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Multinationals and Varieties of Capitalism: When US Giants Stepped into the Swiss Coordinated Labor Market in the 1950s

As the *New York Times* reported in January 1960, the residents of the Swiss canton of Geneva were witnessing a “Yankee invasion”, but it was “an invasion not of troops or even tourists but of people with money to spend the year round, and work to do.”¹ The *New York Times* was pointing out the visible manifestation of US foreign direct investment’s (FDI) irresistible growth in Switzerland after 1945.² The country’s particular advantages made it a favored location for the establishment of European head offices and R&D facilities by U.S. firms. The attractiveness of the Swiss fiscal regime was a particular driver behind this trend,³ even if other factors such as Switzerland’s political stability, its declared neutrality, the strength of its currency, its educated and multilingual workforce and its geographic centrality in Europe might have played a role.⁴ Swiss cantons — which were the states of the Swiss Confederation— were in fierce competition to attract new corporate taxpayers by providing low taxation rates and rebates, while Swiss banks and law firms used various advertising channels to promote Switzerland as a safe tax haven thanks to Swiss banking secrecy.⁵

This working paper investigates unintended consequences of US FDI in Switzerland: the increased competition that US firms generated within the national labor market and the challenge their hiring practices constituted for the institutional settings in which labor relations were embedded. As we shall see, at a time when the Swiss economy was booming and the unemployment rate was close to zero, the side effect of the arrival of US multinationals, triggered by fiscal incentives, was that it dramatically contributed to depleting the job market, especially with respect to engineers and qualified administrative staff. Moreover, Swiss labor relations were embedded in specific institutional arrangements, marked by business-labor negotiations, the importance of skilled labor, and reliance on a foreign workforce to fulfill labor demand in the less competitive sectors of the economy.⁶ By analyzing the competitive dynamics of the labor market caused by the arrival of US multinationals as well as the way in which Swiss political and business elites dealt with this issue, this working paper provides new insights on the challenges that US FDI raised for

¹ The New York Times, *Swiss Welcome Yankee Invasion by Tax-Minded Business Men*, 26 January 1960, E220.52-02#1981/114# 1022*, Swiss Federal Archives [hereafter AF], Bern.

² Geoffrey Jones, “Globalization,” in *Oxford Handbook of Business History*, eds. Geoffrey Jones and Jonathan Zeitlin, (Oxford University Press, 2009), 148; Mira Wilkins, *The Maturing of Multinational Enterprise: American Business Abroad from 1914 to 1970*, (Harvard University Press 1975), 345-346.

³ Matthieu Leimgruber, “‘Kansas City on Lake Geneva’. Business Hubs, Tax Evasion, and International Connections Around 1960“, *Zeitschrift für Unternehmensgeschichte (ZUG)* 60, no. 2, (2015): 123-140; Janick Schaufelbuel, “The Transatlantic Business Community Faced with US Direct Investment in Western Europe, 1958–1968”, *Business History* 58, no. 6 (August, 2016): 883; Christophe Farquet, « Les banques suisses et la libération financière. Essor et protection du marché de l’évasion fiscale, 1958–1963 », *Revue suisse d’histoire* 68, no. 2 (2018): 298-328.

⁴ Margrit Müller, “The Case of US Companies in Switzerland”, in *American Firms in Europe 1880-1980. Strategy, Identity, Perception and Performance*, eds. Hubert Bonin & Ferry De Goey (Droz, 2009), 128.

⁵ Leimgruber, “Kansas City”, 125-126.

⁶ For the general features of Swiss labor relations, see Bernard Degen, “Travail et Capital,” in *Histoire Économique de la Suisse au XXe siècle*, eds. Patrick Halbeisen, Margrit Müller, and Béatrice Veyrassat, (Éditions Alphil, 2012). And on the characteristics of business-labor-government relations, i.e. corporatism, see: Katzenstein, Peter J. *Corporatism and Change: Austria, Switzerland, and the Politics of Industry* (Cornell University Press, 1984).

local firms and the prevailing capitalist system during the postwar economic boom.⁷ It therefore contributes to two bodies of literature: one that deals with the arrival of US firms in Europe after 1945 and another that tackles the contribution of business history to the variety of capitalism (VOC) scholarship.

