-Conservative Party to consolidate its power over the federal state.¹ In 1920, two Conservative politicians instead of one were members of the government in addition to five Radicals. Despite its quick shift to a reformist attitude after the first aborted attempt by Socialist rulers to join the Third International, the left remained on the margin of decision-making processes in Bern throughout the 1920s.

The 48-hour workweek was therefore the only real concession made for workers after the strike and was inscribed in the law on 22 June 1919. It is possible that this concession would have been granted even without the general strike, as most European countries did the same at that time. In fact, the rallying cry of employers for the 48-hour week at the beginning of 1919 was deeply influenced by foreign countries' acceptance of this measure. Except for this change, the Welfare State did not expand after the war in Switzerland. The central state did not introduce, for instance, health insurance or an unemployment scheme. Social security essentially relied on private insurance, trade union funds, and cantonal and communal assistance, although the Confederation sometimes helped insurance with subventions, which was eventually put into law in 1924.² From 1877 onwards, Switzerland had benefitted from progressive legislation on factories by international comparison, yet it now lagged behind other European countries regarding social policy. Swiss workers were not much better protected than before the war, despite years of economic crises during the interwar period.

There was only a minor increase in their purchasing power—an average of one-tenth in the mid-1920s compared to 1913—and consumption habits did not change. However, the population worked less.

Other indirect, long-term effects of the general strike are sometimes cited to prove that, in the end, it was a victory of the vanquished; for example, the introduction of federal life insurance or the granting of voting rights to women. This interpretation is almost laughable, as these measures were taken several decades after the end of the war. Despite the implementation of a constitutional article in 1925 on this matter, federal life insurance was introduced after the Second World War, in 1948, while voting rights for women were only accepted in 1971.³ In reality, the opposite interpretation appears to be correct: If it took so long to fulfil these demands, it was because the bourgeois alliance was strong enough to condemn them after the First World War. The Swiss bourgeoisie did not become really afraid of a confrontation with the left because of only three days of troubles, but, despite strong repression, the general strike did not generate a reaction from the right, which could have dominated policy during the entire 1920s. On the contrary, the relative easiness with which the labour movement was opposed proved that, compared to Germany, for instance, it was possible to simply ignore its revendications claims in Switzerland.

Political Restoration

Switzerland was one of the few European countries that achieved a return to order in 1920 when a conservative wave ran across Europe. As inflation diminished in most countries and the reconversion crisis had not yet

(1) Unless mentioned otherwise, all statistics of the article come from the Historical Statistics of Switzerland: <http://www.hssso.ch>.

(2) Brigitte Studer, « Ökonomien der sozialen Sicherheit », in Patrick Halbeisen, Margrit Müller and Béatrice Veyrassat (ed.), *Wirtschaftsgeschichte der Schweiz im 20. Jahrhundert*, Basel, Schwabe, 2012, 935–941.

(3) Matthieu Leimgruber and Martin Lengwiler (ed.), *Umbruch an der « inneren Front ». Krieg und Sozialpolitik in der Schweiz, 1938–1948*, Zürich, Chronos, 2009; Brigitte Studer, Regina Wecker and Béatrice Ziegler (ed.), « Les femmes et l'État », *Itinera*, 20, 1998.

started, contemporaries perceived a definitive political and economic stabilisation after the post-war troubles. However, this 'world-wide thermidor', in Charles Maier's words,¹ would be short-lived in previously warring countries. During the second half of 1921, inflation in Germany and in Austria increased, while the relations between powers were deeply shaken by the conflicts over reparations and war debts, all of which happened during a difficult economic recession. The crisis reached its peak at the beginning of 1923 with the Ruhr occupation by French and Belgian troops after Germany sunk into hyperinflation.

The conservative turn was achieved in Germany in 1924, with the implementation of the Dawes Plan and the beginning of a series of centre-right coalitions dominated by the Zentrum, the Catholic party. In France and Belgium, two years later, national union governments replaced centre-left coalitions, which made monetary and political stabilisation possible. Even if conservatism was more firmly fixed after the war in Great Britain, the Labour Party rose to power for the first time in 1924, and in 1926, the country confronted acute social tension with the nine-day general strike. Meanwhile, in Italy, the fascist regime was firmly established after the liquidation of democratic institutions. Karl Polanyi was correct: The Roaring twenties were politically conservative.² Thus, if one widens the spectrum of analysis to include Southern and Eastern Europe, these years were marked by authoritarianism in many countries.

