FELIX SOMARY

Independent economist, pragmatic analyst, and man of foresight

Texts by
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Preface

From 1919, Felix Somary was my great-uncle Jacques Blankart's partner in the private bank of the same name in Zurich. He used that institution primarily as a platform for the many activities and the international mandates that he was called upon to handle. Through his close relationship with the aristocracy and the Jewish communities in Germany and Austria, he succeeded first in safeguarding much of his clients' assets in Switzerland and then in returning them to their legitimate owners – or their heirs – after World War II ended.

Besides possessing two rare qualities, in foresight and constructive thinking, Somary could rely on close relationships with highly influential politicians and leading figures in all economic sectors. With his every word and deed, he always sought to find the right solution. One example is his initiative before the Great War, when he proposed that Germany agree not to strengthen its navy in exchange for a commitment from the British not to build the Baghdad railway. This inspired idea would have avoided the First World War had events in Sarajevo not fatally undermined it. During numerous discussions with the German and Austrian authorities, Somary also strove to dissuade the two nations from embarking on a submarine war, which would have dragged the United States into the fray and resulted in the defeat and collapse of the two empires. But he was ignored then, too.

Somary fulfilled innumerable roles in his life, foresaw epoch-making events and undertook vital dealings: reconstructing the Belgian central bank in World War I; predicting the Great Depression and the catastrophe of Hitler; the mandate from Federal Councillor Obrecht to guarantee the supply of goods and foodstuffs from Washington to Switzerland if war broke out; and much more besides. He was a man of remarkable prophetic gifts that, sadly, were rarely heeded.

So I am delighted that Banca Popolare di Sondrio has dedicated the cultural section of its annual report to this extraordinary figure.

Franz Blankart
Former Secretary of State

Page I
Felix Somary aged 30
during his time
in Berlin.

Left:
Felix Somary
in an engraving
by Oskar Stössel
(1879–1964),
Washington DC,
1943.

Felix Somary: the man, the economist, the banker, between Switzerland and Italy

by Tindaro Gatani*

Left:
Felix Somary during a trek
in the Swiss Alps in the 1930s.
The mountains were one of the great
economist's passions.

This page:
During his honeymoon in Venice,
April 1930.

Choosing Switzerland

Felix Somary (Vienna 1881 – Zurich 1956) reached Switzerland in 1919, escaping from the scourge of World War I, which had just ended. He chose to settle in Zurich, which had swollen to engulf part of the nearby villages, in the *Erste Eingemeindung* (the first municipal amalgamation, in 1893; the second would occur in 1934). The city had long become Switzerland's financial capital, but it still retained the role as a great Swiss and European cultural centre that had seen it dubbed the *Athens of the Limmat valley* as far back as the 1700s. Somary chose Zurich as the place to transfer the Rothschilds' huge financial funds from Vienna while taking charge of the bank Blankart & Co; his ties with the city were a marriage both of convenience and of love. Indeed, Zurich embodied all the ideals that resonated with him: above all, tolerance and peaceful coexistence between peoples. While the First World War was raging throughout Europe and millions of people were falling victim to violence and exploitation, Switzerland had once again become a haven for the refugees who had managed to flee the horrors of conflict. Zurich was also a lively, attractive cultural hub. On 5 February 1916, at the inauguration of the Cabaret Voltaire, German theatre director Hugo Ball, together with other European intellectuals, had created the *Dada Manifesto*, launching that avant-garde artistic and literary movement that would later spread to New York, Berlin and Paris. Dadaism was antimilitarist in spirit and thus opposed the war. More than that, however, it railed against the political situation of the time and the human negligence that brought social struggles and degeneration. The Dadaists did not identify with any historical philosopher, especially not with those who claimed a monopoly on the truth. In essence, they were polar opposites of those arch-interventionists the Futurists. Zurich was then the same city that Eugenio Montale, at the end of World War II, would deem "a mix of self-content and subtle anxiety, animated by the resolution to contribute to Europe's spiritual reconstruction, buoyed by an almost religious zeal for understanding, a true thirst for knowledge" that with "its backdrop of Zwinglianism tempered by Calvinism... still distinguishes it", yet without "a real sense of guilt" or "existential angst".[1]

In that same city that had welcomed Lenin before the Russian revolution, a hundred yards or so from the Cabaret Voltaire, the Bohemian-born Austrian dramatist Rainer Maria Rilke would also arrive, on 12 June 1919, and the celebrated French poet Paul Valéry would later hold "his most famous conference" there.[2]

So Zurich was tailor-made for a thinker like Felix Somary. After studying law at Vienna University – where he met and became friends with Emil Lederer, the future economist and sociologist, Otto Bauer, who would lead the Austrian Social-democratic party, and Joseph Schumpeter, author of the *Theory of economic development* – Somary was appointed financial secretary of the Anglo-Austrian Bank before moving to Berlin in 1909. There he taught at the university from 1910 to 1914.

Hugo Ball
in cubist costume,
1916.

Portrait
of Max Weber.

In Germany, he continued his studies at the school of his friend Max Weber (1864–1920), the German historian and sociologist who became famous for writing *The protestant ethic and the spirit of capitalism*, for studying the links between means and ends, and for developing the theory of "freedom of values" (*Wertfreiheit*). Felix Somary, then the Central Powers' political and economic adviser (*Wirtschafts- und Politikberater der Mittelmächte*), co-authored a *Memorandum (Denkschrift)* with Weber that alerted Austria and Germany to the political ramifications of a policy of all-out U-boat attacks on merchant shipping flying enemy flags.

The Raven of Zurich

In that publication written in the "feverish night" (*In einer wildbewegten Nacht*) of 9–10 March 1916, Somary and Weber, addressing primarily commercial matters, had warned of a predictable intervention by the USA alongside its Franco-British allies to defend its economic interests, leading to the Central Powers' defeat. Emperor Franz-Josef was so struck with that *Memorandum* that he immediately invited Somary to his Schönbrunn residence for a private audience. The German general Erich Ludendorff (1865–1937), a champion of total war who firmly believed that any American intervention would be "just one event of many in the war", was unmoved by those predictions and continued undaunted with the U-boat attacks, also against merchant shipping. But Somary's prophecy was no idle one. All the signs of a likely American intervention were already there. On 17 May 1915, after the German U-boat *U 20* had sunk the British liner RMS Lusitania off the Irish coast – with 1,345 victims, including 127 American civilians – the USA, urged on by public opinion, had been on the brink of entering the war. When the all-out U-boat attack on merchant shipping brought the United States into the fray in April 1917, Somary knew that the Central Powers would be defeated. But, once again, no one believed him.[3]

That spot-on prediction, along with other economic and financial theories that were also borne out, earned Felix Somary the nickname the *Raven of Zurich*. For decades, the shrewdest economists and financiers would avidly follow the subjects that he discussed in his writings and during his talks at various European and American universities, as he continued to demonstrate his powers of foresight. In the 1920s, Somary did everything to warn against the catastrophic consequences of the excessively harsh conditions imposed on defeated Germany (in the Treaty of Versailles, 1919) by the victorious allies after the First World War. But his warnings always fell on deaf ears. He was anointed as a financial "wizard", though, after foretelling the 1929 New York stock-market crash and its fallout for European countries well in advance. Yet he had little to say about how the Wall Street crash would afflict Italy, then already under the fascist regime. Italy seemed to have been less affected than many other nations, perhaps because, as has been remarked, "you suffer a lot only when you are well", whereas "depression" was congenital and ever-present in the Boot. Conversely, the crash devastated the German economy, which depended largely on US credits. Somary twice helped the Weimar Republic, which had emerged from the ashes of World War I, by negotiating substantial loans. Then, amid general indifference, when he predicted Germany's impending fate, he did everything to alert the world to the dire consequences. In December 1930, at a conference in London, he said:

> "Great Britain's task is to encourage a rapprochement between France and Germany. If Britain lacks the will and the strength to do so, then the crisis will be only the start of a dark period that future historians will term 'the inter-war years'".

That year, he married Maria Anna Elisabeth Henriette, born on 17 November 1900 as Countess von Demblin de Ville, and in 1932 he acquired Swiss citizenship. They had three children: two sons and a daughter.

Felix Somary on the day of his wedding to Countess May Gräfin Demblin de Ville, 2 April 1930, Salzburg.

A modern Prometheus

Somary returned to the subject in 1931 in a speech in Germany attended, among others, by Johann Ludwig (Lutz) Graf Schwerin von Krosigk (1887–1977), future finance minister and second chancellor of the Reich for 21 days, after Joseph Goebbels (chancellor from 30 April to 1 May 1945). In his *Memoirs*, Lutz von Krosigk recalls:

> "To the question of how long it would be before the world recession ended, Somary answered that three events needed to occur: the banking system in Vienna and Berlin should regain health through a crisis; the British pound should undo its ties to gold; and the *Zündholzkonzern*, the financial group of Swedish 'Match King' Ivar Kreuger (1880–1932) [with 150 factories in various countries and control of mines, forests, cellulose factories, etc.] should fail".

And so, "In spring 1931, the [Austrian and German central] banks failed; in late autumn, sterling was devalued." When in spring 1932, during a speech in Berlin, "he was asked if he really still expected the third event to occur, he confirmed that the Kreuger group would soon collapse. Four weeks later, Ivar Kreuger killed himself in Paris".[4]

In 1939, when Nazi pressure on Switzerland had become increasingly insistent, Somary promoted an accord between Switzerland and the USA to assure his adopted country "a source of supplies of raw materials and essential provisions for its survival during the global conflict" that was in the offing, which he had predicted in full. Ensuring American supplies for Switzerland was one reason why in 1940 he, his wife and three children moved to the United States, where he advised the American war ministry on international finance from 1941 to 1943. And he was one of the first to have "the distinct sensation, back in '40, that the Nazi-Soviet pact would soon collapse and also, in '44, that the 'cold war' would probably set in".[5]

His precise analyses increasingly confirmed his nickname, the *Raven of Zurich*, as he was internationally known. It is still not entirely clear whether it was the New York bankers, as some claim, or the Swiss press that gave him the epithet. Those who interpret *"raven"* as a bird of ill omen, however, are mistaken. Somary was not a Cassandra anticipating negative events or catastrophes, perpetually ignored. Rather, he was a modern Prometheus who, like the ancient titan, was "the one who reflected before" acting, without taking account of many colleagues' criticism and opposition, because he was certain that he was right, and he continued on his way without ever turning back. He was not a prophet, then, but a thinker. Whoever pinned the tag *"raven"* on him was surely thinking of the bird's symbolism in *Urheimat* – the Indo-European peoples' original homeland, where it is associated with wisdom, foresight and far-sightedness – or, better still, in Zoroastrianism, which sees the raven as a pure, benevolent bird that combats corruption. In the Hindu religion, too, the god Brahma manifests himself as a raven. If whoever gave him that nickname was from Zurich, though, they certainly did not have to look too far. Indeed, the city already had its ravens to venerate, in the two black birds befriended by St Meinrad (the Einsiedeln hermit), which pursued the miscreants who killed him as far as the banks of the River Limmat and had them arrested and brought to justice. Those two ravens still appear on the coat of arms of the town of Einsiedeln, where the Benedictine abbey dedicated to St Meinrad stands. The birds are dear to all Benedictines, because legend has it that a raven had kept St Benedict company, eating from his hands; hence the custom of keeping a tame one in every abbey, in memory of the order's founding saint. In Greek and Roman mythology, and in some passages from the bible, the raven is imbued with quite different symbolism: some consider it the bird of foresight; others, the bird of ill omen. But the New Testament, and thus Christianity, accords it a positive role, through Jesus' words, "Consider the ravens: they do not sow or reap, they have no storeroom or barn; yet God feeds them" (Luke 12:24).

St Meinrad of Einsiedeln attacked by bandits in a medieval miniature. In the background are the two ravens that tried to defend him.