The historical literature on Americanization during the 1950s and 1960s has mostly assessed the extent to which US multinationals adapted their labor management practices to the local context and the reactions of the local workforce and labor unions.⁸ Regarding the difference between US and European labor relations systems, Schröter underlines the propensity of US firms to insist on the individual betterment of the workers, while in Europe, notions of collective and social equity prevail.⁹ For instance, US firms were inclined to offer individual bonus schemes which could be withdrawn when the employees left the company and thereby helped to uphold the loyalty of the workforce.¹⁰ Moreover, American unions were usually established inside the enterprise, while unions in continental Europe tended to be organized outside in a more centralized fashion. When the two labor relations systems met through US FDI in Europe, scholars usually insist on US multinationals' willingness to avoid the introduction of the European style of industry-wide collective bargaining in their European subsidiaries, even if some studies showed that this picture needs to be more nuanced.¹¹ In the cases of Opel and General Motors in West Germany, Fetzer showed how the views were far from homogenous on the US and German sides and the need for more finely tuned studies to understand the complexities of power relations and explain the degree of implementation of the "American model".¹² It is remarkable that while business interest associations were, alongside labor unions, at the center of the European coordinated capitalist model and that the state often played the role of arbitrator, we know very little about their reactions and strategies with respect to US hiring and labor management practices. This lack of empirical knowledge is particularly regrettable since these tripartite relations are at the core of studies in comparative political economy.

Indeed, since the publication of Peter A. Hall and David Soskice's book entitled *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* in 2001, there has been a renewed interest in connecting business studies and comparative political economy. In their theory, the firm is central, and the types of relations they develop with one another, as well as with labor unions and governments, constitute the "micro-foundation" of two main capitalist models: coordinated market economies, mostly prevalent in continental Europe, and liberal market economies, emblematic of Britain and the USA.¹³ Since "the firm" happens to be business historians' main subject of investigation, prominent figures in the field naturally started to tackle this issue of VOC, wondering what contributions they might make and the benefit of

⁷ For the strategies of European governments toward US FDI, see: Geoffrey Jones, "The British Government and Foreign Multinationals before 1970", in Martin Chick ed., *Governments, Industries, and Markets: Aspects of Government-industry Relations in the UK, Japan, West Germany, and the USA since 1945* (Edward Elgar, 1990), 194-214; Wilkins, *The Maturing of Multinational Enterprise*, 345-346.

⁸ Harm G. Schröter, *Americanization of the European Economy: A Compact Survey of American Economic Influence in Europe since the 1880s* (Springer, 2005), 193-203.

⁹ Schröter, *Americanization*, 193.

¹⁰ Schröter, *Americanization*, 201.

¹¹ For an overview, see William Knox & Alan McKinlay, "American Corporations and European Labor", *Labor History* 51, no.2, (2010), 167-172.

¹² Thomas Fetzer, "Exporting the American Model? Transatlantic Entanglements of Industrial Relations at Opel and Ford Germany (1948-1965)", *Labor History* 51, no. 2, (May 2010): 173-91.

¹³ Peter A. Hall & David Soskice, *Varieties of Capitalism: the Institutional Foundations of Comparative Advantage*, (Oxford University Press, 2001).

adopting methodologies and concepts from that tradition.¹⁴ As Mira Wilkins noted, one of the questions business historians could contribute to is “how multinationals fit into the VOC thesis”, by analyzing the extent to which multinationals have changed the nature of capitalism in host and in home states.¹⁵ Analyzing, in a contextualized fashion, the dynamics triggered by FDI, seems indeed to be particularly relevant to VOC literature, since several critics have pointed out its ahistorical nature and the absence of actors and process.¹⁶ In fact, the economic history literature on Americanization and the impact of US multinationals in Europe is about how a model of productive efficiency and its essential features were transferred across borders, and where its successes and limitations lay.¹⁷ Therefore, investigating the challenges that the arrival of US companies on the labor market raised for local firms and the strategies developed by business and political representatives to cope with it, not only fills some gaps in our knowledge of US FDI impacts in Europe, but also has a heuristic value in offering a contextualized and dynamic vision of the post-war Swiss coordinated capitalism. US multinationals were indeed throwing sand in the wheels of the existing capitalist system, revealing its characteristics and its adaptability.¹⁸

