

The Swiss National Bank's gold transactions with the German Reichsbank from 1939 to 1945

Robert Vogler*, 1984

1. Introduction

The gold policy adopted by the Swiss National Bank (SNB) during the Second World War has long been a controversial chapter in Switzerland's economic history. Between 1939 and 1945 the SNB acquired large quantities of gold from the German Reichsbank. It was not so much the magnitude of these transactions that prompted criticism - mainly from the Allies - as the suspicion (that first arose when the war was still on) that some of the German gold came from Nazi-occupied territories and had been requisitioned by the Reichsbank in gross violation of international law.

This study deals *in very concise form* with a problem that notably historians of the postwar generation are currently examining with growing interest: Switzerland's comportment vis-à-vis Nazi Germany in the economic field and the associated moral question. The SNB's main involvement centres on gold transactions with the Reichsbank during the Second World War.

This concern of historians also led or will lead to a number of new publications which promise to be of considerable interest. The present study is designed to prepare the reader for the main issues concerning the SNB, without circumventing various touchy questions. For these exist, and they will become the main focus of any attacks, including polemical ones. It must be stated in advance that the SNB today cannot be expected to answer for past mistakes.

2. Other literature on the subject

In 1980 the historian Peter Utz published an article in the *Magazin* of the Zurich daily *Tages-Anzeiger*. This contribution may be considered as having triggered the studies on Switzerland's role as a gold transit point. Though some details are not quite accurate, Utz's remarks may basically be acknowledged to be correct. One of the principal sources discovered by Utz is a statement by the Nazi Economics Minister Funk before the secret trade policy committee in 1943 to the effect that not even for two months could he do without Switzerland for carrying out foreign exchange transactions (notably the conversion of gold into free currencies).

As early as 1977, *Willi A. Boelcke*, professor of economic and social history at the University of Stuttgart-Hohenheim, published an article on German monetary and foreign trade policies in the period 1939-45, which met with little response in Switzerland. Among other things, Boelcke makes reference to a statement by the Reichsbank at the end of 1943

* Historian Robert Vogler was SNB archivist from autumn 1982 to autumn 1984. This paper is a translation of an internal report completed in 1984. A somewhat shortened version of the internal report was subsequently published (Vogler, 1985). This translation also includes material that appeared in the published version but not in the internal report.

according to which Germany continued to be absolutely dependent on Switzerland's cooperation in the field of gold trade. He went on to say that from the German point of view the gold operations to procure internationally accepted foreign exchange rested largely on the excellent personal relations between Reichsbank Deputy Governor Puhl and President Weber of the SNB.

Professor *Philippe Marguerat* of the University of Neuchâtel dealt with the same subject. In 1983, at an international scientific conference chaired by Professor Walther Hofer, Berne, the vice-president of the Swiss committee for the history of the Second World War, Marguerat delivered a lecture on "La Suisse et la neutralité dans le domaine économique pendant la seconde guerre mondiale: 1940 - fin 1944" (see *Neue Zürcher Zeitung*, no. 214, September 14, 1983). Contrary to the opinion that Switzerland yielded to foreign policy pressure and provided Germany with convertible foreign exchange through gold purchases, Marguerat particularly stressed the domestic significance of gold purchases: the gold imported from Germany enabled the SNB to contain inflation by selling gold in the domestic market. This opinion, however, is shared by no-one; virtually no other historian seems willing to support this argument.

Marco Durrer (1984) examined the difficult financial relations between Switzerland and the United States in 1945 and 1946 until the signing of the notorious Washington Agreement.¹ He was concerned mainly with the affair of the Belgian gold - a subject to be discussed later - and German assets in Switzerland. Durrer in particular analysed the role of the Political Department (today the Federal Department of Foreign Affairs), the SNB and the Swiss Bankers' Association. He also shed light on the disputes between the Political Department and the Governing Board of the SNB. Durrer's work is without doubt an in-depth study based on thorough research. The SNB whose source material had been consulted critically assessed Durrer's study.

Linus von Castelmur is doing research on the subject of German assets in Switzerland within the context of the Washington Agreement of 1946. He can hardly leave the gold issue out of account, even if he only touches on it, since the contractual agreement of 1952 with the Federal Republic of Germany in actual fact meant nothing less than the "replacement" of the Washington Agreement of 1946. No details are as yet available on this work in progress.²

Werner Rings who has made a name for himself with the TV series "Die Schweiz im Krieg" (Switzerland at war) and various other publications, is currently working on an up-dated and extended book on the Second World War, which also takes into account recent historical research and particularly emphasises largely neglected aspects. This includes the gold question, which has not received much attention to date. The SNB has given him access to its archives to research this book.³

¹ This agreement was concluded in May 1946 between Switzerland and the governments of France, Britain and the United States. It was ratified by the Swiss parliament on June 27, 1946. See also Sections 6 and 7 below.