Against the socialist economy

Felix Somary, then, was a rational man without gifts of divination but who simply examined situations carefully with a critical, independent mind. In predicting the Wall Street crash, he had alerted financiers to the major overvaluation of the US financial market, only for his warning to be immediately labelled as the usual call of the *Raven of Zurich*, the bird of ill omen. And yet no crystal ball was necessary, for the symptoms had all been there for some time. After 21 October 1929, the continual fall in prices began to alarm investors, although no one could have imagined what would happen a few days later. Indeed, industry was posting huge profits; only in 1928, 5.4 million cars had been built in Detroit. The first electrical-appliance factories had grown strongly, too, but the productivity boom had not prompted an adequate rise in wages. So all sectors saw exponential growth, but only in company profits. The imbalance between production and consumption, the fever for easy money, and uncontrolled growth led to a crash, to panic, to the collapse of all share prices. 24–29 October was the darkest week in the entire history of American and world finance, provoking a chain reaction that dragged thousands of banks, large and small, into bankruptcy. And, like a bleak game of dominoes, the great American depression reaped its victims in France, Britain, and many other countries, too. Felix Somary had predicted the disaster by applying the nineteenth of his twenty clear, concise *Social laws*: "The largest buildings are built just before the crash." Like a fully fledged personal bible, his *Social laws* were the commandments that he had taken upon himself to follow in order to understand reality and to take any decision, weighing up not only the profit but also the ethical and moral dimension to every action. Another of the *Raven of Zurich's* unerringly accurate predictions was the failure of the nascent socialist economy. While Marxist theories were gaining enthusiastic new converts and Lenin's Russian revolutionaries had already established the Soviet Union, Somary was among the first to warn the world of the dangers of creating a socialist economy. He was not the only one. Indeed, he was backed by a whole phalanx of economists who opposed the introduction of those principles, which would lead to the death of private enterprise, to market stagnation, and thus to misery for the working masses. One such was Ludwig von Mises (1881–1973),


FELIX SOMARY
ERINNERUNGEN
AUS MEINEM
LEBEN
«Alle Voraussagen, die ich ihn
machen hörte, sind eingetroffen ...»
Carl Jacob Burckhardt
VERLAG NEUE ZÜRCHER ZEITUNG

another great exponent of the Austrian economic school, whose 1920 essay *Economic calculation in the socialist commonwealth* launched a formidable challenge to Marxist economic theory in defence of *classical liberalism*: it is prices, and thus the rational choices of individuals, that determine the supply-demand dynamic and steer the market. And that cannot happen in a socialist society lacking the essential support of economic calculation. In his *Human action. A treatise on economics* (1949), von Mises rejected positivism and causality, introducing praxeology or praxiology (from *praxis*), a theory of human action, a concept first used by Alfred Espinas in 1890 in his "Revue Philosophique".

A man of good sense

Following the example of Carl Menger (1840–1921), founder of the Austrian school, Somary considered it essential to take a purely theoretical approach to economics, firmly believing that laws could be found that apply in all eras and all contexts in the economic arena, too. In his *Erinnerungen aus meinem Leben*, Somary recalled a discussion with Weber and the economist Joseph Alois Schumpeter (1883–1950) in 1918, straight after World War I ended. The journalist Gary North sums up that encounter:

> "Schumpeter was saying that he was glad about the Russian revolution. The USSR would be a test bed for socialism. Weber warned that this could cause 'unspeakable suffering'. Schumpeter replied, 'Maybe, but it would be a good laboratory.' Weber commented, 'A laboratory full of human corpses!' Schumpeter retorted, 'Just like every anatomy lecture room'".[6]

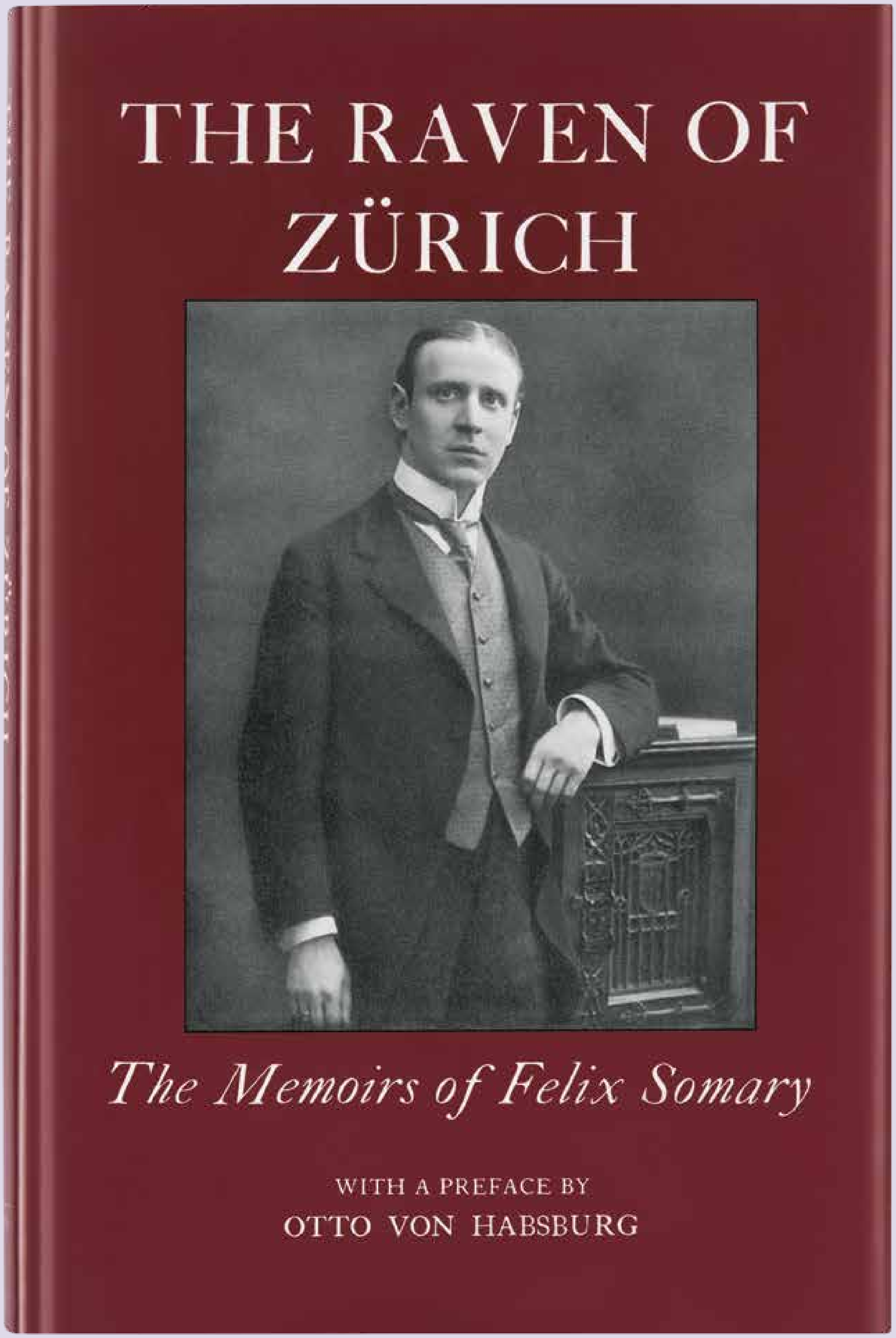
> "Schumpeter, adds North, was a moral monster. Let's not mince words. He was a very sophisticated man, but fundamentally, he was a moral monster. Anyone who could brush off the deaths of millions of people like that was a moral monster. Weber [annoyed by that statement] immediately left the room".[7]

Afterwards, Schumpeter would change his mind about Soviet socialism. After being finance minister of the Austrian republic (1919) and Chairman of Biedermann Bank (1922), he taught at Harvard University in Cambridge (Massachusetts) from 1932 until his death. There, he rigorously probed the history of economic doctrines, setting himself bitterly against Marxism, indeed, accusing it of "a gradual evolution of capitalism towards forms of socialism, with the progressive elimination of individual ownership of the means of production".[8]

Above:
Assembled workers and soldiers' representatives vote by show of hands during the Russian Revolution, St Petersburg, 1917.

Left:
Cover of the new edition of Felix Somary's book, *Erinnerungen aus meinem Leben*, with foreword by Tobias Straumann and afterword by Wolfgang Somary.

Right:
Felix Somary with his wife, 1930. His beloved Swiss Alps rise in the background.


THE RAVEN OF
ZÜRICH
The Memoirs of Felix Somary
WITH A PREFACE BY
OTTO VON HABSBURG

Schumpeter's theories pursued an imaginary conception of an unachievable ideal society: in other words, the utopia craved by many philosophers of the past.

On the Russian revolution's tragic consequences, Felix Somary, like many of his illustrious colleagues, was not heeded. The Soviet Union (established in 1917 and dissolved in 1991), held up by many westerners as the "socialist workers' paradise", actually turned out to be an experiment that cost tens of millions of people their lives. Felix Somary and his friends in the Austrian school had certainly not been the first to predict the socialist economy's collapse. Long before, the Italian Ferdinando Galiani (1728–1787) had shown that a similar economic undertaking was impossible. He reasoned:

> "Not all people are 'first-rate and virtuous', so it is not practical 'to ordain that everyone places the fruit of their toils in open, communal stores' available to all. The idler, 'cheating the public out of his work, would live unjustly on others' labours'. What is more, there would be no way to gain or lose wealth: the industrious, without the impulse to earn, would work less; the lazy, hoping to live off others' efforts, would work little or not at all... ".[9]

Galiani therefore already had the ideas, in embryonic form, that Somary would develop. Nonetheless, never more than with his prediction of the failure of socialism was the *Raven of Zurich* so unheeded. And yet the objective basis for foretelling the Soviet catastrophe was there and was clear. With the advent of the communist regime, indeed, production had dropped considerably throughout Russia. But, despite all the signals and evidence of Stalin's mass persecutions, many western intellectuals continued to laud that "workers' paradise".

To make that left-leaning intelligentsia change its mind, it took the publication of Aleksandr Solzhenitsyn's *Gulag Archipelago* (with the Paris first edition of 1973) and *Political Pilgrims: Travels of Western Intellectuals to the Soviet Union, China, and Cuba, 1928–1978* by Paul Hollander (Oxford, 1981), the fall of the Berlin Wall (16 November 1989) and the disintegration of the Soviet empire. And yet Somary's prediction contained nothing extraordinary or transcendental, just a simple analysis of the facts and a good helping of common sense. That same common sense that, during the 20th century, was often found wanting in western intellectuals and, especially, economists.

Dealings with Italy

Felix Somary had his first international success in Italy aged barely 21, with the publication of a 59-page essay on public limited companies in Austria.[10]

It was favourably received by Luigi Einaudi (1874–1961), then professor of finance at Turin University, who worked with the periodicals "Critica Sociale", founded and edited by the socialist Filippo Turati, and "La Riforma Sociale", founded in 1894 and edited by Francesco Saverio Nitti and Luigi Roux. Indeed, it was in the latter that Einaudi, the future second President of the Italian Republic (1948–1955), wrote a long and complimentary review of the young Somary's work (although the article erroneously referred to him as Samary). It was published on 15 May 1903[11] and is reproduced in part here (see page XVIII-XIX).

Einaudi's collaboration with "La Riforma Sociale" ended with his dissociating himself from the socialists and his gradual adoption of liberalist positions, starting from the early years of the 20th century. The two had indirect contact at the end of World War II, when Einaudi was Governor of the Bank of Italy. During fascism, Somary had been on cordial terms with Giuseppe Toeplitz (1866–1938), a Polish-born banker who became managing director of the Banca Commerciale Italiana (BCI) in 1917, and with Raffaele Mattioli (1895–1973), his successor in the role from 1933. Somary also knew Giovanni Malagodi (1904–1991), who had joined the BCI in 1927 at Toeplitz's suggestion to work closely with Mattioli. Malagodi, who would serve as secretary of the Italian Liberal party for several years after the war, greatly admired Somary. In his *Profilo di Raffaele Mattioli*, he wrote, among other things:

Left:
Cover of Felix Somary's book, *The Raven of Zürich: The Memoirs of Felix Somary*, with foreword by Otto von Habsburg (the English edition of *Erinnerungen aus meinem Leben*).