To provide such insights, this working paper relies on historical sources from the Swiss Federal Archives and from the Swiss Federation of Commerce and Industry, commonly called the “Vorort”, which was a peak business association that mainly represented the interests of the Swiss export industry. During the 1950s and 1960s, the Vorort surveyed its affiliates, namely firms and sectoral organizations, to understand the impact of the establishment of US headquarters and R&D facilities in Switzerland. These surveys are valuable sources for grasping the diversity of opinions within Swiss businesses. Moreover, minutes of the Vorort’s directing committee shed light on projected strategies to deal with the US companies’ impact on the national labor market. Additionally, documents from the Swiss Federal Archives proved useful in

¹⁴ This micro-foundation of the theory makes it particularly attractive for business historians, see: Martin Jes Iversen, “The ‘Varieties of capitalism’ Approach as an Analytical Tool for Business Historians”, *The Business History Review* 84, no.4, (Winter, 2010), 664; Keetie Sluyterman, *Varieties of Capitalism and Business History: The Dutch Case* (Routledge, 2014), 2-3; Susanna Fellman, Martin Iversen, Hans Sjögren, & Lars Thue, eds. *Creating Nordic Capitalism: The Development of a Competitive Periphery*, (Palgrave Macmillan, 2008), 5-6; Niall G. MacKenzie, Andrew Perchard, Christopher Miller, & Neil Forbes, “Business-Government Relations and National Economic Models: A Review and Future Research Directions in Varieties of Capitalism and Beyond”, *Business History* 63, no. 8 (November 2021): 1239–52.

¹⁵ Mira Wilkins, “Multinational Enterprises and the Varieties of Capitalism”, *The Business History Review* 84, no.4, (Winter, 2010), 639. Wubs and Sluyterman also analyzed the role of multinationals as agents of change: Keetie Sluyterman and Ben Wubs, “Multinationals as Agents of Change”, in Keetie Sluyterman ed, *Varieties of Capitalism and Business History: The Dutch Case* (Routledge, 2014).

¹⁶ Gary Herrigel & Jonathan Zeitlin, “Alternatives to Varieties of Capitalism”, *The Business History Review* 84, no.4, (Winter, 2010), 671; Christian Marx & Morten Reitmayer, “Introduction: Rhenish Capitalism and Business History”, *Business History* 61, no. 5, (July 2019): 753-54; Ronald Dore, William Lazonick, & Mary O’Sullivan, “Varieties of Capitalism in the Twentieth Century”, *Oxford Review of Economic Policy* 15, no. 4 (1999): 102–120; MacKenzie, Perchard, Miller & Forbes, “Business-Government Relations”, 3.

¹⁷ Jonathan Zeitlin & Gary Herrigel, *Americanization and Its Limits: Reworking US Technology and Management in Post-War Europe and Japan*, (Oxford University Press, 2004), 1.

¹⁸ This relates to a micro-history approach such as developed by Ginzburg and more recently by Clavel to analyze financial dynamics of private capitalism during the 19th: Carlo Ginzburg, “Microhistory and World History”, in *The Cambridge World History*, eds Jerry H. Bentley, Sanjay Subrahmanyam & Merry E. Wiesner-Hanks, (Cambridge University Press, 2015), 446–473; Damian Clavel “What’s in a Fraud? The Many Worlds of Gregor MacGregor, 1817–1824”, *Enterprise & Society* 22, no 4 (2021), 2.

understanding the Swiss central administration's approach and the extent to which it diverged from the fiscal attraction strategies of the Swiss cantons than is much better acknowledged in the existing literature.

This working paper is structured as follows. The first section analyzes the implications for Swiss businesses of the establishment of several US R&D centers during the mid-1950s and the debates this generated within both Swiss business interest associations and the Swiss federal administration. The second section demonstrates how Swiss business elites promoted self-regulation mechanisms and coordination between firms to deal with the lack of workers and the potential resulting wage increases. The third section focuses on the strategies developed by political and business representatives with the increased arrival of US multinationals at the beginning of the 1960s and underlines the limitations of their approach.