² von Castelmur's (1992) study has in the meantime been published.

³ Ring's book was published in 1985.

3. Significance and scope of the gold consignments to the SNB

On May 16, 1946, the Governing Board of the SNB published a report on gold trading between the SNB and the German Reichsbank during the Second World War (SNB, 1946a). It was intended to serve as a basis for the impending parliamentary debate prior to ratification of the Washington Agreement on Switzerland's reparations to the Allies. At the same time, the report was an attempt to justify the SNB's gold dealings with the Reichsbank.

The report shows that between September 1939 and May 1945 the Reichsbank arranged for consignments of gold totalling 1.638 million francs to be shipped to Switzerland, mainly via its Berne depositary opened in May 1940. Until that date the Reichsbank had not even had such a depositary; on March 8, 1939 it took over the depositary of the Czechoslovakian central bank but emptied it completely within days.

The Reichsbank sold 1.209 million francs worth of gold to the SNB. The remaining 428 million francs in gold were transferred to the Basel-based Bank for International Settlements (BIS), other central banks with gold custody accounts at the SNB, and various Swiss banks; transfers consisted mainly of ingots, but also of coins (SNB, 1946a, p. 15). Totalling only 19.5 million francs, the amount of gold sold by the SNB to the Reichsbank was virtually insignificant (SNB, 1946a, Annex I). The bulk of the Reichsbank's gold sales to the SNB were transacted between the fourth quarter of 1941 and the start of 1944. This is the period when Switzerland was almost completely encircled by German forces. Sales fluctuated between 70 and 140 million francs per quarter (SNB, 1946a, p. 16). The decline, beginning in spring of 1944 - as will be seen later on - had yet another and quite different background.

The Reichsbank had two main motives for selling gold to the SNB. First, the gold sales served to satisfy German obligations in Switzerland to be settled outside the agreed bi-partite clearing system.⁴ Second, these gold sales swelled the Reichsbank's holdings of Swiss francs, which were used to pay countries highly unwilling to accept German gold, notably the Portuguese, Spanish and Rumanian central banks.⁵ Inasmuch as these banks converted their Swiss francs into gold at the National Bank, the SNB functioned as a gold transit point. These countries may well have used some of their Swiss franc holdings to purchase Swiss goods, in which case the German gold sales indirectly served to finance Swiss exports.⁶

Between 1939 and 1945 the Allies, in particular the United States, sold considerably more gold to the SNB than the Reichsbank. While France sold gold to the tune of 189 million francs and Britain 673 million francs, US sales ran to 2.242 million francs (SNB, 1946a, p. 14). The majority of US gold sales were effected from mid-1944 on, by which time Ger-

⁴ Switzerland had concluded a clearing agreement with Germany in 1934. Apart from the exceptions stipulated in the agreement, it governed all payment operations between Switzerland and Germany. Soon after the outbreak of war, Germany's tough negotiating tactics coerced Switzerland into selling it merchandise - mainly military equipment. Most of these transactions were settled outside the clearing system. As the war progressed, Germany defaulted increasingly on its debts to Switzerland. Under the two major wartime trade agreements of August 1940 and July 1941, Switzerland granted Germany clearing credits of 150 and 850 million francs respectively (Hornberger, 1970, pp. 24-25). See also Vogler (1983).

⁵ Portugal and Spain were of particular significance to Germany on account of their strategically important reserves of tungsten and manganese. See also Boelcke (1977).

⁶ Between 1939 and 1945, the SNB's sales of gold to Portugal totalled 507 million francs, to Spain 185 million francs and to Rumania 112 million francs (SNB, 1946a, p. 14).

man shipments had been reduced to a trickle. The fortunes of war were thus reflected in the warring factions' gold transactions.

As the US government ordered the blocking of all Swiss assets in the United States on June 14, 1941, gold soon became the most important means of payment, notably in the latter phase of the war. This was particularly the case after the two warring sides had come to realise the growing significance of the Swiss franc and employed it increasingly for international payments. The SNB even accepted blocked gold in the United States for this purpose. In so doing, it believed to be implementing a policy in the interests of the country while duly observing the principle of neutrality in economic respects (SNB, 1946a, pp. 57-60).