Stabilisation therefore occurred much faster within the Confederation compared to bordering countries. After the entry of a second Catholic-conservative politician into the government, the repartition of seats among the

parties remained unchanged until 1929; then, a member of the Party of peasants, craftsmen and bourgeois, which was created at the end of the war, joined the right coalition. The main axes of federal policy were also designed at the beginning of the 1920s, and they were not questioned afterwards. Between the end of 1919 and the beginning of 1920, four of the seven members of the Federal Council were replaced, which is quite extraordinary in the history of Swiss politics. Nonetheless, it was continuity and not transformation that prevailed in this matter. The newly elected Catholic federal councillor, Jean-Marie Musy, an ultra-conservative politician born in the rural canton of Fribourg who was quite close of the ideas of Dollfuss, was the exacerbated personification of the three axioms of Swiss policies after the First World War: the dogma of monetary and financial orthodoxy, the importance of peasantry in social stabilisation, and the decline of liberalism.³

The reaction against the labour movement was linked to this programme, but it was not its most essential aspect. Moreover, even if Swiss society did not lack reactionary tendencies, as the proliferation of civil guards demonstrates, the government was unable to validate some actions directed against the Socialists and the trade unionists through popular vote. On 24 September 1922, for instance, the Federal Council was defeated when the Minister of Justice, Heinrich Häberlin, tried to revise the penal code to increase the authorities' power to repress political opposition. Once again, on 17 February 1924, the Swiss population opposed the government when the Minister of Economics, Edmund Schulthess, wanted to contest the 48-hour week.⁴ Furthermore, the three orientations mentioned above were not

(1) Charles S. Maier, *Recasting Bourgeois Europe. Stabilization in France, Germany and Italy in the Decade After World War I*, Princeton, Princeton University Press, 1975, 138.

(2) Karl Polanyi, *The Great Transformation*, New York, Farrar and Rinehart, 1944.

(3) Daniel Sebastiani, « Jean-Marie Musy (1876-1952), un ancien conseiller fédéral entre rénovation nationale et régimes autoritaires », PhD Thesis, University of Fribourg, 2004.

(4) Ruffieux, *La Suisse de l'entre-deux-guerres*, 128-130.

new; all of them were already perceptible during the Belle Epoque. First, financial orthodoxy meant, above all, the willingness to re-establish the policies implemented before 1914, despite the destabilisation caused by the war. Second, the political integration of rural regions dates to the end of 19th century. In 1891, at a time when Socialists were still quite weak, the first Catholic-conservative entered into the Federal Council, while the employers of large industries simultaneously started to experience a clientelist rapprochement with the peasantry.¹ Third, during the decade before the war, Swiss politics experienced a hardening of rightist tendencies, especially among the Swiss intelligentsia.² Switzerland was thus hit by the crisis of liberalism that occurred in Europe at the turn of the century.

After the war, these three tendencies dominated federal policy. The restoration of the Swiss franc to its pre-war rate constituted the main axis of confederal policy. The return to order was, above all, a return to the monetary environment before the war. The value of the franc, undepreciated despite inflation, became a metaphor for a country that preserved its values despite the political troubles at the end of the war. Pegging the currency to gold sustained some business interests, but it went beyond strict economic calculations. It was, in a sense, a moral crusade, and once achieved, it became a point of national pride. From his first day of integration into the Federal Council, Jean-Marie Musy lobbied for a rigorous deflation to restore a balanced budget through an austerity programme, while the Swiss National Bank stopped its small infringements to orthodoxy

committed during the war.³ Although the Swiss currency passed through periods of weakness compared to the dollar, before its definitive stabilisation at the pre-war rate in 1924, the choice of monetary stability meant, in fact, a rise in the relative value of the franc because of the rapid depreciation of other European currencies. The move was comparable to the British defence of the pound, which aimed at counteracting the rise in power of the United States' financial centre. The stable franc thus became a strong franc, causing mutations of the Swiss economy during the 1920s. This is further explained in the last chapter of this article.⁴