Unfair players? US Research Labs and Poaching Engineers

US FDI in Switzerland was initiated well before the postwar economic boom. Mira Wilkins has pointed out that several US firms had, in the 1920s, already established holding companies in Switzerland, Luxembourg and Lichtenstein, generally for tax reasons.¹⁹ The end of the 1950s inaugurated a new wave of such enterprises, triggered by the encouraging prospects of the ongoing European integration process. US multinationals were indeed somewhat overly optimistic that a large integrated European market was on the horizon. After the Treaty of Rome was signed in 1957, they envisioned that the countries of the European Free Trade Association (EFTA), of which Switzerland was one, would soon join the European Economic Community (EEC).²⁰ Because of this perspective, US multinationals decided where to set up their subsidiaries within Europe according a country's locational advantages, and therefore did not limit their investments to the EEC area. Switzerland, thanks to its banking secrecy and the tax breaks offered by many cantons and municipalities to big business and rich individuals, soon attracted the European headquarters of several US companies.²¹ Moreover, since the interwar period, the Swiss authorities had negotiated several bilateral taxation agreements with their European neighbors, which allowed Swiss-based multinationals to repatriate their profits in Switzerland without first being taxed abroad.²² The revenues of US subsidiaries located in Europe could therefore be run through their Swiss-based companies which allowed them to optimize their taxation level.²³ In addition to holding companies and European headquarters, many US multinationals chose to establish research centers to take advantage of Switzerland's qualified and multilingual workforce. In 1953, the 150 largest US multinationals had established 39 subsidiaries in Switzerland. This number exploded during the following decade, with Switzerland having 267 subsidiaries of the largest US firms on its soil by 1967.²⁴

¹⁹ Wilkins, *The Maturing of Multinational Enterprise*, 138-139.

²⁰ Schaufelbuel, "The Transatlantic Business", 885.

²¹ Leimgruber, "Kansas City", 125-126.

²² Christophe Farquet, "Tax Avoidance, Collective Resistance, and International Negotiations: Foreign Tax Refusal by Swiss Banks and Industries Between the Two World Wars", *Journal of Policy History* 25, no. 3 (July 2013): 334-53.

²³ Janick Marina Schaufelbuehl, "'The Advantage of Being inside the Wall When It Is Built.' US Multinationals' Direct Investments in the Common Market, the Balance of Payments Deficit and Bretton Woods (1958-74)", *Journal of European Integration* (August 2020), 4.

²⁴ Margrit Müller, "The Case of US Companies in Switzerland", 105-128.

From the mid-1950s, the arrival of US subsidiaries, and especially of R&D facilities, did not go unnoticed. The creation of several research centers led by US foundations made the headlines, while Swiss political representatives and prominent researchers were invited to their opening ceremonies. For instance, the Battelle Memorial Institute in Geneva, named after the steel industry pioneer Gordon Battelle and whose goal was to develop technical knowledge for the industrial and agricultural sectors, was inaugurated with fanfare in 1953.²⁵ Several major US companies also implemented new R&D hubs, such as the Radio Corporation of America (RCA), The International Business Machines Corp. (IBM) and General Electric Co. (GE), often with mediatized political support and in collaboration with Swiss scientific institutions such as the Swiss Federal Institute for Technology (*Eidgenössische Technische Hochschule*, hereafter ETH) in Zurich.²⁶

These new arrivals were nevertheless not unanimously welcomed. Complaints from Swiss companies soon came to the attention of the regional Chambers of Commerce, sectoral business associations and ultimately the Vorort, accusing these new subsidiaries of harvesting young engineers and graduates. For instance, the Zurich Chamber of Commerce, in a letter addressed to the Vorort, reported receiving many grievances from its members deploring the fact that Swiss universities were becoming US multinationals' "playground".²⁷ It also stated that it was unfortunate that graduates from ETH in particular were targeted since financing it cost the state about 10 million CHF each year, while many Swiss companies were making donations to sustain its research activities. Furthermore, the Swiss educational system's promotion of vocational training implied that for firms who undertook the training of apprentice technicians, employee turnover was particularly detrimental.²⁸ US multinationals were therefore perceived as freeloaders who took advantage of the qualifications of the Swiss workforce without paying the costs of its education.