4. Looted gold

From the point of view of international law, there was hardly any doubt as to the legality of the gold transactions with either Germany or the Allies. But when an article by the renowned monetary specialist Paul Einzig appeared in the London-based *Financial Times* in June 1943, the gold issue took on a new dimension. Referring to a declaration made by the Allies on January 5, 1943, Einzig wrote:

"Under the terms of that declaration, all transfers of the property of conquered countries to owners of different nationality are invalid, even if the property is acquired by purchase, and even if the buyers are neutral. This means that neutral central banks will be called upon to restore to their rightful owners the gold they acquired from Germany during the war. As the Reichsbank's own gold reserve was very small at the outbreak of the war, and is now about the same, the assumption is that any gold acquired by neutral central banks since September 1939 is looted gold" (cited in SNB, 1946a, enclosure with Annex IV). Einzig was alluding to the Belgian gold.

In autumn 1940 much of the French, Belgian and Polish gold was in Dakar in West Africa. In collaboration with the Vichy government, between December 1941 and May 1942 over 300 tonnes of gold were returned to unoccupied France via highly adventurous routes - on African riverboats, by camel through the Sahara and finally by plane to Marseilles. Most of this gold had come from Belgium (Boelcke, 1977, p. 305). Berlin demanded that the Banque de France hand over the Belgian gold. When Gouverneur Fournier refused to do so, he was replaced by Boisanger.⁷ Large amounts of this gold were subsequently recast by the Prussian Mint and marked with prewar stamps. Exact records kept of this recast gold show that a specific quantity was sold to the SNB.⁸

Paul Einzig's article and various other publications in the English-speaking press were accompanied by warnings on British radio. That this was not merely Allied propaganda is borne out by the SNB's reaction. As early as July 1943 the Bank Committee looked into the question of how far the SNB could go in accepting German gold.⁹ SNB President Ernst Weber's view that having a gold standard compelled Switzerland to accept gold from for-

⁷ SNB, Bank Committee minutes no. 10, August 26-27, 1943. Boisanger was put on trial after the war.

⁸ In January 1946 the Swiss National Bank received from the Banque Nationale de Belgique a list of gold ingots stamped by the Prussian Mint. These were former Belgian ingots that had been recast and subsequently sold to the SNB by the Reichsbank. Under pressure from the Allies the SNB was required to check its gold holdings against the list. Aside from a few cases, the SNB holdings matched those shown on the list (SNB, 1946b and c).

⁹ SNB, Bank Committee minutes no. 9, July 22-23, 1943.

eign states was not unanimously shared. Gottlieb Bachmann, Chairman of the Bank Council, stressed that this question was of particular political import, and that the Federal Council should take a clear stand. Rumours that the Swedish central bank had stopped accepting gold from Germany were dispelled at the source. Riksbank Governor Ivar Rooth announced that the Swedes would continue to accept gold from Germany, although he tempered the statement by remarking that in his opinion the utmost caution was called for.¹⁰

The SNB subsequently sought the backing of the government. In a letter dated October 9, 1943, addressed to Federal Councillor Wetter, the SNB Governing Board briefed the Federal Council on the consignments of gold from the Reichsbank (SNB, 1946a, Annex IV; Utz, 1980; SNB, 1943-1950). Interestingly, the letter refers to senior US officials advising Director Pfenninger, the SNB's permanent representative in Washington, that the National Bank should take into account that the consignments of gold being shipped to them by the Reichsbank might well be looted property and that the SNB could not simply claim it was acting in good faith. The letter, signed by SNB President Weber and Alfred Hirs, member of the Governing Board and Head of Department III, also expressly states that the SNB had not been previously alerted that the Germans had been looting gold even if suspicions that the gold had come from Nazi-occupied territories could not be dismissed entirely. The letter went on to say that under international law occupying powers were entitled to requisition gold. The Governing Board also announced that it had personally requested Reichsbank Deputy Governor Emil Puhl not to step up gold sales but rather to restrict them. In its reply of November 19, 1943, signed by Federal Councillor Wetter, then Head of the Department of Finance and Customs, the Federal Council stressed that it was unanimously in agreement with the line the SNB had taken to date but that it would welcome efforts by the SNB to ensure that these gold dealings took on more modest proportions in future (SNB, 1946a, Annex V).

The SNB had thus received a stamp of approval from the highest authority. That there were still certain misgivings at the time is confirmed by the minutes of a Bank Committee meeting, which referred to problems mounting in proportion to the volume of gold consignments from Germany.¹¹

On February 22, 1944, the US Treasury issued a warning in the form of a declaration that was officially passed on to Switzerland. The US Treasury announced that the Axis powers were illegally confiscating property in the occupied territories, in particular gold. "In view of the foregoing facts and considerations, the United States formally declares that it does not and will not recognize the transference of title to the looted gold which the Axis at any time holds or disposed of in world markets" (SNB, 1946a, Annex VI/1).

This official notice was followed up by a campaign in the business press, including the *Financial Times* of February 24, 1944, the *Stock Exchange Gazette* of February 26, 1944, and the *Economist* of February 26, 1944.