This choice was not natural; it had a real cost. However, although austerity and the strong value of the franc aggravated the economic crisis in Switzerland at the beginning of the 1920s, orthodoxy was, on the whole, less expensive for the Swiss economy than for its British counterpart because state debt and public expenditures increased much less in Switzerland during the war. Consequently, despite the introduction of a direct federal tax in 1915, the taxation of income and wealth were relatively inexpensive by international comparison, whereas assessment and control remained almost exclusively in the hands of regional authorities who were ineffective because of federalism. Moreover, due to the import of foreign capital, interest rates remained at a low level by international standards. These factors contributed to the surprising attitude of industrialists; most did not oppose the strong franc, even though it curbed

(1) Cédric Humair, *Développement économique et État central (1815-1914). Un siècle de politique douanière suisse au service des élites*, Bern, Peter Lang, 2004.

(2) Hans Ulrich Jost, *Les Avant-gardes réactionnaires. La naissance de la nouvelle droite en Suisse, 1890-1914*, Lausanne, Ed. d'En bas, 1992; Alain Clavier, *Les Helvétistes. Intellectuels et politique en Suisse romande au début du siècle*, Lausanne, Ed. d'En bas, 1993.

(3) Sébastien Guex, *La Politique monétaire et financière de la Confédération suisse, 1900-1920*, Lausanne, Payot, 1993. Compare the Swiss case with Germany: Gerald Feldman, *The Great Disorder. Politics, Economics, and Society in the German Inflation, 1914-1924*, Oxford, Oxford University Press, 1993.

(4) See, for an international perspective, Christophe Farquet, « Dettes publiques et politiques économiques en Europe pendant les années folles », *L'Economie politique*, 81, 2019, 86-104.

their exports to foreign markets.¹ Monetary stability had other advantages for Swiss industries: It lowered the cost of importation for the transforming industries that predominated in Switzerland, and it increased the financial power that enabled their acquisition of new companies abroad. Finally, in Switzerland, as in other countries, the restoration of the gold standard was not only a goal in itself; it was also a means to achieve other political objectives. Within the country, the gold standard became a sort of constraining ring to legitimate austerity towards working people after inflation. Moreover, it reinforced the international position of the Swiss Confederation and its new financial power.

During the 1920s, the financial and monetary return to order was more complete in Switzerland than in formerly belligerent countries. Whereas the rate of the French franc was divided by five, and the mark lost its entire value during a period of hyperinflation, the Swiss banknote weighed as many golden grams as in 1913. Moreover, the size of the state continued to be limited, and its structure remained highly decentralised. The ratio of all public authorities' expenditures divided by the national income increased by approximately one third between the pre-war years and 1925. However, this growth was moderate compared to the United Kingdom, where the ratio was twice as high as the Swiss ratio in the mid-1920s. In other words, facing the arbitrage between inflation and taxation that all governments had to solve to reduce the war debts, Swiss rulers, on account of the Swiss Confederation's non-participation in the hostilities, could opt for deflation without having to support a substantial rise in taxes. This evolution against the mainstream in Europe

accelerated the transformation of Switzerland into a tax haven.² Financial attractiveness also increased because the stabilisation of the Swiss franc was undertaken without using exchange controls and substantial restrictions to capital flows. Banking in Switzerland remained remarkably shielded from public control. The sector regulated itself with the intervention of the Swiss Bankers Association.³

This tour-de-force—the association of monetary stability, containment of the state, and financial liberalism—could not succeed without a strong social basis. This is the second main feature of Swiss policy after the war. The political deal between the Radicals and the Catholic-conservatives found an economic expression in the consolidation of the alliance between the employers of large companies, represented by the Swiss Federation of Commerce and Industry, and the peasantry, supported by the Swiss Peasants' Union. From 1921 onwards, to protect the country's uncompetitive agriculture, which was the victim of monetary dumping from foreign countries with depreciated currencies, Switzerland became one of the most protectionist countries in Europe regarding food importation. Federal subventions to the peasantry increased at the same time. For industrial employers, these concessions were not painless. Protectionism meant a higher cost of living and a higher cost of work. Subventions to agriculture also burdened the state budget and threatened financial orthodoxy.