Moreover, the new phenomenon of worker poaching within Switzerland just added to the pressure that firms in the US were already exerting on the national labor market. At that time, it was indeed common for US companies to advertise in Swiss newspapers for jobs located in the US. For example, an advertisement published in *the Neue Zürcher Zeitung* by a Massachusetts microwave company which targeted "physicist engineers", was brought to the Vorort's attention. The firm offered to "assume the cost of the relocation to the USA", "help to find a house", and trumpeted Boston's "cultural life, symphony concerts, theatre and art exhibitions."²⁹ The various advantages provided by US multinationals, as well as the relatively high salaries they offered, constituted serious incentives for young graduates to move abroad. Such "brain drain" issues were not confined to Switzerland. The problem of the emigration of scientists was for instance discussed as early as 1952 within the British Advisory Council on Scientific Policy. The expression "brain drain" was coined in 1963 in a report by the British Royal Society which showed that the annual rate of recent PhDs moving permanently or temporarily to the USA was over 22 per cent of the total output.³⁰ This

²⁵ Gazette de Lausanne, L'inauguration à Genève du « Battelle Memorial Institute », June 1953, Le Temps Archives.

²⁶ SHIV, Fremdenpolizeiliche Praxis gegenüber amerikanischen Forschungsinstituten und –Laboratorien in der Schweiz, Zürich, 21 June 1956, PA 600a 37-3, Schweizerische Wirtschaftsarchiv [hereafter CH SWA], Basel.

²⁷ Zürcher Handelskammer, Fremdenpolizeiliche Praxis gegenüber amerikanischen Forschungsinstituten und –Laboratorien in der Schweiz an den Vorort des Schweizerischen Handels- und Industrie-Vereine, 30 June 1956, IB-Vorort Archiv 54.2.20., Archiv für Zeitgeschichte [hereafter AfZ], Zürich.

²⁸ On the functioning of the system and its evolution, see: Linda Rohrer & Christine Trampusch, "Continuity and Change in the Swiss Vocational Training System", in eds. Christine Trampusch & André Mach, *Switzerland in Europe: Continuity and Change in the Swiss Political Economy* (Routledge 2011), 144-162.

²⁹ NZZ, Raytheon Manufacturing SA: Physiker Ingenieure, 27 October 1956.

³⁰ Matthew Godwin, Jane Gregory & Brian Balmer, "The Anatomy of the Brain Drain Debate, 1950–1970s: Witness Seminar", *Contemporary British History* 23, no. 1 (2009), 39.

study gave rise to public debate in several other European countries.³¹ Swiss businesses therefore suffered from double trends: the “classical form of brain drain” with firms in the US incentivizing graduates to move abroad and an “internal form of brain drain” with US multinationals poaching engineers and technicians within the country.

The Vorort and the federal authorities had to investigate this issue more closely in 1956, after George J. Szasz, who was meant to occupy a leading position in GE’s new research center in Zurich, requested a residence permit from the Aliens Police (*Fremdenpolizei*) in the Canton of Zurich. While the Swiss constitution guaranteed “freedom of trade and industry” for citizens as well as foreigners,³² thus implying the right to freely launch a new business, immigration was closely regulated, and the cantonal authorities could choose to grant or deny work and residence permits. The cantonal Aliens Police followed general federal guidelines, but they enjoyed a certain leeway and would often base their decisions on the perceived needs of the local economy and after consultation with cantonal business associations and labor unions. The control of immigration was therefore embedded in the Swiss coordinated system, in which business interest associations played a prominent role in regulating the economy.³³ Since John Szasz was a high-profile economic immigrant, the Zurich Aliens Police requested the Zurich Chamber of Commerce’s opinion on the matter. Predicated on complaints from some machine tool industry’s representatives, the Chamber gave a negative reply to the cantonal authorities, while some ETH professors expressed their full support for GE’s future research manager.³⁴ In the face of such contradictory signals, the Zurich cantonal authorities reached out to the federal level for advice. In parallel, on the business side, the Vorort was requested to investigate the case. This simple immigration application would therefore occupy all levels of the Swiss coordinated economy system, from regional businesses and authorities right up to the federal level and peak business associations. It is also remarkable that labor unions were absent from these discussions, since the increased demand on the labor market benefitted mostly to the workers. The explanation lies probably in the fact, that the handling of US FDI was seen as a matter of economic policy and not of labor relations. Traditionally, Swiss labor unions would not play a central role in determining the former.³⁵ Moreover, at the time, labor unions were not concerned with job creation since labor demand was constantly superior as labor supply.³⁶

The Vorort expressed the opinion that the GE case and the residence and work permits for its research manager shouldn’t be assessed separately, but the business community should discuss in general the question of granting permits for future leading figures of US multinationals. To do so, the Vorort launched a survey to collect the opinions of its affiliates, which would capture a whole and clearer picture of the

³¹ Godwin, Gregory & Balmer, 37.