¹⁰ SNB, Bank Committee minutes no. 12, August 23-24, 1943. Utz (1980) ascribes greater significance to Economics Minister Funk's statement at the Nuremberg trials than to that of the governor of the Swedish central bank. Funk maintained that Sweden had refused to accept German gold. This claim is clearly refuted by Rooth in his letter to the SNB.

¹¹ SNB, Bank Committee minutes no. 15, November 25-26, 1943.

In response to this press campaign, the SNB's legal office in April 1944 prepared a report to the Governing Board detailing the National Bank's gold operations¹². The following measures were contemplated in the concluding remarks: significantly reducing the volume of future purchases, demanding a binding, general written declaration from the Reichsbank establishing - possibly even proving - that it was the rightful owner of the gold to be delivered to the SNB, restricting purchases to ingots bearing the Reichsbank stamp and accompanied by a consignment note, and not accepting gold coins minted in occupied countries.

From today's vantage point, the last two requirements testify to a degree of credulity in 1944 which is impossible to comprehend. It is hard to understand that the SNB's Governing Board still trusted the criminal Nazi regime. It appears not to have considered the possibility of the then German government recasting foreign ingots, marking them with Reichsbank stamps and providing new papers. After all, the report of the SNB's (1943-1950, p. 23) legal office also mentions the deportation and persecution of the Jews! An addendum to this report, dated April 25, 1944, refers to unambiguously worded articles in the British press of suspicions that gold was being recast.

Presumably not entirely satisfied with the conclusions drawn by its legal office, the SNB commissioned a legal opinion from Dietrich Schindler, Professor of International Law at the University of Zurich and "Court Attorney" to the Federal Council. Schindler argued in his report of July 22, 1944, that under the Hague Warfare Convention of 1907 occupying powers were entitled to seize the cash and valuables belonging to the occupied states - but not those belonging to private citizens. This would imply that not all of the gold captured by the Germans in occupied Belgium was unlawfully seized. The occupying power thus had legally undisputed title to part of this gold. Provided it was acting in good faith, another country - in our case Switzerland - would thus be permitted to acquire valid title to the gold from the occupying state. Since the question of good faith is central to litigation, Schindler proposed that gold should only be purchased from the Axis subject to a declaration that it was not acquired by means in contravention of international law (SNB, 1943-1950).

Schindler's opinion was also submitted to the Federal Department of Political Affairs, but no official response was forthcoming because on August 23, 1944 an *aide-mémoire* issued by the US administration put the entire discussion on a completely new plane.¹³

5. Criticism levelled by the Allies at the SNB

As early as in July 1944 the Allies had demanded a total ban on sales of German gold to Switzerland. During trade talks in London in the summer of 1944, Switzerland was handed the *aide-mémoire* from the United States. It contained a formal petition to the Swiss government to prohibit all gold dealings with Germany and associated countries:

"The points to which the American and British Governments attach the most importance are covered by the following draft declaration, the early adoption of which by the Swiss Government would remove the anxiety felt by the Allied Governments in connection with enemy activities calculated to derive advantage from their holdings of gold (including looted gold from occupied territories)."

¹² Memo dated April 5, 1944 on the gold operations of the SNB in light of the Allies' declaration on gold trading with the Axis, in SNB (1943-1950, pp. 31-32).

¹³ US *aide-mémoire* dated August 23, 1944, in: SNB (1943-1950).

It also called upon the Federal Council to make the following declaration:

"The Swiss Government will not on its own behalf receive for deposit or acquire any interest in gold in which an interest is possessed by any person in occupied territories or in Germany or associated countries, and that all individuals or entities within the Swiss jurisdiction, including the Swiss Nationalbank, will be forbidden by it to receive or acquire such gold or any interest in such gold. Importation into Switzerland, either for storage in bond or for safe-keeping, of gold in which an interest is possessed by any person in occupied territories or in Germany or associated countries will, furthermore, not be permitted by the Swiss Government. That Government will not allow its currency or other currencies to be made available, for or against gold which is already held in Switzerland, to or on behalf of any such person as described herein."

The SNB took up the issue in a letter dated September 5, 1944, to the Department of Political Affairs (SNB, 1946a, Annex X). The Governing Board remained adamant that Switzerland's neutrality required it to accept gold from all countries and pointed out that the volume of gold transferred from Germany had at any rate assumed almost insignificant proportions given the turn that the war had taken.