> "In one of his books, *Die Ursachen der Weltkrise* (The cause of the world recession), an eminent Swiss banker, Felix Somary, highlighted the Italian situation as a prime breeding ground for international infection".[12]

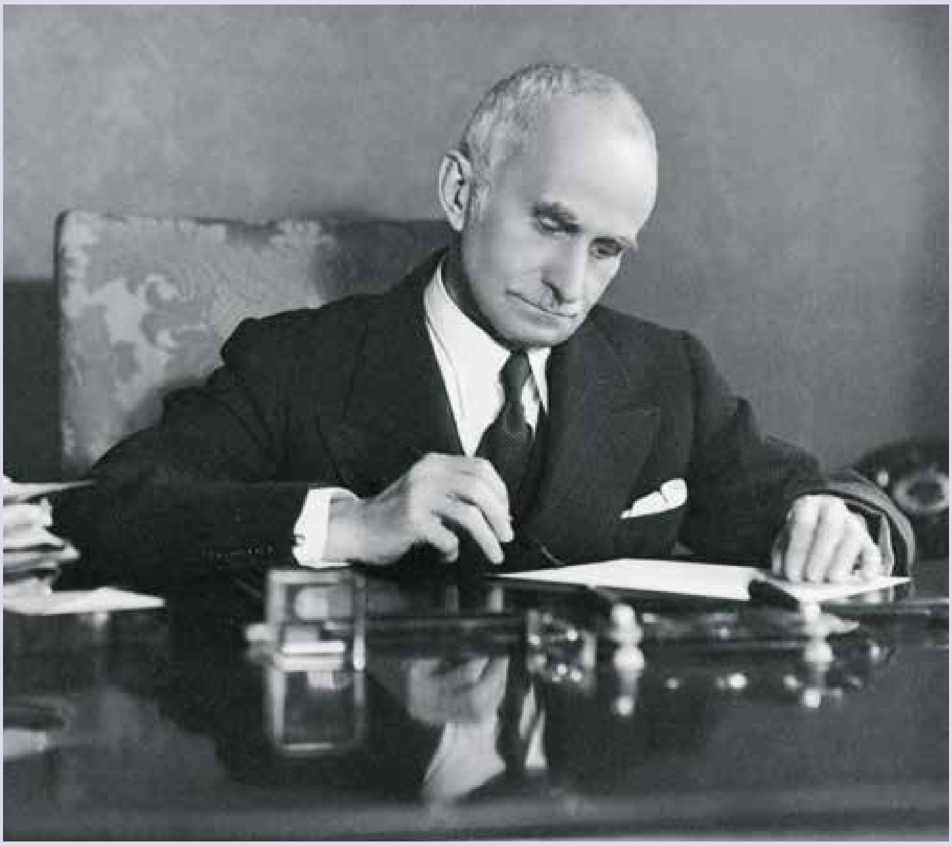
Those relationships led Raffaele Mattioli and Enrico Cuccia (1907–2000, then Italian finance's new rising star) to approach Somary in 1945 about the foundation of Mediobanca. Together with a re-established IRI (Institute for industrial reconstruction), Mediobanca was supposed to kick-start industrial production by supporting companies that had survived the ravages of war. In a speech at the Florence Rotary Club, Cuccia would recall:

> "Mattioli thought that a foreign financial group's involvement in 'Unionbanca' could provide a major incentive for obtaining the necessary authorisations. To that end, he arranged for Felix Somary, a partner in Blankart et Cie in Zurich, to send him a letter, dated 24 October 1945, stating his readiness to participate in the establishment of an Italian bank – with a contribution of half a billion lire, in foreign-owned 'internal lire' – and to lend it up to 50 million Swiss francs (about 1.25 billion lire at the exchange rate of the time) for five years. That loan could even be increased depending on how the initial operations went, and Somary offered to 'invite bodies from other countries to join the organisation, too'".

"On 27 October," Cuccia still recalls, "Mattioli wrote to tell Einaudi what was in Somary's letter, but without naming his correspondent. He merely said that it was a 'Swiss friend', a leading figure in his country's economic and financial community and of 'international standing'. He concluded, 'Given this offer, it seems to me that the considerations of opportuneness that lead you to take one view and the IRI Commissioner another must be set aside'. Somary's letter had the desired effect in overcoming Governor Einaudi's reluctance. The foreign group was to have up to a 50% stake in the new bank's capital, but at the crucial moment, Somary began to waver. Mattioli had dealt with him through Alfred Schaefer (1905–1986), a member of the Union Bank of Switzerland (UBS) executive board from 1941 to 1963 and Chairman from 1953. Faced with Somary's decidedly lukewarm attitude, Mattioli examined the possibility that, while Blankart and Co. would acquire the holding in lire in 'Unionbanca', the five-year loan in Swiss francs would be agreed with UBS. But the negotiations with Somary only got as far as rather vague and non-committal intentions; even the discussions with Schaefer were on hold".[13]

Somary's vacillation about the deal was justified less by his largely pessimistic view of Italy's future and more by his opposition to Keynesianism, which was inspired by the theories of British economist John Maynard Keynes (1883–1946). With that philosophy, the public intervention could have gone way beyond the purely financial, creating turmoil between the economic power of the political parties and the unions and that of the private sector. For Somary, the operation smacked of excessive statist intrusion. Mediobanca's aims were to include refinancing the re-formed IRI, founded by Benito Mussolini in 1933 to prevent the collapse of the main Italian banks (Commerciale, Credito Italiano and Banca

Portrait
of Raffaele Mattioli.



di Roma – the very institutions behind Mediobanca). The IRI's first chairman, from 1933 to 1939, had been Alberto Beneduce (1877–1944), whose worthiest colleagues included the young Enrico Cuccia, who would become his son-in-law by marrying his daughter, Idea Nuova. Somary, then, had backed out of the project, because he disagreed in particular with the organisation's planned routine use of subsidy. That mentality was also criticised by Giovanni Malagodi and Einaudi himself, who stated on several occasions, "If not predicated on economic criteria, a public enterprise" ends up becoming "a charity hospice".
Einaudi's view is now echoed by Giorgio La Malfa, writing about those events:

> "The main problem was the Bank of Italy. Both the Director General, Niccolò Introna, and Luigi Einaudi, who became Governor at the start of 1945, were averse. Einaudi's diary from the period reveals his hostility [...] Einaudi added that he showed Mattioli an article in The Economist on a similar project that considered this kind of initiative a dustbin, that is 'the traditional receptacle for bad banking deals'. These clues show that Einaudi suspected that Comit [Banca Commerciale Italiana or BCI] wanted to secretly return to its old loves (and vices) of the 'mixed' bank of Giuseppe Toeplitz's day".[15]

Mediobanca was established, and IRI immediately began its work, successfully relaunching and modernising the Italian economy in the 1950s and heralding the economic boom of the 1960s. As time passed, it became the largest industrial company outside the USA. Later, though, it started to become economically ineffectual, gradually turning into an inefficient, underactive, overstaffed behemoth. State intervention was used more to absorb failed companies and to support unproductive employment than to run healthy businesses. To say nothing of the incompetent managerial appointments imposed by the powerful politicians of the day. In the 1980s, IRI was a group of over 1,000 firms with more than 500,000 employees. In 1992, Romano Prodi, future head of government and President of the European Commission, was appointed to chair the IRI in an attempt to save it. He turned it

Luigi Einaudi was governor of the Bank of Italy from 1945 to 1948.

Portrait
of Felix Somary,
photographed
in Washington DC
in 1944.

into a public limited company, ending the year with turnover of 75,912 billion lire and losses of 5,182 billion, figures that would have brought any banker out in a cold sweat. All that remained was to plan its gradual winding-up, which concluded in 2002.

Tindaro Gatani
Journalist and scholar of Italo-Swiss relations down the centuries

Notes

1 Eugenio Montale, *Non c'è angoscia esistenziale nella sana anima di Zurigo*, in "Corriere della Sera", 19-20 May 1947.

2 *Ibid*.

3 Marianne Weber, *Lebenserinnerungen*, J. Storm, Bremen 1948, p. 572; Wolfgang J. Mommsen, *Max Weber und die deutsche Politik 1890-1920*, Mohr Siebek, Tübingen 2004, p. 249.

4 Tobias Straumann, *Der Mann, der die Zukunft fühlt*, in "Die Weltwoche", Zurich 27/2013.

5 Sandro Gerbi, "Il Sole 24 Ore", 5 August 2007, p. 9.

6 Felix Somary, *The Raven of Zürich*, St. Martin's Press, New York 1986, p. 121.

7 Gary North, *Il buco nella memoria: fallimenti socialisti* (The gap in the memory: socialist failures), 4 June 2012, www.johnnycloaca.blogspot.it/2012/06/il-buco-nella-memoria-fallimenti.html.

8 See entry "Schumpeter, Joseph Alois", in www.treccani.it.

9 Ferdinando Galiani, *Della moneta* (On money), Naples 1751.

10 Felix Somary, *Die Aktiengesellschaften in Österreich*, Manz, Vienna 1902.

11 Luigi Einaudi, *Una statistica delle Società per azioni*, (A statistic on public limited companies), in "La Riforma Sociale", Year X, Vol. XIII, 15 May 1903, pp. 373–382.

12 Giovanni Malagodi, *Profilo di Raffaele Mattioli*, (Profile of Raffaele Mattioli), Sandro Gerbi (ed.), Aragno, Turin 2010.

13 *Ricordi di Enrico Cuccia*, (Memoirs of Enrico Cuccia), 13 June 2014, www.mediobanca.it/it/chi-siamo/ricordo-di-enrico-cuccia.html.

14 Luigi Einaudi, *Diario 1945-1947* (Diary 1945–1947), Laterza, Milan 1993.

15 Giorgio La Malfa, "Corriere della Sera", 24 novembre 2014, www.fulm.org/articoli/economia/giorgio-malfa-corriere-sera-24-2014-alba-mediobanca-cuccia-sfido-ostilita-einaudi.

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Felix Somary, *Public limited companies in Austria* as reviewed by Luigi Einaudi

by Tindaro Gatani

The first of Felix Somary's studies to be printed were some articles that appeared in 1902 in a statistical journal, "Statistischen Monatschrift", in which he examined public limited companies in Austria. The articles were immediately collected and published as a small volume, with additional appendices and tables.[1]

On reading the young researcher's analysis, Luigi Einaudi quickly decided to review it and to publish a substantial extract in "La Riforma Sociale" on 15 May 1903, under the title *Una statistica delle Società per Azioni* (A statistical study of public limited companies).

At a time when public limited companies were not yet particularly common, Einaudi stressed above all that they "are interesting from several viewpoints: the legal, the economic and the statistical". He was especially concerned with the economic dimension. He wondered both if they were more or less profitable than the other types of company, single-shareholder companies, cooperatives, etc., and if "the relative net productivity can be calculated statistically for public limited companies and other companies, taking account of the differences in markets, sizes, industries and time".

"As loaded as it may be," he emphasised, "that question as yet has no statistical answer; indeed, we lack even the raw materials to attempt one".

Somary's achievement, he believed, was therefore to have laid the foundations for a precise study of that new phenomenon whose influence on the economy would grow and grow. The main issue regarded public limited companies' net profit, comprising "the overall amount that the company distributes, directly or indirectly, among its shareholders", namely the difference:

"Shareholders' profit – shareholders' loss", where the profit also includes the dividends distributed and the increases in the reserve provision, which may be considered part of the capital, "thus excluding provision for possible loss in value of securities or for paying employee bonuses or taxes, i.e. those funds that are for expenses".