³² Christoph Winzeler, “Liberté du commerce et de l’industrie”, in *Dictionnaire historique de la Suisse* (2009), URL: <http://www.hls-dhs-dss.ch/textes/f/F47142.php>.

³³ Pierre Eichenberger & André Mach, “Organized Capital and Coordinated Market Economy: Swiss Business Interest Associations Between Socio-Economic Regulation and Political Influence”, in eds. Christine Trampusch & André Mach, *Switzerland in Europe: Continuity and Change in the Swiss Political Economy* (Routledge 2011), 53-81.

³⁴ Bundesamt für Industrie Gewerbe und Arbeit, Sektion für Arbeitskraft und Auswanderung, Gesuch der General Electric Co um Erteilung einer Aufenthaltsbewilligung an den amerikanischen (ursprünglich ungarischen) Staatsangehörigen Szasz George John, an den Vorort des Schweizerischen Handels und Industrieverein (SHIV), 8 June 1956, 1, IB- Vorort Archiv, 54.2.20, AFZ, Zürich.

³⁵ Daniel Oesch, “Swiss Trade Unions and Industrial Relations after 1990: A History of Decline and Renewal” in eds. Christine Trampusch & André Mach, *Switzerland in Europe: Continuity and Change in the Swiss Political Economy* (Routledge 2011), 84.

³⁶ See for instance : *Revue Syndicale Suisse*, L’économie suisse en 1960, 1961, Cahier 5, 136.

situation and determine the general strategy of the business community.³⁷ No business associations denied that the labor shortage in Switzerland, especially for qualified workers, and the additional demand resulting from US multinationals' FDI constituted an issue. Even Industrie-Holding, a business association representing Swiss-based industrial multinationals, made the following observation:

One cannot overlook that research centers established in Switzerland by U.S. companies are taking away experts from individual Swiss firms. This was confirmed by one of our member company which has recently lost three technicians [...]. We also have to consider the danger that, in the future, Swiss companies will increasingly lose specialists and, consequently, that the wage level for such personnel might experience an unhealthy increase.³⁸

But when it came to the question of taking concrete actions such as denying residence permits for US managing directors, opinions were far from unanimous. Fearing retaliation measures, Swiss multinationals generally recommended against it. Swiss investment in the US had indeed a long history. In 1914, Switzerland was already the sixth major investor after Britain, Germany, Holland France and Canada and by the end of the 1920s, some Swiss multinationals, such as Hoffmann-La Roche, already conducted research on US soil.³⁹ Because of their own research laboratories in the US, Swiss multinationals needed residence permits for their Swiss managing staff too. Consequently, their association, Industrie-Holding, reported to the Vorort that Swiss multinationals “could hardly imagine the Swiss authorities risking being criticized for discriminatory practices against US citizens” since their reciprocal interests were at stake.⁴⁰ In a similar vein, the Swiss Society of Chemical Industries as well as the Geneva Chamber of Commerce stated that research could not be considered in isolation anymore and that the potential for collaboration with US partners was rather to be judged positively.⁴¹ The Swiss Association of Machinery Manufacturers underlined how “tricky” it was to take a common stand on this question, because while the most internationalized firms, such as Brown Boveri & Cie advocated avoiding any “openly nationalist attitude”,⁴² smaller firms could not afford higher salaries and provided several concrete examples of engineer poaching.⁴³ These diverging positions were emblematic of the dualism of the Swiss economy,

³⁷ SHIV, Fremdenpolizeiliche Praxis gegenüber amerikanischen Forschungsinstituten und – Laboratorien in der Schweiz, Zürich, 21 June 1956, PA 600a 37-3, CH SWA, Basel.

³⁸ Industrie-Holding, Fremdenpolizeiliche Praxis gegenüber amerikanischen Forschungsinstituten und– Laboratorien in der Schweiz, an Vorort des SHIV, 4 June 1956, PA 600a 37-3, CH SWA, Basel.