In a discussion with the SNB's Governing Board on September 18, 1944, Reichsbank Deputy Governor Puhl officially confirmed that his bank was not in possession of looted gold and that it had never sold such gold to the SNB. Puhl stated that any gold transferred from the occupied countries' central banks to the Reichsbank had been brought to Berlin by staff from these banks, paid in, weighed and booked into a mark account held with the Reichsbank in the respective central bank's name.¹⁴

Subsequently, statements were repeatedly made from various quarters both in Switzerland and abroad; they need not all be quoted here. What must be said, however, is that at the end of January 1945 the British Mission in Berne advised the Swiss government that the Allies were still awaiting a reply to their *aide-mémoire* of August 23, 1944.¹⁵ On February 15, 1945, following negotiations with the Allied powers, the Federal Council ordered that all Reichsbank accounts in Switzerland be blocked.¹⁶ In early April in the town of Constance, shortly before Germany's capitulation, the SNB accepted one final and not very large consignment of gold from the Reichsbank with the consent of the Allies.¹⁷ The transaction was of a consular nature. Reichsbank Deputy Governor Puhl, who was personally present, for obvious reasons delayed his departure for a considerable time.

6. From the end of the War to the Washington Agreement of 1946

On July 27, 1945, the US Mission in Berne handed over a second *aide-mémoire* to the Department of Political Affairs demanding information on gold holdings in Switzerland and at the SNB. It wanted to know how many gold ingots were being held, together with details on their markings, the mintages of gold coins, total weights and so on. The US Mission also wanted details of all gold purchases from Axis countries since 1939.¹⁸ In keeping with the ultimatum-like tone of the memo, US Finance Attaché Reagan also raised the question of whether Switzerland had during the war recast any of the gold purchased. Fortunately, the

¹⁴ Memo on E. Puhl's visit, September 18, 1944, in: SNB (1946c).

¹⁵ *Aide-mémoire* from the British Mission dated January 31, 1945, in: SNB (1943-1950).

¹⁶ SNB, Bank Committee minutes no. 5, April 26-27, 1945.

¹⁷ Letter dated April 5, 1945, from the SNB to the Governing Board of the Reichsbank, in: SNB (1943-1950).

¹⁸ *Aide-mémoire* from the US Mission dated July 27, 1945, in: SNB (1943-1950).

Swiss were able to deliver a categorical "no" to this thorny question. Following prolonged discussions during its meeting of August 30-31, 1945, the SNB Bank Committee agreed to provide the Americans with all the information they required, with the exception of the list of ingots, which they would only supply when expressly requested to do so again.

The question as to the whereabouts of the requisitioned gold assumed even greater urgency when the Allies voted at the Paris Conference on Reparation to seize German assets held in neutral countries.¹⁹ The United States, Britain and France agreed to represent the Allied bloc and arrange immediate negotiations with the neutral authorities. The negotiations with Switzerland culminated in the signing of the Washington Agreement of May 1946. A central issue during negotiations was whether the gold in the SNB's vaults had been looted by the Germans in Belgium or whether it had come from the Reichsbank's prewar holdings.

Prior to the negotiations, various facts that were embarrassing to the SNB had become known. Called to give evidence at the Nuremberg war crimes trials, Reichsbank Deputy Governor Puhl reaffirmed a sworn statement he had made on May 3, 1946. He claimed he knew that gold from Nazi concentration camps in the form of jewellery, spectacles, tooth fillings, etc. had been deposited by the SS with the Reichsbank in Berlin.²⁰ There was also evidence of the fact that such gold had been recast into ingots. Under interrogation on a previous occasion, in August 1945, Puhl had already told the US authorities that the SNB was aware that not all of the gold sold to it had originated from Germany's prewar holdings. However, he conceded that he had assured the Swiss they would only receive gold in an amount sufficient to cover the Reichsbank's prewar German inventories ("value calculation"). In terms of actual physical gold this would of course mean that Belgian gold may well have ended up in Switzerland. Puhl expressly confirmed that the Swiss had been informed of the workings of the value calculation method and that they were in agreement. In reply to the question of who in Switzerland had been briefed, Puhl replied only SNB President Weber and his number two. He stated that the Reichsbank had negotiated solely with the SNB.²¹

Puhl's statements incriminated the SNB - whether rightly so is open to debate. It appears that during all this time the SNB failed to exercise the proper caution as regards both the origin of the gold and Puhl's person.

Apropos of Puhl, the following incidents should have alerted the SNB: On January 7, 1939, the Governing Board of the Reichsbank submitted a memorandum to Hitler. Among other things, it once more pointed to the dangers of overstretching public expenditure and short-term financing through the Reichsbank. The united front presented by the eight signatories, all members of the Reichsbank Governing Board, prompted Hitler to dismiss Governor Hjalmar Schacht and two other board members. Of the remaining five members, three - including the later Bundesbank President Karl Blessing - resigned. Under pressure from their party, only Puhl and Kretschmann remained in office (Wandel, 1983, p. 171). This fact, of the highest political significance, should have made the SNB Governing Board wary

¹⁹ Final Act of the Paris Conference on Reparation of December 21, 1945, in: SNB (1943-1950).