On the whole, these compensations were bearable for large business interests. They were viable solutions to secure the support of the peasantry for deflationist policy even though it was a priori against farmers' interest because

(1) See, on the political orientations of Swiss export industry, Hanspeter Schmid, *Wirtschaft, Staat und Macht. Die Politik der schweizerischen Exportindustrie im Zeichen von Staats- und Wirtschaftskrise, 1918–1929*, Zürich, Limmat Verlag, 1983.

(2) Christophe Farquet, *La Défense du paradis fiscal suisse avant la Seconde Guerre mondiale. Une histoire internationale*, Neuchâtel, Alphil, 2016.

(3) Yves Sancey, *Quand les banquiers font la loi. Aux sources de l'autorégulation bancaire en Suisse et en Angleterre, de 1914 aux années 1950*, Lausanne, Antipodes, 2015.

it compressed the population's purchasing power. This unnatural alliance proved highly effective: On 3 December 1922, rural cantons overwhelmingly refused the implementation of a capital levy proposed by the Socialists through a popular vote. Although the tax was intended to affect only high fortunes, a ratio of more than seven voters to one rejected it. Moreover, the increase in tariffs had some positive effects for capitalists. It was a useful tool to rebalance the budget without extensively using direct taxation. In the mid-1920s, two-thirds of the tax receipts of the Confederation were secured by tariff revenue.¹ The increase also provided Swiss rulers with a means to obtain lower custom duties from other countries for Swiss exports within commercial negotiations.

Although financial orthodoxy in Switzerland was coupled with the conservation of an unregulated banking environment, it did not cause the liberalisation of the Swiss economy. In fact, it led to the opposite, which is the third orientation of Swiss policy. Economic liberalism was, in several respects, in decline after the war, and commercial protectionism was not the only expression of this trend. For instance, Swiss industries became more and more cartelised after the war.² Financial stabilisation also contributed to the weakening of political liberalism in Switzerland. The implementation of austerity stimulated authoritarian political practices in the Federal Council. As it necessitated strong financial discipline, the re-establishment of the gold standard in Switzerland, as in other countries, was not well suited to parliamentarianism. Preserving the attitude it had during the war, the Swiss government used its full authority to rebalance the budget at the

beginning of the 1920s before it avoided popular referendums on economic issues via the emergency clause.

Thus, paradoxically, the return to financial and monetary normalcy strengthened anti-liberal tendencies in Switzerland. After the war, liberalism delegated the revivification of political thinking to its right wing, and this renewal often based its models on the past. The most influential thinker in Switzerland during this period was Gonzague de Reynold, an intellectual equivalent to Musy, who came from the same rural canton. This historian, who professed fantasies about the deep roots of the Swiss race and defended social conceptions inspired by the Middle Ages, became a sort of *éminence grise* for several members of the Federal Council.³ After 1918, Switzerland was no longer a model of democracy in Europe because, unlike Germany, for instance, the feminine half of the population could not vote. In a way, it was only by default that Swiss democracy recovered its brilliance during the rest of the interwar period, while other European countries sank into the darkness of dictatorship.

In summary, if Swiss society remained liberal by international comparison after the war, it was only because the size of the state remained smaller than in belligerent countries and because financial markets, currency transactions, and banking systems were extremely deregulated. During the rest of the 20th century, Swiss liberalism meant financial ultra-liberalism, protected by a weak state inside a highly conservative society. This is the real essence of liberal-conservatism.

Economic Mutation

After the war, Swiss society was a strange mixture of *passeism* and modernism, of immobility

(1) Cédric Humair, « Qui va payer la guerre ? Lutttes socio-politiques autour de la politique douanière suisse, 1919-1923 », in Valentin Groebner, Sébastien Guex and Jakob Tanner (ed.), *Économie de guerre et guerres économiques*, Zürich, Chronos, 2008, 157-176.