After putting the figures gathered and published by Somary under the microscope, Einaudi pointed to gasometers, insurance and banking as the sectors where public limited companies had greatest scope for success. He added that, even though the period considered for Austria "goes back no further than 1878", the results "even as limited as that, offer us", nonetheless, "the means to draw interesting conclusions".

The future second President of the Italian Republic concluded his reasoning thus:

"Apart from just a few manifest exceptions, they [public limited companies] are not a failsafe means of changing the arid desert sands into liquid gold, but they are a technical method of running a business and acquiring capital and credit that, within certain limits, fulfils a very useful function reasonably profitably. At least, that is what the Austrian experience teaches us. Perhaps the results would be somewhat different in Italy; but indeed, such an interesting phenomenon, of which nothing definite is known, should tempt some astute scholar to scrutinise it patiently."

As Felix Somary did for his country.

Notes

[1] Felix Somary, *Die Aktiengesellschaften in Österreich*, Manz, Vienna 1902.

La Riforma Sociale

UNA STATISTICA DELLE SOCIETÀ PER AZIONI (1).

Le Società per azioni sono un fenomeno interessante a parecchi punti di vista: il giuridico, l'economico e lo statistico. Noi non possiamo qui di proposito accennare a tutti questi problemi ed ancor meno studiare a fondo anche uno solo di essi; ma vogliamo solo rendere conto dei risultati a cui è giunto il dottor Samary in un suo studio sulle Società per azioni in Austria, inserito prima nella rivista *Statistischen Monatschrift*, di Vienna (1902), ed edito poi a parte, arricchito di appendici e di tabelle.

Al punto di vista economico, forse la più suggestiva domanda che ci si possa fare intorno alle Società per azioni, è questa: rendono desse più o meno delle altre forme di Società, delle intraprese individuali, delle intraprese dette cooperative, ecc., ecc.? È possibile cioè di poter stabilire statisticamente la produttività netta comparativa delle Società per azioni e delle altre intraprese, tenuto conto delle differenze di mercato, di dimensioni, di industrie, di tempo?

Alla domanda, per quanto suggestiva, non si è ancora dato statisticamente una risposta; ed anzi mancano persino i materiali greggi, sulla base dei quali si possa fare il tentativo di una risposta. Poichè invero, innanzi di saper dire se le Società per azioni rendono più o meno delle altre forme di intrapresa, è necessario conoscere quanto rendano esse medesime. Come si fa ad ottenere questo dato, che a tutta prima sembra semplicissimo, del guadagno netto delle Società per azioni? Non certo lo conosceremo badando alla pura e semplice cifra del dividendo distribuito agli azionisti, poichè bene spesso il dividendo è solo una parte del guadagno netto, essendosi l'altra parte mandata a riserva; e non di rado il dividendo è fittizia-

(1) A proposito dell'opera: Felix Samary, *Die Aktiengesellschaften in Oesterreich*. (Wien. Manz'sche K. u. k Hof- Verlags. und Universitätsbuch-handlung, 1902).

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The first page of Luigi Einaudi's review published in the journal "La Riforma Sociale", 15 May 1903.

An extraordinary banker in an extraordinary era

by Tobias Straumann*

Left:
Felix Somary with a local guide during
a journey in Egypt, 1936.

This page:
On the ship during the crossing
to New York, 1938.

In January 1930, 49-year-old Zurich banker Felix Somary went to Heidelberg to give a conference on Europe's economic situation and to present his assessment of the Wall Street stock-market crash. In October and November 1929, share prices abruptly collapsed, causing panic among investors and an all-out dash to sell. Was it a passing storm, or would Europe have to face much more serious consequences?
For Somary, the answer was clear. He was convinced that the events on Wall Street were

> "[...] the start of the worst crisis of the last century – just the beginning, the first act – and we would not come through it in a few weeks or even a few months but only after several years".

The problem was not so much the stock-market crash in itself but rather the house of cards of international debt, fatally destined to collapse. "What brought the crisis upon us? Mountains of non-performing loans." World War I caused an unsustainable situation:

> "The European nations are supposed to repay what they borrowed from the Americans. But in the long run, no one knows how, since the overall amount is the same as Germany's reparation obligations. The impossibility of settling the debts is hidden by a system of short-term credits granted in financially unjustifiable proportions. To obtain these credits, the debtor countries' agriculture and economies must shoulder an interest burden that they will never be able to repay".[1]

Although his observations were well founded, Somary completely failed to convince the audience in Heidelberg, and the Frankfurter Zeitung's economic editor doubted that the situation could be described as a crisis. Just a few days later, Somary rearticulated his diagnosis to an exclusive group in Berlin, to an identical reception. The disagreement hinged mainly on Somary's "prophecy" that the New York stock-exchange crash would negatively affect Germany,[2] a thesis at variance with the general view that the malaise was only transient.

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But Somary was proved right all down the line. From 1930 to 1932, the German economy was assailed by an unprecedented crisis stemming from the fundamental problem that he had clearly delineated to the Heidelberg conference: Germany's high foreign debt. This was preventing the government from reducing interest

24 October 1929, the day of the Wall Street Crash. The crowd throngs the New York Stock Exchange building.

rates during the recession and from maintaining state demand, thus forcing it to cut spending, raise taxes and reduce prices. The state would later be called on to support the entire banking system, to introduce capital controls, and to approve a partial bankruptcy. Mired in this crisis, which saw the German economy shrink by over 20% with record unemployment of near 30%, the international economy sank into depression.

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Why was Somary one of the few then who could foresee that disaster? Usually, people with prophetic gifts are credited with extraordinary qualities. It was exactly so with Somary: he was a man with a kind of sixth sense, a man who "sensed the future" not with his head but in his bones, as he admitted to his son Wolfgang. As the Swiss diplomat Carl Jacob Burckhardt wrote to the German writer Hugo von Hofmannsthal in a letter of October 1922:

> "He is a very singular individual, our mutual acquaintance, this fellow Somary. [...] He is one of those people who foresee crises and have remarkable political insight, too. All the predictions that I have heard him make have come true, some even in quite surprising fashion".[4]

But we must not be fooled by this interpretation: Somary's analysis was not "supernatural" at all, and besides, he was not the only one in 1930 with a pessimistic outlook. The difference is that he took seriously what he saw and perceived, with all the possible ramifications. And that required not supernatural powers but painstaking, independent, objective research. Somary cared more about being able to frankly defend his views than about bringing them into line with others', sometimes with bizarre consequences. For instance, at a conference in Zurich in 1928, he said, visibly amused:

> "Today, climbing the university steps to reach this room, an old gentleman behind me – who was criticising the speakers, unaware of who I was – held that I was a professor and son of a Zurich banker and that my affinity for the left was as clear as my father's for the right. Evidently, since father and son are the same person in this case – that is, me – that person cannot occupy two different positions at the same time".[5]

This episode speaks volumes about how hard it was to "pigeon-hole" Somary into a specific allegiance.

Somary undoubtedly had an independent spirit, partly and especially because of his upbringing: in the family home, animated discussion was the norm, and the children were encouraged to express and defend their views. His father was a lawyer in the courts; his mother – a talented pianist – looked after the house and brought up the children. "Every day, Mum and Dad asked us what we had seen, and through their considerable knowledge they taught us many things that would be useful to us in life."[6] During the young Felix's frequent excursions and walks with his father in the nearby Wiener Wald or in the mountains, they would discuss politics, literature and history at length. His studies in Vienna were also enriching, first at the secondary school that he attended until the age of 17, the Schottengymnasium, run by the Benedictines – then considered one of the best schools in the German-speaking zone – and then at the equally prestigious Vienna University, whose worldwide renown was due especially to its law and political-science faculties.

But what really broadened his political and economic horizons was his experience as a banker. Somary began his career in 1906, aged 25, as secretary to the board of the Anglo-Österreichische Bank (Anglo Bank) in Vienna. Founded in 1864 by City of London experts living in the Austrian capital who specialised in financing international commercial deals, the bank enjoyed success under the helmsmanship of its Chairman, Karl Morawitz, diversifying into other fields, especially industrial finance in Eastern Europe. That was where Somary realised how a deep knowledge of the historical and political background is crucially important in the credit business.

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Unfortunately, as on many other occasions besides Heidelberg in January 1930, Somary had to contend with disapproval even when he was wholly in the right. His first major disappointment came when World War I broke out. As secretary to the Anglo Bank board, he could observe at first hand the inexorable escalation of tension in the Balkans, year after year. When Austro-Hungary annexed Bosnia-Herzegovina in 1908, he became convinced that a major war was just around the corner, and he decided that he had to make a direct and personal diplomatic effort. Thus, in 1909, he left Anglo Bank after just three years to work in politics behind the scenes in Berlin. Morawitz was at a loss to understand his assistant's "missionary" decision, asking him, "You really think that war is inevitable?" Somary replied, "No, not inevitable, but it will be hard to avoid". Morawitz retorted, "So it can be avoided only if the great genius, the new Noah, goes to Berlin; otherwise, the flood will wash us all away?" Somary replied, "It may seem shamefully presumptuous, but I believe that it is certain to happen".[7]

Somary, therefore, was convinced that the key to détente was a reconciliation between Germany and Great Britain and that only an accord between the two powers could defuse the risk of conflict between Austro-Hungary and Russia in the Balkans. Berlin and London, he maintained, must be ready to put aside two controversial points: the size of their navies and the construction of the Berlin–Baghdad railway. Aided by London banker Sir Ernest Cassel, a member of the Anglo Bank supervisory board with close connections to the British royal family, he gradually managed to temper the two states' mutual mistrust. So much so that, in the first few months of summer 1914, the threat of a major war seemed to recede. Virtually all that remained was to obtain the two governments' signatures, when the assassination of Austrian Crown Prince Franz Ferdinand in Sarajevo ruined everything. Somary was in no doubt: the attack of 28 June 1914 was the prelude to war, although the diplomats were largely convinced that things would resolve themselves. In his memoirs, he expressed his firm conviction that the Great War was not inevitable at all:

> "There were just fourteen days between the signing of the agreement on Baghdad and the Sarajevo attack, without which the dreadful catastrophe would not have occurred, because the treaty would have removed all the causes of Anglo-German conflict. But do not consider me conceited: no man alive today is more entitled to say it than I, because it was I who had done the groundwork needed to defuse the tension before it exploded, and I had obtained progress on seemingly the most controversial issues. Those who believe in ancient-Greek fate may well think that war would have broken out anyway. But, well knowing the situation's various aspects and key figures, I believe that view to be wholly unfounded".[8]

Portrait of Franz Ferdinand of Habsburg in uniform.

Further disappointment struck when the war was at its height. In March 1916 – together with an old friend, German sociologist Max Weber – Somary wrote a report to alert Emperor Wilhelm II of Germany to the great dangers of an indiscriminate submarine war. But the German government was not convinced; it soon decided to take that path, thus drawing the United States into the war in April 1917. In light of these new developments, Somary believed it inevitable that the conflict would further deepen. Yet he was surprised to have to relate that General Ludendorff – during a meeting in early summer 1917 – was totally underestimating the Americans: "He considered the United States' entry into the war a mere footnote."[9]

Somary's efforts to counter hyperinflation in Austro-Hungary and Germany were yielding no meaningful results, either.