²⁰ Records of the Nuremberg war crimes trials, testimony by E. Puhl against Walter Funk, May 15, 1946.

²¹ Extract from the interrogation of Emil Puhl, August 10, 1945, in: SNB (1943-1950). Who Weber's number two was has not been clarified to this day.

of Puhl's credibility - his "risk rating", as it were - at a very early stage. This is where criticism of the SNB might set in.

As regards the provenance of the German gold, the Reichsbank's own gold holdings were hardly sufficient to cover shipments of 1.6 billion francs in gold - for sale or deposit - to Switzerland. At the end of 1938 the Reichsbank reported gold holdings of only 70.8 million reichsmarks (approximately 122 million Swiss francs).²² Economics Minister Funk testified at the Nuremberg trials that the effective holdings amounted to 500 million reichsmarks. The Allies put the figure higher but their estimates only became known in the course of the war. After the war the Allies immediately established that Germany had in fact sold more gold than it possessed before the war. Allowing for the gold "legally" acquired from Austria in 1938 and from Czechoslovakia in 1939, the ensuing discrepancy was taken as proof that Germany had been looting gold. The SNB should at any rate have had its doubts - and any such doubts should have been acted on with greater conviction.

Seen from a psychological point of view, these facts were not a very good basis for the Washington negotiations.

7. The reparations negotiations in Washington

In early August 1945 the three Western Allies notified Switzerland's Department of Political Affairs that the powers occupying Germany were asserting entitlement claims to German assets held in Switzerland. In its reply, the Department stressed that the Swiss government failed to perceive which laws these claims were based on. Moreover, it argued that the fact of occupation of German territory by the Allies had hardly any legal implications beyond Germany's borders (Message, 1946, p. 2). The Swiss government was invited to the ensuing negotiations beginning in March 1946. From the very outset Switzerland took the firm line that under the Hague Convention of 1907 it was in the very least doubtful whether the Allied military authorities were entitled to appropriate private German property. This and other considerations made it impossible for Switzerland to bow to the Allies' demands. That the Allied victory was of paramount importance to Switzerland was one argument put forward by the Allies that the Swiss could not refute. The Swiss government issued a statement acknowledging that it would be impossible to understand how Switzerland - which unlike virtually all other European nations had been spared the scourge of war and which in every respect was faring infinitely better than other countries - could refuse to assist in a measure aimed at using German property to finance reparations for damage caused by German aggression (Message, 1946, p. 4). The Swiss delegates - the SNB was represented by Hirs - could not deny the moral reasoning behind this argument; but it did not stop them from refusing to accept any legal obligation. Nevertheless, an agreement was reached. It concerned both German assets in Switzerland and the gold question, but only the latter is of interest here.

The Washington Agreement concluded on May 25, 1946 between Switzerland and the Governments of France, Britain and the United States put Switzerland under obligation to place at the disposal of the three Allied governments a sum of 250 million Swiss francs, payable on demand in gold in New York. The Allied governments declared that in accepting

²² Boelcke (1977); in the thirties other central banks also regularly reported lower holdings than was actually the case. Estimates made after the war put effective prewar holdings at 800 million francs. See SNB, Bank Committee minutes no. 8, June 3, 1946.

this sum they and their central banks would waive all future claims on the Swiss government or the SNB in any way connected to the gold acquired by Switzerland from Germany during the war. All questions in respect of this gold were henceforth deemed settled (Message, 1946, p. 21). The final obstacle to lifting the freeze on Swiss assets in the United States had thus been removed.²³ For Switzerland the gold affair was over and done with.

The result of the negotiations may have been more favourable to the SNB than it had expected. This is indicated by the fact that the SNB had commissioned Georges Sauser-Hall, Professor of International Law at the University of Geneva, to prepare an expert opinion on the gold dealings between the National Bank and the Reichsbank in the light of the impending Washington negotiations. This study was to be delivered at the end of March 1946. Sauser-Hall concluded that the SNB had acted in good faith in its gold purchases since it was dealing with a regular seller. The Reichsbank, on the other hand, must have known that it was not entitled to acquire possession of the Belgian gold. Sauser-Hall deduced that the SNB could not be prosecuted unless it acted with malicious intent in a legal sense. He placed the main blame on the Banque de France, which he said had committed a very grave error in turning over Belgian deposits to the German occupying authorities even though this gold was not on Nazi-occupied territory. In a subsequent addendum to his expert opinion, Sauser-Hall conceded that - if Emil Puhl's statements should prove to be founded - from a legal standpoint, matters would be worse for the SNB in various respects (SNB, 1946d). Whether they were correct or merely uttered in defense of his own interests, Puhl's statements provided the Americans with strong ammunition for negotiation. During the subsequent Wilhelmstrasse war crimes trial, Puhl was found guilty of being privy to the transfer of gold from Nazi concentration camps and sentenced to five years' imprisonment.