(2) Alain Cortat (ed.), *Contribution à une histoire des cartels en Suisse*, Neuchâtel, Alphil, 2010.

(3) Aram Mattioli, *Gonzague de Reynold. Idéologue d'une Suisse autoritaire*, Fribourg, Éditions universitaires de Fribourg, 1997.

and transformation.¹ The farming population, comprised principally of small landowners, lived in the countryside, while urbanisation slowed compared to the pre-war evolution; nevertheless, Switzerland became an important banking centre in Europe. Although the Swiss economy was one of the richest in the world, Swiss society was deeply permeated with traditional values and a nationalism tinged with xenophobia. The official cultural policy of the Swiss Confederation spread this introverted ideology, which was stimulated by the years of war and the revolutionary troubles in neighbouring countries after the armistice. Although the avant-garde influenced Swiss arts to a limited extent, it is difficult to see how Swiss culture was integrated into the so-called 'années folles'. Dada was in Zürich during the war, but it moved to Paris after the conflict. Swiss culture remained essentially regionalist: Amidst the turmoil in Europe, it sometimes split up and emigrated, while numerous artists found a comfortable refuge in the Alpine landscapes and the myths of the past.²

What seem to be examples of dissonance in one country or expressions of non-contemporaneity between different structures of the same society are, in fact, the results of political choices that were conscientiously made by Swiss rulers regarding opportunities based on neutrality and according to the balance of power between social groups. More than a simple reaction of the right against the left, liberal-conservatism was erected as a model. It was the basis of the so-called consensual democracy, which the Swiss political system stimulated with obstructionist capacities offered to opponents via popular referendum; but at that time, Swiss Socialists were still excluded

from it. Both the Radicals and the Catholic-conservatives acknowledged the premises of liberal-conservatism. They persuaded the peasants who admired the Alps from their apple fields in Bramois and the bankers of the Credit Suisse who placed their foreign clientele's money all over the world from their offices in Zürich Paradeplatz. While liberal-conservatism was the cement of the confederal house, federalism was its roof. After the war, political decentralisation was a means for large business interests to contain state expansion and stimulate fiscal competition between the cantons. Moreover, for the rural population, decentralisation was a central goal in itself to avoid being dominated by the decisions made in Bern. In a way, the strength of the central state, whose expenditures amounted to no more than one-fourth of all the expenditures of public authorities in Switzerland, relied on the fact that it had remained weak.

Abroad, economic stabilisation and political programmes aimed at decreasing state interventionism, but this was only imperfectly achieved in the great powers. Moreover, states such as in Germany consolidated their role as arbitrators between capital and labour through implementing corporatist decision-making processes. After the war, this kind of neo-corporatism attracted the Swiss elites, who were inspired by Taylorism, Christian doctrines on pacification between classes, or the important role umbrella associations played starting at the end of the 19th century in Switzerland. In practice, however, neo-corporatism remained more business-orientated in this country.³ Before the Great Depression, Switzerland's almost exclusive example could be found in the intensification of the cooperation between employers' associations and their

(1) Brassel-Moser, *Dissonanzen der Moderne*.

(2) Hans Ulrich Jost, « Politique culturelle de la Confédération et valeurs nationales », *Histoire et société contemporaine*, 6, 1987, 19-38. On the decline of avant-garde exhibitions in Switzerland after 1920, see Hans Lüthy (ed.), *L'Art en Suisse, 1890-1980*, Payot, Lausanne, 1983, 42.

(3) See, on corporatism, Christian Werner, *Für Wirtschaft und Vaterland. Erneuerungsbewegungen und bürgerliche Interessengruppen in der Deutschschweiz, 1928-1947*, Zürich, Chronos, 2000; Philippe Maspoli, *Le Corporatisme et la droite en Suisse romande*, Lausanne, University of Lausanne, 1993.

influence over federal policies. Although some signs of integration could be distinguished from the mid-twenties onwards, trade unions remained at the margins of this process.¹

Liberal-conservatism was, above all, the choice to return as soon as possible to the financial and monetary pre-war environment while accepting some moderate changes in economic policies and consolidating the conservative tendencies of the Belle Époque. It was a show of strength by the Swiss bourgeoisie permitted by the relatively limited impact of the war on Swiss society. However, as this policy was pursued before it was applied in former warring countries and with more completeness in Switzerland, it led to important changes within the Confederation. Conservation, and not the willingness for transformation, paradoxically caused the deepest mutations in the country. The economy demonstrated this. Three tendencies can be identified in the Swiss economy during the 1920s: internationalisation, nationalism, and concentration, all of which were, to some degree, the result of the rapid return to financial and monetary normalcy.