Towards the end of the Great War, he had already alerted the authorities to that end, but history would take its dramatic course: in the early 1920s, Central Europe was in the throes of a monetary crisis that was permanently undermining the political and economic stability of Germany, Austria and Hungary. Somary's idea of declaring a state bankruptcy at the war's end as a swift remedy was snubbed by the politicians, who preferred to use inflation to settle national debts. Somary regarded that solution as infinitely more damaging:

> "The bankruptcy of a state is a one-off event, a surgical operation, while inflation infects the blood permanently. After the public debts are cancelled, refinancing could immediately follow. But with inflation, you have to wait until the currency has completed its 'metabolic process'. Despite the great losses that it might entail, bankruptcy would clarify the situation, and the overall loss is nothing compared with the dire consequences of inflation".[10]

At the end of the Great War, the political failure in Germany and Austro-Hungary prompted Somary to move to Switzerland, where he became co-owner of the private bank Blankart & Cie in Zurich. "Switzerland seemed to me to be the ideal European financial centre, because it had successfully defended its economic stability despite being in the midst of four great powers directly involved in the war."[11] Somary managed to save the Rothschilds' assets by transferring them to Switzerland, although not without a huge personal effort. He had long realised that the neutral Swiss state would become a safe haven, an oasis of stability, after a world war. In 1908, on his first visit to Ernest Cassel in Switzerland at his holiday home on the Riederfurka, to present his "anti-war" plan for Europe, Somary took his leave with some memorable comments. To Cassel's question, "Where would you prefer to invest capital today: Berlin or London?", Somary replied, "If my plan should fail, in neither of them, because they would end up ruining each other." Cassel asked, "So where on earth would you invest?" Somary said, "In America or here." Quite taken aback, Cassel remarked, "Here!? I have been coming here for many years, but I have always considered this little alpine country nothing more than a holiday area."[12]

In Zurich – his adopted home until his death – Somary married May Gräfin Demblin de Ville in 1930 and would have three children with her. Two years later, he obtained Swiss citizenship. From Zurich, he still attempted to exert his influence and to intervene when he deemed it necessary. Some of his "secret operations" hit their target. For instance, in the 1920s, he twice helped to save the fragile Weimar Republic from the financial quicksands through timely loans, and before World War II, he rendered Switzerland a great service when in March 1939, at Federal Councillor Hermann Obrecht's behest, he went to Washington to secure raw-material and foodstuff supplies for Switzerland. The negotiations concluded successfully as early as the following May. Obrecht was very grateful for his "secret mission", and he sent him again to the US capital in spring 1940, this time to safeguard supplies to Switzerland. In autumn that year, his sisters, wife and three children joined him in Washington, where he advised the American finance ministry on financial and monetary matters from 1941 to 1943.

In late summer 1944, Somary returned alone to Switzerland, leaving his family in Washington so that the children could continue their schooling. In Zurich, he continued to work as a banker and political

EIDGENÖSSISCHES VOLKSWIRTSCHAFTSDEPARTEMENT
DÉPARTEMENT FÉDÉRAL DE L'ÉCONOMIE PUBLIQUE
DIPARTIMENTO FEDERALE DELL'ECONOMIA PUBBLICA

Bern, den 20. Oktober 1939.

Herrn Dr. F. Somary
in Z ü r i c h .

Sehr geehrter Herr Dr.!

Sie haben sich uns anerboten, anfangs November nach den U.S.A. zu fahren, um dort die Verhältnisse an Ort und Stelle beurteilen zu können. Bei dieser Gelegenheit würden Sie auch die Vorfragen abklären, damit gegebenenfalls unmittelbar im Anschluss an Ihren Besuch eine grössere schweizerische Warenreserve in den U.S.A. angelegt werden könnte. Die hauptsächlichste Voraussetzung hiefür wird die sein, dass wir von der Regierung der U.S.A. die Gewissheit erlangen können, dass sie der Schweiz eine solche Warenreserve auch dann noch überlassen würde, wenn die U.S.A. inzwischen die Neutralität aufgeben sollten.

Wir sind Ihnen ausserordentlich dankbar, dass Sie sich hier neuerdings und unter den gegenwärtigen erschwerten Verhältnissen für die lebenswichtigen Interessen unseres Landes einsetzen wollen. Wir erklären uns mit Ihrer Absicht nicht nur einverstanden, sondern wir begrüssen es lebhaft, wenn Sie Ihre Ueberfahrt baldigst unternehmen.

Mit vorzüglicher Hochachtung
Eidgenössisches
Volkswirtschafts-Departement

Left:
Letter of 20 October 1939 with which the Confederation officially appointed Felix Somary to go to America to obtain raw-material and food supplies.

columnist but kept himself increasingly to himself, especially after his wife's premature death in October 1950. Shortly before he died, in 1956 aged 75, he published his memoirs (Erinnerungen aus meinem Leben). The well-known German journalist Marion Dönhoff began her obituary of him with an anecdote that faithfully reflects the character of this remarkable man:

> "I recently had cause to tell an acquaintance this story. A German correspondent had to leave his publication, because he could no longer accept its nationalistic outlook. A Swiss banker who had become aware of the situation and who had enjoyed the correspondent's articles, but never actually met him, told him that some nameless friends had opened an account at a certain bank, into which each of them would pay whatever sum he needed to live over the next twelve months, because he would need that time to find himself something new without undue haste and without taking any rash decisions. 'Would you ever have thought,' I asked him, 'that such fairy-tale benefactors still existed today?' He replied, 'That banker can only be Felix Somary.' And he was right".[13]

Tobias Straumann
Professor of Economic history at Zurich University

Notes

1 Felix Somary, *Die Ursachen der Krise*, J. C. B. Mohr (Paul Siebeck), Tübingen 1932, pp. 45-47.
2 Felix Somary, *Erinnerungen aus meinem Leben*, with foreword by Tobias Straumann and afterword by Wolfgang Somary, Verlag Neue Zürcher Zeitung, Zurich 2013, p. 219.
3 Wolfgang Somary, *Vorwort zu den Erinnerungen*, in Felix Somary, *Erinnerungen eines politischen Meteorologen*, Matthes & Seitz, Munich 1994, p. 10.
4 Hugo von Hofmannsthal, Carl Jacob Burckhardt, *Briefwechsel*, Fischer Taschenbuch Verlag, Frankfurt 1991, p. 98.
5 Felix Somary, *Ursachen, op. cit.*, p. 29 (report presented to the Verein für Sozialpolitik conference, Zurich, on 14 September 1928).
6 Felix Somary, *Erinnerungen*, op. cit., p. 18.
7 *Ibid.*, p. 96.
8 *Ibid.*, p. 118.
9 *Ibid.*, p. 164.
10 *Ibid.*, p. 191.
11 *Ibid.*, p. 181.
12 *Ibid.*, p. 94.
13 Marion Dönhoff, *Felix Somary zum Gedächtnis: Bankier, Prophet und Menschenfreund in unserer Zeit*, in "Die Zeit", no. 31, 2 August 1956, p. 3.

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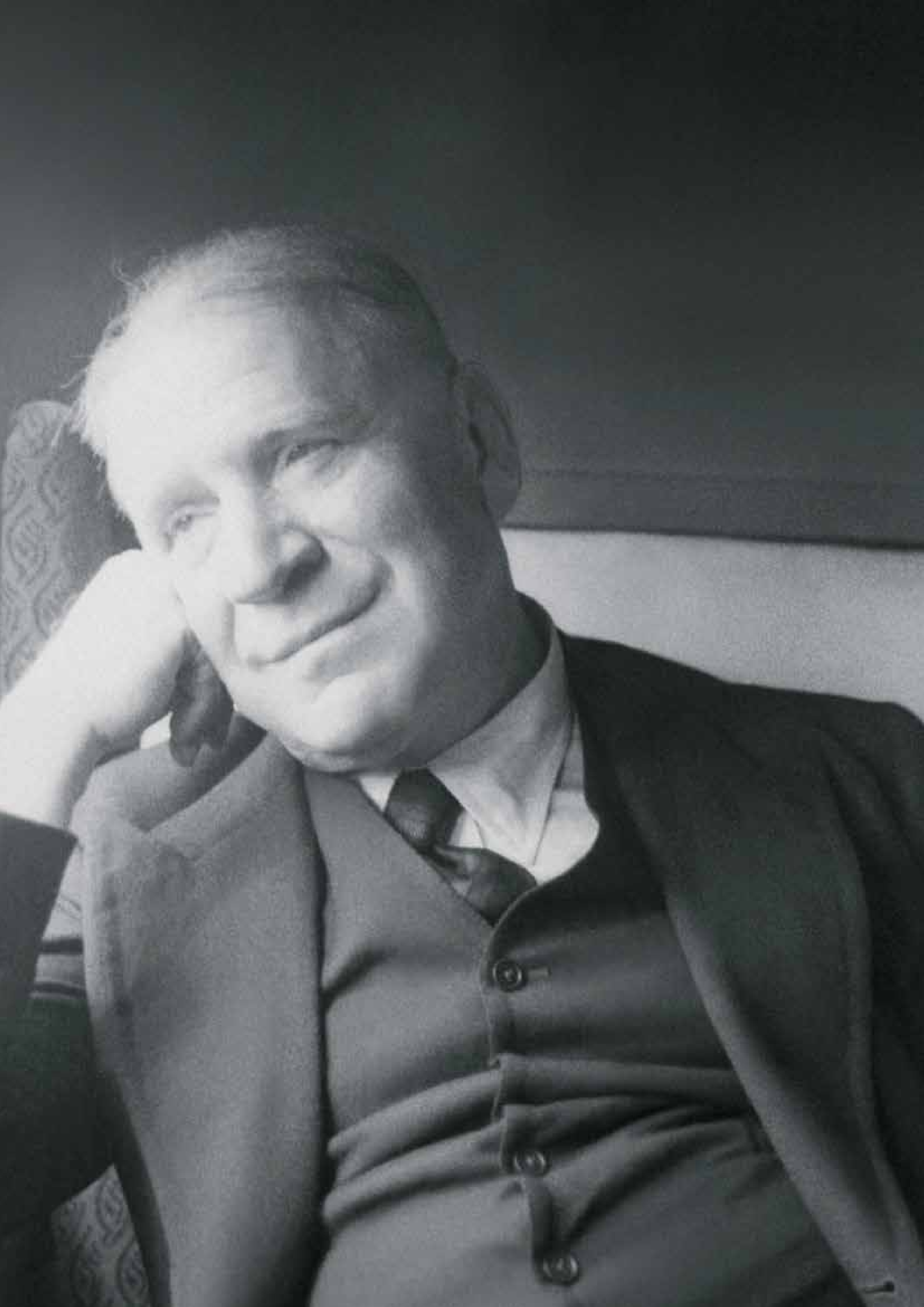


Felix Somary's ideas and values in the context of today's banking and finance world, with a focus on Switzerland

by Wolfgang Somary

Left:
A kindly, reflective Felix Somary
during a train journey, 1948.

This page:
During a mountain walk, 1947.

Nearly sixty years after his death (in 1956), many people are asking themselves what would Felix Somary, free thinker and problem-solver, say about today's economic situation? My father's sure-fire forecasts and analyses, formulated in the first half of the 20th century, continue to mark him out as a herald of future times. Austrian by birth and Swiss by citizenship, in an arena lashed by the winds of war, he mediated the interests of five nations – Austria, Britain, Germany, Switzerland and the United States – without an official role, a title, a party membership card, a military rank, or even a fee for his services. As a private banker, he earned himself the freedom to strive incessantly for peace, or at any rate for the "least possible conflict". As a young assistant to Carl Menger (1840–1921) and Eugen von Philippovich (1858–1917), cofounder of the Österreichische Schule der Nationalökonomie, and later in his work as an international financial consultant, historian, political scientist and jurist, he could boast a wide-ranging interdisciplinary outlook.

His banking career began at the Anglo Bank in Vienna, with the torpedoing of an international state loan to Russia, whose imminent bankruptcy he had predicted in a pamphlet. His position met first with great disconcertment then with hearty endorsement. As early as 1909, fearing that war was on the horizon – and turning down the chance to replace his superior at the bank – he moved to Berlin, intent on defusing Anglo-German tension. His main contact in Britain was Sir Ernest Cassel (1852–1921), a highly influential financier considerably senior to him in years and banker to King Edward VII. Somary's idea – to mediate an agreement between the rivals – led to international financial deals with political backdrops, as shown by the huge loan to the city of Budapest financed by several states. On one hand, the initiative eased tension about the armament of the German navy; on the other, it conditioned the Baghdad railway project to the point of persuading the British government to withdraw its reservations. But the assassination of Prince Franz Ferdinand (1863–1914) in Sarajevo thwarted the plan.