³⁹ Mira Wilkins, “Swiss Investments in the United States 1914-1945”, in ed. Sébastien Guex, *La Suisse et les Grandes Puissances, 1914-1945*, (Droz, 1999), 91 & 108.

⁴⁰ Industrie-Holding, Fremdenpolizeiliche Praxis gegenüber amerikanischen Forschungsinstituten und– Laboratorien in der Schweiz, an Vorort des SHIV, 4 June 1956, PA 600a 37-3, CH SWA, Basel.

⁴¹ Schweizerische Gesellschaft für chemische Industrie, Fremdenpolizeiliche Praxis gegenüber amerikanischen Forschungsinstituten und– Laboratorien in der Schweiz, an Vorort des SHIV, 13 July 1956; Chambre de commerce de Genève, *Concerné : Installation en Suisse d’instituts et de laboratoires de recherches américains*, au Vorort de l’USCI, 24 July 1956, IB-Vorort Archiv 54.2.20, AfZ, Zürich.

⁴² Ernst Speiser, Brown Boveri & Cie, Betr.: Fremdenpolizeiliche Praxis gegenüber amerikanischen Forschungsinstituten und – Laboratorien in der Schweiz, zu Vorort des SHIV, 25 June 1956, IB Vorort Archiv 54.2.20, AfZ, Zürich.

⁴³ Verein schweizerischer Maschinen-Industrieller, Betrifft: fremdenpolizeiliche Praxis gegenüber amerikanischen Forschungsinstituten und –Laboratorien in der Schweiz, an den Vorort des SHIV, Zürich, 06 July 1956, IB- Vorort Archiv 54.2.20, AfZ. Zürich.

with, on the one hand, very outward-oriented competitive firms and, on the other hand, small business and inward-oriented companies which were more inclined to accept selective forms of protectionism.⁴⁴

The Vorort, according to the survey's results and in line with its usual liberal rhetoric, stated that no special actions should be taken to prevent the establishment of US companies in Switzerland.⁴⁵ In January 1957, the Federal Aliens Police sent a circular to its cantonal sections advocating a "liberal attitude" in such matters.⁴⁶ In this regard, Swiss business and political elites followed the same rational as other large investor countries such as the UK and Germany which wanted to preserve the reciprocal interests of their own multinationals.⁴⁷ For instance Jones points out that in the British case, the Exchange Control Act of 1947, which allowed the Treasury to validate or deny investments based on certain criteria, was implemented with caution and that considerable attention was devoted to simplifying these administrative procedures thanks to the government's belief in the benefits of US FDI.⁴⁸ Actually, in the Swiss case, most permits for strategic US staff were granted. For instance, the Zurich Chamber of Commerce reported that between January 1957 and April 1959, of the 91 permit requests considered strategic and therefore carefully evaluated by the Zurich Aliens Police, only 5 were ultimately denied.⁴⁹ GE's future manager of the Zurich-based research laboratory was nevertheless the collateral damage of this Swiss consultation procedure and had to wait several months before getting his permit.⁵⁰

Welcoming US Newcomers to the Swiss Employer's Coordination System

Swiss outward-oriented companies and the Vorort denounced state interference with the liberty of commerce and industry of US multinationals, but at the same time, recognizing that the labor market issue was far from insignificant, they brought other solutions to the table. The Swiss business community promoted consultation and self-regulation mechanisms, which were more in line with their usual handling of economic problems and their aversion to direct state intervention.⁵¹ Their basic approach was to inform US newcomers about the usual range of salaries and working conditions provided by Swiss firms in the same sector, so that they could comply with current practices.

⁴⁴ Tomas David, André Mach & Tobias Straumann, "The Questioning of Selective Protectionism in Switzerland during the 1990s: Cartel Law Reform and Corporate Governance Changes", in eds. Margrit Müller & Timo Myllyntaus, *Pathbreakers. Small European Countries Responding to Globalisation and Deglobalisation* (Peter Lang 2008), 451.

⁴⁵ SHIV, Errichtung von Forschungsinstituten in der Schweiz durch ausländische (vor allem amerikanische) Firmen, an die Handelskammern und interessierten Fachverbände, 07 January 1957, 1-2, IB-Vorort Archiv 54.2.20, AfZ, Zürich.