The first tendency, internationalisation, was perceptible in the financial sector. During the two decades before the war, the Swiss banking centre developed as manifested in the prosperity of large commercial banks and the growth of stock markets. Swiss foreign investments was considerable: Relative to the size of its population, Switzerland ranked first in the world among exporters of capital before the beginning of the conflict. This exceptional position was linked to the fact that capitalists from Germany or France, for instance, used Swiss territory to establish international businesses.² However, the First World War and the

first post-war period marked a rupture in Swiss banking history. At that time, Switzerland became a privileged haven for foreign capital that was escaping the war, deep political destabilisation, monetary depreciation, and a severe rise in taxes. Wealth-owners found advantageous fiscal and monetary conditions in the Swiss Confederation that were quite similar to those of the Belle Époque and benefitted from protection against state controls because of banking secrecy. Significant amounts of money flowed into Switzerland, or passed through it, even if the magnitude of the transactions was slightly concealed by the depreciation of currencies. At the beginning of the 1920s, 10 billion Swiss francs had probably found refuge in Switzerland (i.e., the equivalent of the gross domestic product).³

This mutation of the Swiss Confederation into a haven for capital flight was one of the clearest expressions of the transformations paradoxically induced by the conservation; its main cause was the maintenance of financial liberalism against the trend abroad. However, conservatism was a conscious choice Swiss rulers made to stimulate banking activities, as shown by tax policies, for instance. At the same time, Swiss industries became intensely internationalised during the 1920s. This trend was clearly accelerated by financial and monetary policies.⁴ The strength of the franc was itself a factor in the multinationalisation of industries, as it increased the financial power of Swiss companies to implement or acquire new establishments in foreign markets with depreciated

(1) Bernard Degen, *Abschied vom Klassenkampf. Die partielle Integration der schweizerischen Gewerkschaftsbewegung zwischen Landesstreik und Weltwirtschaftskrise, 1918-1929*, Basel, Helbing und Lichtenhahn, 1991, 305.

(2) Paul Bairoch, *Victoires et Déboires. Histoire économique et sociale du monde, du 16^e siècle à nos jours*, Paris, Gallimard, 1997,

vol. 2, 317-318; Raymond Poidevin, *Les Relations économiques et financières entre la France et l'Allemagne de 1898 à 1914*, Paris, Ed. du CHEFF, 1998.

(3) Christophe Farquet, *Histoire du paradis fiscal suisse. Expansion et relations internationales du centre offshore suisse au 20^e siècle*, Paris, Presses de Sciences Po, 2018.

(4) See, for instance Albert Masnata, *L'Émigration des industries suisses*, Lausanne, Vaney-Burnier, 1924; Roman Rossfeld and Tobias Straumann (ed.), *Der vergessene Weltkrieg. Schweizer Unternehmen im Ersten Weltkrieg*, Zürich, Chronos, 2008.

currencies. The leading sectors of the Swiss export industries, such as textiles, machines, chemistry, or food production, created a vast number of parent companies abroad. It is possible that, at the beginning of the Great Depression, the number of foreign units Swiss multinational companies owned had doubled compared to the pre-war period.¹ The stagnation of industries in Switzerland during the 1920s, as shown by the number of workers and the level of trade, was therefore not necessarily a sign of Swiss companies' decline but a consequence of structural changes in their production.²