As mentioned above, the Governing Board's report on gold dealings between the SNB and the German Reichsbank (SNB, 1946a) was also used by the Swiss delegation in its preparations for the Washington negotiations. Furthermore, the Federal Council ordered a hearing of the entire SNB Governing Board by the Federal Court on May 20, 1946. The thinking behind this contingency measure was to collate evidence in case the Allies should lay claim to the looted gold.²⁴ To this end, the Federal Council demanded that the hearings should address in particular the SNB's negotiations with Mr Puhl. This line of questioning, with Puhl's statements playing a key role, as well as the comportment of Hirs, Head of Department III, during the negotiations in Washington culminated in a dispute between Hirs and Vice-President Rossy. At the same time, relations between the SNB and the Federal Council deteriorated to the lowest level possible.

8. Relations between the SNB and the Federal Council, and between Rossy and Hirs in 1946

Differences of opinion between the Federal Council and the SNB arose even before the end of negotiations. The Federal Council outlined its position in a letter to SNB President Weber.²⁵ The tenor of the letter was that if, as a result of its gold purchases, the SNB

²³ On June 14, 1941, the United States had ordered that all Swiss assets be blocked.

²⁴ See the letter dated May 20, 1946, from the Federal Council to the President of the Swiss Federal Court in SNB (1946b).

²⁵ Letter dated May 10, 1946 from Federal Councillor Nobs to SNB President Weber, SNB, Bank Committee minutes no. 6, May 14, 1946.

should suffer loss too extensive to offset with its own funds and the government were required to intervene, then under no circumstances would the government assume liability for such losses in their entirety. The letter went on to state that the government would require the SNB to cover a commensurate part of the losses with its own funds. Given the facts of the gold transfers and the state of the government's finances, no other solution would be tenable. The government voiced the opinion that the SNB would be well able to cover a substantial part of the losses. Although the government publicly supported the SNB's actions, it felt it had been passed over as regards the volume of the German gold sales and accused the SNB of withholding information. The minutes of the Bank Committee meeting of May 14, 1946, reveal that a frank discussion took place on the importance of reestablishing the necessary basis of trust between the government and the SNB. The SNB was also reproached for failing to properly brief Switzerland's Washington delegation on the details of the gold transactions.

Tension between the government and the SNB came to a head again when the 250 million Swiss francs fell due for payment. The SNB initially vehemently refused to contribute, arguing that the 250 million franc debt had been incurred by the nation as a whole and not by the SNB, which was a semi-private institution with purely private capital.²⁶ Bending to political reality, the SNB itself subsequently proposed to pay 100 million francs, from its exchange equalization fund (devaluation gains from 1936). The government paid the remainder. The matter was brought to a close in a Federal Council resolution of December 19, 1946.

Parallel to these events, an ugly dispute took place between the two Governing Board members Hirs and Rossy. At the same time, a conflict also began to emerge between Minister Stucki, member of the Washington delegation, and Hirs: the chief issue in both cases was that Hirs was suspected of imprudent behaviour in Washington and that as a result the Americans had gained premature knowledge of the upper limit of 250 million franc envisaged by the Swiss delegation and could thus considerably restrict Switzerland's negotiating power.²⁷ Hirs had allegedly mentioned the sum of 250 million francs in a letter to President Weber, a fact that Hirs denied. His letters are kept in the SNB's archive but no such statement has been traced. His comments, however, are characterised by an antisemitic undertone quite unacceptable in 1946: "The members of the US delegation seem exceedingly pleasant although the Jewish element is very strong."²⁸ As long as such remarks are made in the private sphere they remain a personal matter. If, however - as recorded in a money market report of the SNB of September 28/29, 1944 - Hirs calls the former finance minister of the provisional French government (and later prime minister) Mendès-France a "rich Jew" - this casts a bad light on one of the top representatives of the SNB. Moreover, at the meeting of the Bank Committee of June 13, 1946, Hirs had accused Minister Stucki himself of having hinted at certain amounts to the Americans. Stucki, who took offence at Hirs's comments, considered bringing a libel action against him. Even the Federal Council, to which Stucki reported, wanted to take steps in this matter but in the end refrained from doing so. There the matter rested. Durrer (1984), too, emphasises the

²⁶ SNB, Bank Council minutes of July 5, 1946.

²⁷ SNB, Bank Council minutes of July 5, 1946, p. 220.