During World War I, Somary's efforts were manifold: shielding Belgium from the financial demands of the occupying power, Germany; overseeing food rationing with German entrepreneur Walter Rathenau (1867–1922); drawing up a memorandum with his friend Max Weber for Emperor Wilhelm II of Germany (1859–1941) to urgently dissuade the admiralty from building a fleet of submarines; and financing the Central Europe working group of Friedrich Naumann[1] (1860–1919), set up to safeguard the interests of Poland, Bohemia, Hungary and South Slavia (later Yugoslavia) under the aegis of Austria and Germany.

After the Great War, against the backdrop of the shortages in Vienna, Felix Somary supported the establishment of the American Hoover Commission and managed to secure a generous food supply. Then, in 1919, he moved to Switzerland, becoming co-owner of Bankhaus Blankart & Cie.,

Poster by the Anglo-Österreichische Bank, lithograph on paper, undated.
Five images illustrate the sectors that contributed to shaping the economies of the Central Powers and the Entente Powers before the Great War.

based at no. 7 Stadthausquai, Zurich. His partners were Colonel Jacques Blankart-Schrafl, commander of the Ticino and internal Switzerland territorial region, and Arturo Reitler, ex-manager of Banca Commerciale di Milano. His plan was to run a bank that – based on reputation and reliable credit – would get a moribund Austria back on its feet by managing the wealth of the Rothschilds, Bleichröders and Petscheks. The plan duly succeeded with the *Völkerbundanleihe* bond issue. At that time, the bank was growing vigorously and steered its customers clear of the stock market, a good two years before the October '29 crash. Thus, about three years later, foretelling the upturn in the stock exchange with his pamphlet *Krisenwende (End the crisis! – A plea for action)*, Somary could immediately continue his ascent and maintain this positive trend until the eve of World War II.

"So how long will the crisis last?" To that question, which was bandied around most insistently in the German finance ministry, Somary immediately replied:

> "Three things need to happen, in this precise order: the banking system in Vienna and Berlin must be restored to health through a crisis; the British pound must be uncoupled from the gold standard, and the industrial group of the Swede Ivar Kreuger (a producer of matches) must collapse".

After the first two events duly occurred, his answer to those asking him if the third was coming, too, was "The end is now nigh." Indeed, just four weeks later, Kreuger took his own life, buried under the ruins of his castle of debts. This gift of "reliable prophesy" put Felix Somary in a somewhat difficult position, mainly because of the tidal wave of requests for "prophecies" that loomed over him.
Even though he was not a member of the Swiss Bankers Association – he preferred the Farmworkers Association, saying he found it "more friendly" – Somary exerted considerable influence on the international financial transactions in Switzerland. Indeed, he twice launched "raids" from there to save the Weimar Republic government. He was also a founder of Mitropa (the central-European sleeping- and dining-car company), a Franco-German joint venture, reflecting how important he considered the railways as interface links between nations.

The Engadin Express on the Albula III viaduct between Bergün and Preda, 1929.

On 4 February 1937, the Zurich University student society invited him to speak about Switzerland's problems (*Die Gegenwartsprobleme der Schweiz*). Somary used this platform to exhort the audience to prepare immediately for war. He expounded the incomparable political heritage that Switzerland could vaunt, the fruit of a very mature democracy that had never degenerated into demagogy or tyranny. He also underlined the central role of cooperation in the interests of equal treatment among the continent's three great powers (France, Great Britain and Germany) and called for stronger spiritual and moral values in public life. He concluded:

> "An effective defence can be based only on the clear recognition of sacrosanct fundamental rights for all. In Switzerland, life, liberty, honour and property are not conditional on the discretion of those who, by turns, govern and must obey the law themselves; this is exactly what sets apart a free person from a slave. Hence, everyone takes full personal responsibility for their deeds, their conscience and their soul; they do not transfer that to someone else to take care of it all: these values distinguish us from the pagans, and for two millennia they have also represented the foundations

> of European culture. If all of us, as citizens of this country, embody this ideal, the belief that without these sacrosanct rights, life is not worth living, then we shall have the moral strength to resist any storm and to guide the nearby nations, like a beacon, towards a happy future".

The speech achieved great resonance. It came a few days before the visit of Federal Councillor Hermann Obrecht (1882–1940), head of the department of public economy, also the farmworkers' leader and a senior exponent of the Liberal party, whom Somary considered one of the most interesting figures in the Swiss bourgeoisie. After in-depth discussions, the two reached a unanimous conclusion: Switzerland must prepare for war without further ado. And the necessary measures must be taken to enable every family – under the trusted stewardship of the excellent Swiss housewives – to establish and maintain food stocks without the state having to raise the funds or shoulder the distribution costs, confining itself to helping the poorest families. This initiative struggled to achieve its aim in the face of vigorous bureaucratic resistance.

Somary then realised that raw materials – especially foodstuffs – needed to be bulk-bought in America. Councillor Obrecht had to press hard to overcome the swirling currents of opinion from opponents throughout the Parliament building; but even then, he had to settle for a compromise: option contracts instead of the fixed ones that Somary had wanted. Uncertainty about whether war was actually in the offing tarried far too long in Berne. The differences of opinion among the authorities became so protracted that it was only on 20 October 1939 that Somary received Obrecht's official blessing to sign option contracts with the USA, after having undertaken various "informal trips" to prepare the ground.
My father wrote:

> "I was six months out about when the war would start, because I overestimated the intelligence in London and Paris. For the Swiss war economy, however, this delay was the first of four fortunate circumstances of this conflict, along with Italy's belated decision to join the fray, the United States' entry into the war, and – in the middle – the opening of the corridor for Spain and Portugal (thanks to the quisling regime in Vichy, France). If war had broken out after the occupation of Prague, then a supply disaster would have been inevitable. At that time, as on many other occasions, many people considered me an incurable 'bird of ill omen', but those who do not reckon in terms of the worst-case scenario in that kind of situation are irresponsible. War was a possibility, so every plan for supplying the country had to be based on the eventuality of a total blockade; and besides, there is no reason why unforeseeable circumstances should all turn out happily and favourably, as they did, thank God, for Switzerland in World War II".

His warning is topical even today: in this era of cyber attacks that risk becoming increasingly malicious and sophisticated, the economy could suddenly find itself without its nerve centres and sources of supply.

When the work on the option contracts was done, Felix Somary stayed in the United States. He acted first as a mediator between the American finance ministry and the Swiss banks, in an attempt to prevent Swiss assets from being frozen, and then as a monetary adviser to the Washington government and adviser to the Austrian government in exile, headed by Otto von Habsburg and explicitly recognised by President Roosevelt.

After World War II, he returned to the finance world to run the Blankart & Cie., Inhaber Somary & Cie. bank until his death. After his wife died, in 1950, he wrote his political testament, *Krise und Zukunft der Demokratie*. It included his analysis of the French revolution as a historic event that he considered a great tragedy, a calamity that, because liberty and equality were incompatible, had taken humanity back to the pagan era, the fifth act of which was then playing out. In the bank headquarters, Somary created a fully fledged "library of revolutions" packed with books and documents on revolutions and civil wars. Knowing its content well, one day he said, "It wasn't like that; in truth, things are very different." He meant that you can never immerse yourself deeply enough in the mentality of people from other eras to fathom all the circumstances and situations, the expectations and ambitions, the motivations and causes. That from a man who could recognise the turning points in history as quick as lightning.

What would my father say today about the alliance among the European nations? "The alliance between France and Germany can end the era of nation states: mankind could not receive a greater gift," he wrote in 1952 in *Krise und Zukunft der Demokratie*. As early as 1 December 1930, at the Royal Institute of International Affairs in London, he had exhorted Britain, Germany and France to end their differences:

> "Great Britain's task is to encourage a rapprochement between France and Germany. If Britain lacks the will or the strength to do so, then the current crisis will be merely the start of a dark period that future historians cannot but term 'the inter-war years'".

Yet his verdict on the current European Union would not be so kind, judging from some of his unpublished notes:

> "A design is falling into place with many traits that favour the development of tyranny: the destruction of federalism through a central state or the replacement of a federation of states with a federal state. Regardless of how we wish to view the four 'fratricidal wars' in Switzerland, the United States, Italy and Germany, they have all removed a barrier that had guarded against dictatorship. The strong centralisation of powers aids the usurper in his attempt to take control of the state, and it makes resistance difficult".

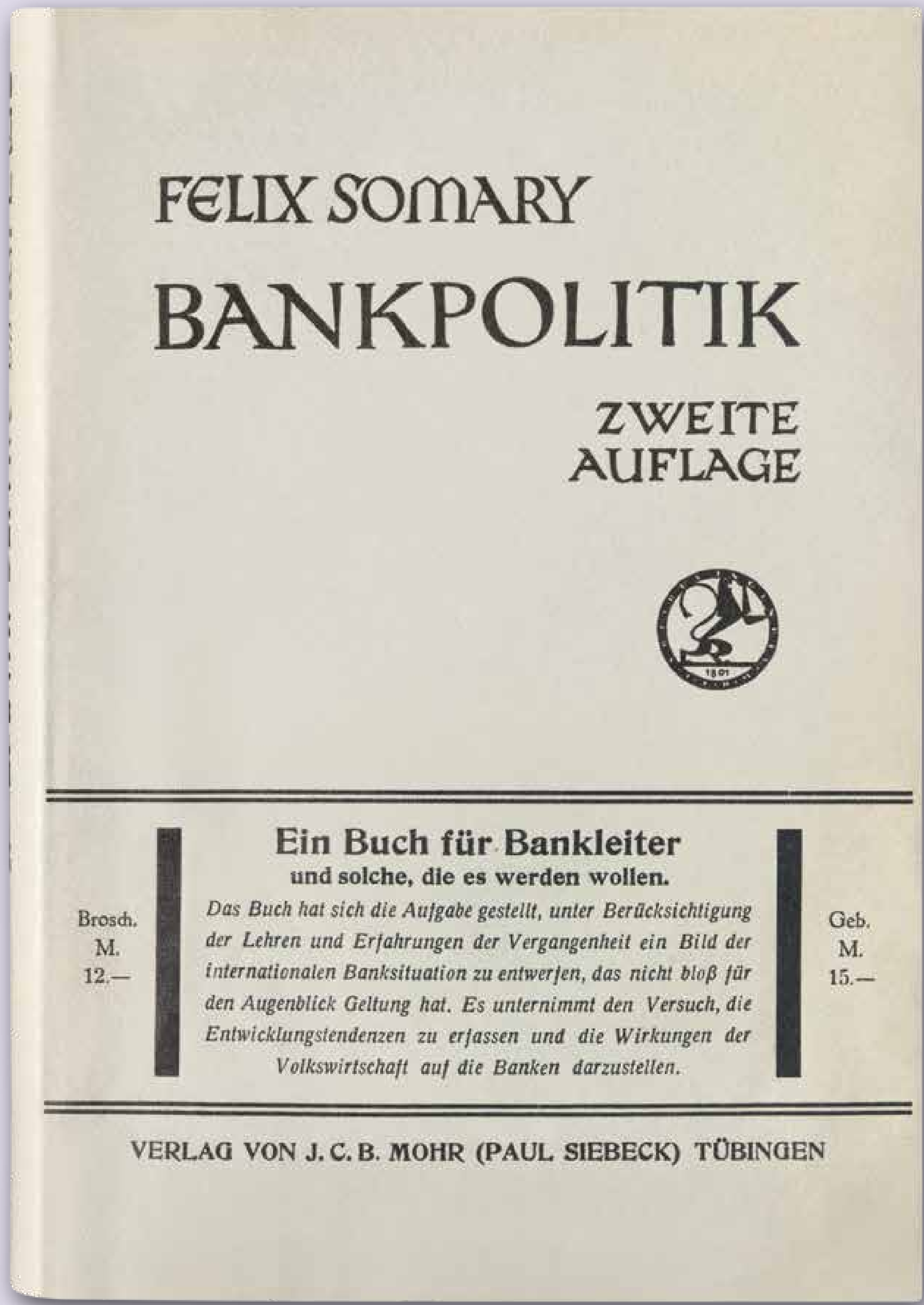
The invitation to defend federalism in today's arena is important, not least for Switzerland.