The internationalisation of Swiss capitalism was accompanied by a reverse trend towards economic nationalism. This paradox can be found in other rich economies at the end of the 19th century. In Switzerland, this contradiction only became apparent after the war. Commercial protectionism was the price of the gold standard without committing severe infringements upon financial liberalism. Beyond this policy of compensation in favour of the peasantry, nationalism was also linked to the internationalisation of the Swiss economy. While European capital was exported en masse to Switzerland, Swiss employers profited from the financial weakening of France and Germany to eliminate foreign influence. Whereas internationalisation was often coupled with subordination before the war, it now accompanied emancipation. Capital exports to Switzerland after the war meant the emigration of fearful capitalists' wealth, not imperialistic

acquisitions within companies. To secure dominance in their own national economy and profit from their new financial strength, Swiss rulers implemented legal barriers to limit, for instance, foreign representation on the boards of Swiss companies.³ Meanwhile, regarding the establishment of foreign banks in the Swiss market, they remained exceptional.

After the war, the Swiss Confederation was an international crossroads for immense flows of money and a fortress that bankers and industrialists heavily protected. This was not a hazardous contradiction; it was the result of a strategy based on the new financial attractiveness of the country and the economic exhaustion of former belligerent countries. Economic nationalism went beyond that; it found another clear expression in the international flow of people. Swiss tourism had to re-orientate its activities towards home clientele, as inflation abroad diminished the purchasing power of foreigners in Switzerland.⁴ Immigration policy also changed dramatically. Before 1914, Switzerland, compared with other Western European countries, had the highest percentage of foreigners living in its territory. After the Great War, however, severe measures were introduced to address this matter. Foreign population comprised almost 15% of the whole population in 1914, but this figure decreased by one-third until 1920.⁵ Later, instead of adopting a real strategy to attenuate the economic crisis—a passive attitude hindered by the constraints imposed on the federal policies by maintaining the gold standard—restrictions on

(1) Margrit Müller, « Internationale Verflechtung », in Halbeisen, Müller and Veyrassat (ed.), *Wirtschaftsgeschichte der Schweiz*, 358.

(2) See, on the development of Swiss industries after the war, Paul Bairoch, « L'économie suisse dans le contexte européen, 1913-1939 », *Revue suisse d'histoire*, 34, 1984, 468-497. The trend towards multinationalisation was highly perceptible in the silk industry. See, for instance, Michael Bernegger, « Die Zürcher Seidenindustrie von der Industrialisierung bis zur Gegenwart », in Barbara E. Messerli (ed.), *Seide. Zur Geschichte eines edlen Gewebes*, Zürich, Neue Zürcher Zeitung, 1986, 85-87.

(3) Thomas David, André Mach, Martin Lüpold, and Gerhard Schnyder, *De la « Forteresse des Alpes » à la valeur actionnariale. Histoire de la gouvernance d'entreprise suisse, 1880-2010*, Zürich, Seismo, 2015.

(4) Cédric Humair and Laurent Tissot (ed.), *Le Tourisme suisse et son rayonnement international, 19^e-20^e siècles*, Lausanne, Antipodes, 2011, 9-54.

(5) Gérald Arlettaz and Silvia Arlettaz, « La Première Guerre mondiale et l'émergence d'une politique migratoire interventionniste », in Paul Bairoch and Martin Koerner (ed.), *La Suisse dans l'économie mondiale*, Zürich, Chronos, 1990, 324.

immigration became the main measure to fight unemployment during the Great Depression.¹ Strong currency, financial expansion, and economic nationalism were thus deeply correlated during the interwar.

The third tendency of the Swiss economy, concentration, can be explained, like the previous two, by the intrinsic dynamics of capitalism. However, the monetary and financial policies after the war also aggravated it in Switzerland. Everything went as if the constraints and opportunities generated by austerity and monetary stability increased the inequalities of economic competition. Among export industries, large multinational companies were able to limit the cost of the franc's strength through expansion abroad. For their part, the largest commercial banks, given their financial dimensions, could more easily sustain the losses induced by the crisis and the depreciation of foreign currencies at the beginning of the 1920s.² Agriculture and some craftsmen who produced for the home market were an exception to the trend towards concentration.³ In this sense, the war accelerated the creation of a dual economy in Switzerland: The first part consisted of highly competitive export industries, whereas the second part consisted of small producers who were protected from international competition by protectionist policies. This tendency is another expression of liberal-conservatism.