²⁸ Letter of Hirs from Washington to his colleagues, March 18, 1946, SNB archive no. 0031. In a letter to President Weber of March 27, 1946 Hirs once again stressed that three members of the US delegation were Jews, particularly, however, "an Austrian Jew from the treasury;" SNB archive, no. 0015.

strained relations existing between the SNB (Hirs) and the other members of the Swiss delegation in Washington (Prof. William Rappard, Minister Stucki, Reinhardt of the Federal Finance Administration). This is clearly reflected in the minutes of the Bank Committee.

The conflict between Rossy and Hirs, however, was of a more serious nature. After Puhl had given testimony to the effect that the SNB had been informed, both Rossy and Hirs accused each other of having known that looted gold was being transferred to Switzerland. Hirs declared that it was Rossy, not he, who had bought the gold from the Germans.²⁹ Rossy denied this vehemently and issued a statement in which he accused Hirs of already having dropped a remark in Washington to the effect that Rossy knew the true origin of the gold from the Reichsbank and having made other remarks damaging to Rossy and the SNB.³⁰ Thereupon, the Bank Committee set up a commission of inquiry consisting of its president and vice-president. Oral proceedings, followed by a mutual exchange of letters, finally led to a settlement.³¹ The Bank Committee was informed on July 25, 1946, in a confidential unrecorded meeting and in the absence of the Governing Board and the Secretary. The fact that both Rossy and Hirs considered retiring from the Governing Board shows how serious their quarrel was. In particular Rossy no longer saw a possibility of continuing to work with Hirs: "As I have told you, I can no longer see my way to cooperating with Mr Hirs after the end of the year due to the general attitude adopted by him in Washington and notably because of the fact that he purchased stolen Belgian gold from the Reichsbank in 1943 and 1944 while being fully aware of the provenance and nature of this gold. In my opinion, after such conduct, the Federal Council can no longer accept Mr Hirs as a member of the Governing Board. (...) If the Federal Council retains Mr Hirs in his post beyond the end of the year, I shall see myself compelled to leave the bank, for on no account do I wish to risk being compromised by the dealings of our most active department."³²

Undoubtedly, in the not too distant future light will be shed on these affairs by a historian. No final answers may be found based solely on the archive material at the Swiss National Bank. The puzzle will have to be assembled with the help of material from the federal archives, the federal court and other sources in order to try and determine to what extent the accusations and suspicions had a basis in fact.

9. Conclusions

The conclusions to be drawn from the above situation will hardly be of much use in overcoming similar problems in the future for history never repeats itself. Nevertheless, certain lessons of a general nature may be learned:

1. In extraordinary situations, as in the years 1939-45, it is vital to have not only loyal and upright persons, but above all farsighted personalities at the head of institutions such as the SNB. Mere professional know-how is not sufficient and can lead to wrong decisions which may turn out to have unpleasant consequences. The only person within the SNB who seemed to have uttered words of warning was the president of the Bank Council, Professor G. Bachmann.

²⁹ SNB, Bank Committee minutes no. 10, June 17, 1946, p. 236.

³⁰ SNB, Bank Committee minutes no. 11, June 27, 1946, p. 243.

³¹ SNB, Bank Committee minutes no. 3, February 6, 1947, p. 87.

³² Letter of P. Rossy to Mr Reinhardt, Director of the Federal Finance Administration, of June 19, 1946, SNB archive, no. 0014.

2. An open information policy and political instinct are essential preconditions for wise decisions. It should have become clear to the SNB that Puhl's declaration about the Reichsbank not possessing any looted gold was hardly acceptable as a basis to prove that the bank had acted in good faith. If, in 1939, the SNB had taken full cognisance of what was happening at the Reichsbank board level, Mr Puhl would probably have been judged differently.
3. Disagreement after success seems to be a characteristic trait of the Swiss. Hardly had they emerged unscathed from the Second World War than they began to argue about money. Being involved in the war would undoubtedly have cost much more, to say nothing of the victims. Memories of the times following the Burgundy wars or the Vienna Congress come alive.
4. Protecting oneself with the aid of money (trade negotiations with Germany) or services (gold shipments by the Reichsbank) is nothing bad in itself. What is bad, however, is acting without asking questions or closing one's eyes to the facts and without considering - or wishing to consider - who one is dealing with. There was certainly no lack of warning words. If there was no absolute certainty that looted gold was involved, there were at least strong suspicions. The sources are unequivocal on this point.

As stated at the outset, this report can only shed light on events in rudimentary form and leaves little room for analysis. The subject goes beyond the limits that have been set here. It is to be hoped that future publications will describe the light and dark sides of the problems of gold transactions between the SNB and the Deutsche Reichsbank in a manner that is both fair and open.

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