What would Felix Somary say about today's banking sector, after the events that have transformed it? He commented on the thesis that the credit institutions create money "from nothing" in his memoirs of '55 (*Erinnerungen*), although he had already aired his views many years earlier in the treatise *Bankpolitik*,[2] both in the third edition of 1934 (pp. 19–20 and 72–73) and in the first of 1915, where he wrote:

> "Ephemeral theories have become fashionable that attribute the banks a decisive role in the change of climate; but that is utterly contradicted by reality. Of the four theorists behind this hypothesis, the most important has become 'shipwrecked'; the second killed himself after losing his entire inheritance; the third has never seen how a bank works; and the fourth has completely changed his mind. Nevertheless, that does not prevent the 'savings myth' from spreading like wildfire, seeing how it continues to gain ground regardless of how things actually stand. The state, and only the state, is responsible for inflation; inflation is not otherwise possible without it or even against it".

With this treatise, *Bankpolitik*, Somary introduced the subject of "the bank" into the political economy. He examined the various hypotheses under which the current-account holders do not give credit to the banks but, vice versa, the banks in a certain sense are their creditors, as "multipliers of their money". "The thesis of the 'ability to create credit institutions' is very widespread in the new literature", he comments, summarising his view thus:

> "We completely refute the commonplace that the banks create deposits; we reassert that they receive them. [...] The resources in the banking system can increase only through: a) acquiring capital from abroad; b) extending the system of transfers at the expense



FELIX SOMARY

BANKPOLITIK

ZWEITE
AUFLAGE

Ein Buch für Bankleiter
und solche, die es werden wollen.

Das Buch hat sich die Aufgabe gestellt, unter Berücksichtigung der Lehren und Erfahrungen der Vergangenheit ein Bild der internationalen Banksituation zu entwerfen, das nicht bloß für den Augenblick Geltung hat. Es unternimmt den Versuch, die Entwicklungstendenzen zu erfassen und die Wirkungen der Volkswirtschaft auf die Banken darzustellen.

Brosch. M. 12.—

Geb. M. 15.—

VERLAG VON J. C. B. MOHR (PAUL SIEBECK) TÜBINGEN

> of payments in cash (although that is not very important in economically advanced countries, where both systems have virtually fixed boundaries); c) sustained recourse to funds obtained from the central bank".

On the banker's role – alluding probably to private bankers "who are becoming extinct" – he observes in his more recent notes:

> "Relative to the state, the banker has gone from a hammer to an anvil. The greatest figures of my youth have not yet found worthy successors. And yet, more than ever, today's problems need the imagination of the independent banker, because the financial chaos will never be ended by some national or international bureaucratic machinery and certainly not by a state body conditioned by particular interests".
>
> [...]
>
> "In a democratic state, a politician must take care of the façade, as if he held the people to be infallible and merely did their bidding. It is a position that, if applied to handling money, no banker worthy of the name could endorse. Ricardo's[3] maxim – 'sell when everyone is buying and vice versa' – remain very true today; for the judicious person sells when the market is rising and buys when it is falling. Being able to quit the market at any time and not missing the right moment to do so is the banker's true art. His great gratification is to steer his friends through wars and crises. When the time is right, he must be able to swim knowingly against the tide of the moment, without heeding the clamour rising up from the marketplace. If the second part of this century is like the first, then it would be wrong to recommend this profession to young men".

Still in his latest notes, he writes:

> "'Economic stability through monetary manipulation' is the watchword of the moment. But only in the absolute opposite case could a banker be in the right, because he is essentially a creditor to the state, so the forgery of money – which is what monetary manipulation should really be called – that has been going on for four decades now (1914–1952) is quite against his vital interests. Through a monopoly on the issue of money, the state has the most effective means of expropriation, that is of the removal of property, with neither limits nor rules. [...] The war has resulted in the state's complete control of money, the death of coinage, and the monopolisation of the banknote, as the state has directly or indirectly taken charge of issuing it. National paper money is circulating everywhere, and the state determines its volume and value: because of growing indebtedness, this money was and still is subject to ever-greater devaluation. [...] With the elimination of metallic money and the monopolisation of the issue of banknotes, the state can dispossess its people in short order. [...] It is paradoxical that the debtor may print money to reduce its debt; equally singular is a fiscal practice reliant on the principle that a currency devalued to a hundredth of its value must be worth the same as the previous unit".

For "creating money from nothing", in my view, governments and their central banks are responsible. Currently we are looking for a way out, through a new institution termed "monetative", or through cryptocurrency, such as *bitcoins*. The monetative – which would represent a fourth power of the state, alongside the executive, legislative and judicative – would serve to limit the state's influence on money and thus to adjust the money supply to meet the people's everyday needs. Indeed, as co-author of the book *Geschichte der Bank of England* with Eugen von Philippovich (published 1911), Felix Somary would say that a central bank's function was once precisely that. He would cite the Bank of England – which ensured the British pound's stability without state interference until the Great War broke out in 1914 – and the Federal Reserve, which had to abandon that function shortly after it was founded, in

Left:
Cover of Felix
Somary's book,
Bankpolitik.

1913, once the United States entered the war. That event derailed its planned approach based on gold coverage, the discount rate and issuing banknotes against bills of exchange.

The state, Felix Somary would observe, could lose sovereignty over money only with a return both to the gold standard[4] and, in parallel, to interest-rate policy being set by an independent central bank. That approach would be anything but appreciated by all the governments with insufficient gold reserves (and the governments have effectively opposed it for many years now with massive interventions on the gold market). Once, when I was an economics student, he wrote to me:

> "Gold is important because it is indestructible. That means that all the metal produced over the centuries still exists, and the new production adds only about 3% per year. It is sufficient for the economy to expand with controlled inflation. In the wake of the war, the gold was mostly held by a handful of countries – America, Russia and Switzerland – while, naively, the British considered it obsolete, because they no longer had any. If the economy sorts itself out during a time of peace, then gold-based currency will become universal once more, because it is irreplaceable".

These words confirm how my father could look beyond the populist opposition to gold, especially as it would not only have represented a highly effective brake on asset devaluation but would also have prevented the funding of long wars. He was certainly not thinking of spontaneously reintroducing gold coverage but rather of its "mandatory restoration" at the culmination of a crisis of confidence in the main currencies not covered by the yellow metal. If Switzerland had left the International Monetary Fund, it would never have been forced to abolish gold coverage for the franc.

According to his calculations, if gold had not been abandoned as the "monetary beacon", the First World War could not have lasted more than two years, and the Second would never even have started. And if the Americans had hiked the discount rate during the Great War, then the Europeans would have seen the money to finance their war effort become volatile, so the United States' military intervention would never have been necessary. It has taken a hundred years to affirm that the interests of this or that government do not always go hand in hand with the good of the people. Might it be because, ultimately, political power is exercised by small, well-organised minorities? That question seems to have given Felix Somary food for thought; otherwise, why ever would he have dedicated himself in the last years of his life to such a meticulous reading of *Elementi di Scienza Politica* (Elements of political science) by Gaetano Mosca (1858–1941)[5] (1896; extended 2nd edition 1923)?

Just as he considered every form of currency depreciation a swindle against savers and consumers – a judgement that in these days of virtually zero interest rates would certainly be even more severe – my father held that currency devaluation was an affront to confidence. Indeed, in his memoirs of '55, he wrote:

> "In the economic landscape, at our country's frontiers, I see a rampant and unstoppable 'economic malpractice'. Since America devalued, money manipulation has been elevated to a modern economic theory by professors with little moral fibre. Currency devaluation has become the panacea for all ills. Only two states have eschewed it: Holland and Switzerland, whose neutrality has seen them become havens for the neighbouring countries' gold. Hence, they have been able to buy more from the others; but, equally, they have been able to sell less to them. That is why the export industry has called for price cuts, with surprising support from the French and English press. In these countries, the idea of an imminent devaluation in the Swiss and Dutch currencies has been

> insistently presaged, even by sources close to the respective national governments".

And he added:

> "The Swiss national bank has resisted the most vehement attacks and has firmly restated its intention not to yield to the pressure. In early 1936, at President Bachmann's[6] request, I convinced the Social-democratic party hierarchy and the union leaders of the grave risks in devaluation, especially for the workers of a country heavily reliant on foreign supplies. Devaluation would never be accepted in a parliamentary or popular vote – since the old tradition of 'good money' is well rooted in the population – so the Federal Council has imposed it by decree, in circumstances that are not worthy to be recalled. That Saturday afternoon, I consoled my friend Bachmann, who was profoundly disconcerted. Only ten years earlier, the devaluation of a currency with 100% gold coverage would have prompted cries of fraudulent bankruptcy. Today, it is called 'the theory of purchasing power'. [...] This is not a glorious day, but it will be forgotten as long as it proves an isolated exception. [...] Since the late '20s, when the Japanese strove their utmost to remedy their currency's growing travails, there has no longer been a sense of shame: innumerable prominent people have hastened to cover it with the mantle of science".

Felix Somary would not have hesitated to say as much in late 2011, too, when the Swiss National Bank effectively devalued the franc by setting a minimum exchange rate with the euro and stating its readiness to buy unlimited foreign currency to defend this parity. And this tactic – without prior popular approval – has anchored the solid Swiss currency to the fragile European monetary unit and has propped up tourism in a year when the enemy was not so much the strong franc but the weather (a snowless March and a waterlogged July). Today, the latter appears the main cause of the 2½–4% drop in overnight stays on the year before. I believe that my father's strict position on the stability of the value of money was absolutely legitimate, partly because confidence depends on it and partly for the simple reason that you cannot cheat savers and consumers, who are not politically organised, in favour of powerful lobbies. When speaking of the industrial-relations negotiations in Switzerland between unions and bosses, in which he participated in the '30s, my father said that he ascribed greater importance to the public than to individual associations. The value that I attribute to those comments of his on the erosion of the value of money is also justified by the questions that many are now raising about the essence, the nature and the substance of money. Questions that are symptomatic of widespread uncertainty. To that regard, theories abound that my father would probably dismiss, with this observation: ultimately, it is the seller in the market that decides what money is; confidence underpins money.

In abandoning its bold, surprising "national-fortress strategy", Switzerland allowed itself to be held to ransom. As a former Swiss ambassador has shown, when America was pressuring some Swiss banks in the name of heirs of deceased account holders, "Switzerland fell from grace in American eyes when it no longer showed itself willing to defend the European watersheds." At that time, the IMF was also pressing Switzerland to sell much of its gold reserves and thus to abolish gold coverage for the franc. It gave way without resistance. Until 1952, Switzerland could vaunt the only fully effective army in Western Europe, and the country still enjoyed American esteem. A Switzerland in line with my father's views would guard the benefits of its neutrality more jealously and would therefore be better placed to keep fulfilling its traditional mediator's role in disputes between other peoples, without compromising itself with superfluous alliances. Like the Swiss saying *Die Suppe wird nicht so heiss gegessen wie gekocht* ("The soup is not as hot eaten as it is cooked"), Switzerland can find "middle ways" for other countries, but with this vision it cannot help itself in conflicts with intractable foes.