Finally, concentration in the Swiss industries was coupled with a rapprochement with the banking sector that started before the war but was consolidated by economic nationalism

after 1918.⁴ The twenties consecrated financial capitalism in Switzerland, which reinforced the preservation of the gold standard. If employers from industries favoured a strong currency—a monetary policy that they remarkably continued to support during the Great Depression—it was in addition to other factors because they represented banking interests. Despite the rapid expansion of multinational industrial companies, Switzerland became a rentiers' economy. The specialisation of its banks in international wealth management, the delocalisation abroad of a part of the industrial production, and the growth of the insurance sector transformed Switzerland, a pioneering country of industrialisation during the 19th century, into an economy based more and more on financial power. The development of the service sector partially highlights this phenomenon: Around 100,000 jobs were created between 1920 and 1930 in this sector within an active population of fewer than two billion people. For the first time, the tertiary sector's contribution to the gross domestic product exceeded the contribution of the secondary sector during the decade. This was a final effect of the political choices made by Swiss rulers after the Great War.

Conclusion

Liberal-conservatism remained, on the whole, the predominant political line in the Confederation during the rest of the 20th century. This affirmation is confirmed by the extraordinary stability of governmental coalitions: Until now, they have been always dominated by the centre-right, with no exception. The main goals of economic policies after the First World War—the stability of the currency, budgetary orthodoxy, and the preservation of

(1) Philipp Müller, *La Suisse en crise (1929-1936). Les Politiques monétaire, financière, économique et sociale de la Confédération helvétique*, Lausanne, Antipodes, 2010.

(2) Malik Mazbouri, « La Première Guerre mondiale et l'essor de la place bancaire helvétique », *Histoire, économie et société*, 32, 2013, 73-94.

(3) Werner Baumann and Peter Moser, *Bauern im Industriestaat. Agrarpolitische Konzeptionen und bäuerliche Bewegungen in der Schweiz 1918-1968*, Zürich, Orell Füssli, 1999.

(4) Gerhard Schnyder, Martin Lüpold, André Mach and Thomas David, « The Rise and Decline of the Swiss Company Network during the 20th Century », *Travaux de science politique*, 22, 2005, 1-70.

a weak, decentralised state—were maintained with remarkable continuity during the subsequent decades. Consequently, financial liberalism continued to be coupled with social conservatism, the Swiss economy preserved its duality, and foreign capital repeatedly found refuge in the Confederation. Nevertheless, several adjustments have been made during the 20th century: The left was integrated into the federal government in 1943 as a minority partner of the coalition, agriculture lost its political strength from the 1980s onwards because of the demographic decline of the peasantry, and the economic nationalism of the Swiss fortress was severely shaken by neoliberalism at the end of the century. In contrast to Europe, however, the continuity, not the transformation, is most remarkable in Switzerland.

This continuity was not definite after the First World War. The eruption of extreme right in 1933 and 1934 and then the failed attempts at a rapprochement between the Radicals and the Socialists demonstrate this. The non-participation of Switzerland in the Second World War explains the durability of liberal-conservatism until the present. Social concessions were more widespread at the end of this conflict in comparison to what happened in 1918. However, at the beginning of the ‘trente glorieuses’, Swiss politics, society, and economy evolved much more than during the first post-war period in opposition to the mainstream of European evolution. Once again, neutrality paralysed Switzerland, and, amidst mutations abroad, this led to a singular dynamic.¹

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Abstract

The article offers a new interpretation of Swiss history following the First World War. It argues that, thanks to the country's preservation of neutrality during the war and its relative internal stability in the following years, the Swiss Confederation transformed itself during the 1920s into a liberal-conservative bastion in the heart of Europe by combining a weak state and financial liberalism with growing political conservatism. In comparison to other nations that participated in the war, this evolution wrought a number of deep transformations, especially in the economic sphere. It is therefore only when we contextualise the Swiss case in its broader European perspective that we can understand its development during the 1920s.

(1) Christophe Farquet, « Hard Power. Girault contre la Sorbonne », *La Règle de l'art, Revue d'histoire contemporaine*, 2, 2021.