If we consider the values that Felix Somary represented and ask ourselves which ought to be introduced – or can already be found, even implemented in practice – in today's banking and finance sector, I believe that the answer might be as follows: 1.) maintaining federative principles, because they are useful to other countries as a valid model to emulate; 2.) close cohesion among the four language communities, as a good example for a multicultural society; 3.) defending neutrality as an essential value of Switzerland, indispensable for it to continue to mediate in disputes between other peoples; 4.) a focus on food crops, because the Internet's political fragility necessitates a greater level of autonomy, especially given the risks of the "extinction" of farmers and the abandonment of the countryside; 5.) the country's hard-won cohesion among its social partners, which uncontrolled immigration could jeopardise; 6.) defence of the franc's permanent stability, independently of pressure from political parties or economic-interest groups; 7.) the separation of credit institutions and investment banks; 8.) courageous reorganisations as painful but essential corrective measures after bad decisions; 9.) sensible steps to eliminate the risk of civil liability in investments; 10.) preventing the risk of assets deposited in other states being frozen; 11.) resisting the introduction of restrictions on money transfers. Perhaps it may seem passé, but it must not be forgotten that the banks are creditors to the state. When they become "too big to fail", they jeopardise their greatest asset – trust – as some recent cases have already shown; and those may well not be the last.

Felix Somary's main advice to a banker today would be this: in an era of mass culture and homogenisation, steer clear of the flavour of the moment. My father considered communism an incidental phenomenon and nationalism the worst kind of disease. But in mass culture, he saw the danger of "collective normalisation", of communisation through brainwashing and servility, all manifestations that typically pave the way to dictatorship.

The financial arena cannot be viewed in isolation. In the contemporary scene, so congested with new technology, new knowledge, and overlapping and interweaving priorities, all its aspects are closely interconnected. Bankers must keep up to date across a broad spectrum to focus more sharply on what is essential, including (and above all) in the business policy arena. For especially here, they must maintain a firm grip on the tiller and refrain from actions that they cannot completely control. Bankers cannot be tempted by certain facile attitudes, such as "I don't understand the product that I sell in my bank, but it was created by an eminent mathematician, and it works". "John Law was a mathematical authority, too, and in his day he brought France to its knees", Felix Somary would say.

In his notes, he wrote:

> "Heed an old banker: be very cautious when you hear weighty words like 'risk of war', 'despotism', 'billions', etc. [...] Being able to quit the market at any time and not missing the right moment to do so is the banker's real art. His great gratification is to steer his friends through wars and crises".

In his ideas we can also read another imperative: to be highly shrewd about selecting clients, because this is what enables a banker to keep out of the market during turbulent periods and to swim against the tide, making seemingly wrong moves, for a couple of years.
Felix Somary would say that we are living in an economy on a perpetual war footing – and have been for 100 years – which exponentially accelerates technological depreciation and technological progress. This situation keeps the capital markets under constant pressure and prevents the debts accumulated during conflicts from being properly settled. But do collateral products of the war economy (aircraft, the Internet, mobile phones) create no

wealth at all? I'd have my doubts about that, my father would say. For the airlines have always lost as much money as they have earned, the Internet is a potential weapon that can destroy its own benefits, and the iPhone, besides nullifying the capacity to perceive "what happens around you", increases fragmentation enormously. So what approach would Felix Somary suggest for the future? I can still hear him say, "Don't underestimate people's inventiveness and imagination (when it comes to getting themselves out of a jam)".

Some readers may wonder what investment policy my father would recommend to today's pension companies. In a long-term perspective, he would probably advise investing in water-treatment plants, comfort foods and well-capitalised public utilities. His primary criterion for choosing a product would be its indispensability.

Before concluding, it is only right that I dedicate a few words to my father's role models and sources of inspiration, because it does not happen every day that a banker abandons his profession to get involved – with no official title or remuneration – in top-level negotiations among five nations. His first and only employer, Morawitz, told him, "You would have done better to become a cardinal than a banker." But, firmly convinced that, without peace between peoples, the banks have no future, he wrote, "An idea that assures peace is worth more than the work of millions of people in the war industry."

I remember how moved he was when looking at Titian's John the Baptist ("a voice in the desert") and when reading first editions by Thomas More, who resisted the king and sacrificed his own life. He was also inspired by universal figures such as Eugene of Savoy, Antoine-Henri Jomini, Ulysses von Salis, Pompejus von Planta, Theodor von Reding, Jacques Necker and Albert Gallatin, who took leading roles on the world stage – far from their birthplaces – acting conscientiously and wisely. In his Sunday stroll in Washington, my father liked to pause for thought in front of the monument to Gallatin (1761–1849), as if before a close relative's grave. Born in Geneva, Gallatin was a statesman who became US finance minister under Presidents Jefferson and Madison and who negotiated the acquisition of Louisiana from the French when Napoleon needed money for his campaigns.

Nevertheless, unlike his role models and inspirations, in the era of nationalism, my father always had to bear the weight of his foreign origins. I remember him saying to me, very pensively, "It takes a hundred years to become Swiss." Perhaps there is also merit in this that we now tend to forget: thanks to its old democracy, Switzerland has qualities that are not necessarily ideal for adapting to the voluble fashions of the time but, for that very reason, are effective antidotes to homogenisation and standardisation.

The sources that Wolfgang Somary has cited are the notes and memoirs written and "narrated" by his father, plus the works published during his long and distinguished career as an economist.

Notes

1 German politician and columnist. His name is linked with *Mitteleuropa* (1915), a widely circulated work that combined a historical and cultural analysis of the times with a political programme to transform the war alliance between Habsburgs and Hohenzollerns into a stable system of economic cooperation.

2 For more on this subject, see the book *Bankpolitik* online (on demand); it is also available in Spanish. Joseph Schumpeter considered it the best text on this topic

3 David Ricardo (1772–1823), British economist, is considered one of the greatest exponents of the classical school. His principal subjects were currency depreciation, land rent, international trade and, above all, wealth distribution. He published his magnum opus, *Principles of political economy and taxation*, in 1817.

4 A monetary system in which the value of a legal monetary unit in a country is based on a fixed quantity of gold.

5 Jurist and historian of political doctrines, teacher at Turin University and Bocconi University, Milan, he was a member of parliament (1908), Undersecretary of State for the Colonies (1914), Senator of the Kingdom (from 1919), and a national member of the Accademia dei Lincei (1930).

6 Gottlieb Bachmann, attended secondary schools in Winterthur then studied law in Zurich, Strasbourg, Berlin and Leipzig. After teaching at Zurich University (from 1906) and elsewhere, he joined the Federal tax commission in 1913. He was General manager (from 1918), Chairman of the governing board (1925–1939) and President of the council (1939–1947) of the Swiss National Bank. In 1939, he was elected National Councillor, a position he held until 1943.

Felix Somary during a stay at the Shoreham Hotel in Washington DC, 1949.

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The Raven and the Chairman

by Myriam Facchinetti*

Illustration by Ludwig Hohlwein (1874–1949), 1935.

This chapter that you are about to read is unusual. Unusual for its form and for the curious interpretation that each of you may give it. For this is the story of two illustrious figures: a *Raven* and a *Chairman*. Now you may ask yourself, “But who on earth are they?” Well, the Raven is easy to guess, because you have got to know him well through the previous chapters. He is the first character in our story – the *Raven of Zurich*. But what about the Chairman: who can our second protagonist possibly be? We have met and we know of many chairmen in various fields, so how can we tell who he is? Here is a clue: he was, and will always be, a banker – no ordinary banker but a banker par excellence. A man who, like the Raven, dedicated and devoted his entire life, his energy, his commitment, to create and to build, always remaining true to sound principles and ethical and moral values that time has preserved through the memory of his example.

The Raven studied economics in Vienna then moved to Zurich, where he founded a bank. His powers of analysis and foresight told him that Zurich – already known as the international finance capital – would be a safe place to move capital into and to start a healthy financial business. For his part, the Chairman, still a very young man back in 1951, joined the staff of an Italian popular bank and carved out a long career that took “time”: a full 61 years, in fact! For that was the span of his working life, and all at the same bank. Who can match that nowadays? Sadly, no one.

During their careers, both the Raven and the Chairman saw many economists and bankers err in their forecasts and plunge headlong into the abysses created by their own calculations and rash strategies. All because they were driven by two great enemies: individualism and ego. Both men have shown us, two generations later, how to operate in the financial arena, how to do sound finance in the interests of shareholders, customers and staff. They each worked every day to support families, craftspeople, farmers, small businesses, and big industry, strengthening the economic fabric while developing the whole community. They were passionate, dedicated, tenacious champions of that vital social and economic role that they had been called to fulfil.

The popular bank that the Chairman ran for so many years is now a group that enjoys the respect and esteem craved by all serious banks. From the Valtellina valley just the Italian side of the Swiss border, the Chairman’s proactive, lucid, forward-looking analytical approach saw the bank expand at local level first throughout the Lombardy region, with numerous offices in the main towns and as many smaller branches, until it reached Rome, the capital city, where it now vaunts as many as 38.

That shows the importance of his analytical skill, his ability to question things, his foresight and the way he applied values “in the field”. The Raven shared those views of his and articulated them to economists, university students, and politicians from various countries. He wanted to help them change course and stop in time, giving them a chance to reflect, to assess and to modify their strategy while they could still salvage their plans, safeguard jobs and thus ensure peace of mind for families, who were and still are the most fundamental part of the social fabric, society’s perennial motive force.

Both the Raven and the Chairman put great passion, conviction and dedication into their careers, turning them into a mission. Their professional life was a rich mix of analysis, valuation and plans that they successfully implemented because they invested – wisely – in something of great value: time. The time that was so vital for their ideas to develop and take shape in order to show their worth and potential usefulness, for them to be woven into the business fabric through the fundamental value of shared buy-in, finally becoming a goal to be reached. For the Chairman and the Raven alike, allowing the necessary time means nurturing new initiatives and letting them develop. Today, however, people work to a short-term perspective, and the ramifications of this approach are often there for all to see. The Chairman and the Raven not only knew how to be analytical and play a long game, but they did what they did for the good of their company and the workers – the so-called "human capital" – and especially to develop their company with an eye on the future. Many times we have heard the Chairman repeat, "We must show that we can do well what the others do not."

It is certainly important to achieve the goal, but not when it is an end unto itself, because it contains the contaminated seed of individualism that can only impair the running of the business. On the contrary, what is more important is the journey, with its unforeseen obstacles, threats and challenges. Indeed, as the Chairman often said, "no day is problem-free". But it is precisely by facing the many unexpected tests that we gain value from the journey; it becomes a beginning, an initiation, that tempers, smoothes and matures people, making them wise and responsible.

Like a humble pilgrim, the Chairman began every day by walking to the bank. Like every good hiker on a mountain challenge, he well knew that, to reach his destination, without missing out on anything around him, he must not overreach himself: indeed, small steps are the order of the day. Faith was fundamental for both the Raven and the Chairman. Faith in themselves, in their staff, in their plans – and in people. They both had the humility to admit that each of us is a unique and infinitesimally small atom in a complex universe, which no one can presume the right to direct and orchestrate.

For twenty years now, a company has existed that the Chairman was determined to establish: the Banca Popolare di Sondrio (SUISSE), which opened its first branch in 1992 with two employees. It now has no less than 300 staff with 21 branches, agencies and counters throughout Switzerland and the Principality of Monaco.

Thank you, Mr Chairman, for leaving us this legacy of your fine example, full of inestimable value. We shall always carry it with us and keep it in mind, and although we know that we cannot match you, we shall do our best.

Myriam Facchinetti
Editor

Source of quotations

The quotations in the statistical section and on the back cover are taken from Felix Somary's 20 social laws published in his book *Krise und Zukunft der Demokratie*, Europa Verlag, Zurich/Vienna/Konstanz 1952. The quotations were selected and researched by Myriam Facchinetti.

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Photographic sources and references in the cultural section on Felix Somary

Private collection of Wolfgang Somary: pp. I–II, IV–V, VIII, XI (right), XVI, XX–XXI, XXVI, XXVIII–XXIX, XXXIV, XLI.
Archive of the Rhätische Bahn railway company, Chur, Switzerland: p. XXXI.
Banca Popolare di Sondrio Scpa: p. XLVI, Foto Sgualdino.
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Notes

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