⁴⁶ Eidg. Fremdenpolizei, Kreisschreiben Nr.777 betr. die Errichtung von Forschungsinstituten in der Schweiz durch ausländische (amerikanische) Firmen, an die kantonalen Fremdenpolizeibehörden, 14 January 1957, E4300C-01#1960/27# 65*, AF, Bern.

⁴⁷ Geoffrey Jones & Frances Bostock, "U.S. Multinationals in British Manufacturing before 1962", *The Business History Review* 70, no. 2 (1996), 251.

⁴⁸ Jones, "The British Government and Foreign Multinationals before 1970", 200.

⁴⁹ Zürcher Handelskammer, Amerikanische Zuwanderung und Fremdenpolizei, an den Vorort des SHIV, 05 May 1959, IB-Vorort Archiv 54.2.24, AfZ, Zürich.

⁵⁰ Max Kaufmann, Direktor des BIGA, an den Vorort des SHIV, 06 July 1956, IB-Vorort Archiv 54.2.20, AfZ, Zürich.

⁵¹ Trampusch & Mach, *Switzerland in Europe*, 11.

Such attempts at employer coordination were quite common at the time in Switzerland in the context of what was labelled “overemployment” and “economic overheating”.⁵² Labor peace was an iconic phenomenon of the postwar period, and within this framework, sectoral business associations and labor unions negotiated general working conditions.⁵³ The Central Association of Swiss Employers, which was the peak association in charge of labor questions (while the Vorort was in charge of economic policies),⁵⁴ regularly sent recommendations to its members urging them to resist labor demands, avoid employee poaching, and renounce the hiring of employees who frequently switched jobs to chase higher salaries. The lack of workers was particularly problematic for declining sectors such as the textile industry, which could not afford wage overbidding. To sustain economic growth and mitigate the imbalances in the labor market, Switzerland relied overall on immigration. Immigrants, mostly Italians, were not allowed to switch companies or cantons and therefore constituted a captive labor force, allowing the less competitive segments of the Swiss economy to survive.⁵⁵

It must also be noted that while US multinationals were arriving in Switzerland, Swiss multinationals were increasingly rationalizing and relocating part of their production abroad since they were not able to hire the desired number of workers.⁵⁶ Labor unions usually did not fight technological and organizational innovations that contributed to saving the labor force. With respect to relocations, Industrie-Holding even noted that labor unions supported the slogan: “bring the machines to the workers (abroad) and not the workers to the machines (in Switzerland).”⁵⁷ The federal authorities also tried to facilitate relocations, allowing Swiss firms to process their goods abroad and then reexport them in Switzerland without paying custom taxes.⁵⁸ The idea was to relieve the labor market, decrease upward pressures on salaries and thereby ensure the survival of Swiss firms that were competing internationally. Since Switzerland relied heavily on exports, Swiss business and political elites were indeed very concerned about moderating wages and avoiding inflation to secure the competitiveness of Swiss goods on foreign markets.

Consequently, the arrival of US multinationals did not only exacerbate worker scarcity, but the additional jobs demand it generated also contributed to boosting wages. Moreover, US companies tended to be more generous, which reinforced the trend toward higher labor costs. The Central Association of Swiss Employers explained the situation to its affiliates in this fashion:

At the time of their implementation, these enterprises—who are usually unaware of either the labor market situation or of the average salary level—often hire their employees at conditions that are sometimes even considerably higher than the normal. This policy leads to an imbalance in the labor market and to overbidding in terms of remuneration, which is detrimental to the general interest of our economy. In order to avoid these

⁵² Sabine Pitteloud, “L’autodiscipline en guise de régulation : La stratégie patronale à l’heure de la surchauffe économique en Suisse autour de 1960”, *Traverse-Revue d’histoire* 3 (2017), 113.

⁵³ Bernard Degen, “Arbeit und Kapital”, in Margrit Müller, Patrick Halbeisen, Béatrice Veyrassat eds., *Wirtschaftsgeschichte der Schweiz im 20. Jahrhundert* (Schwabe 2021), 898.

⁵⁴ For the division of labor between the two organizations, see: Pierre Eichenberger, “L’Union centrale des associations patronales suisses: genèse d’une association faîtière du patronat (1908-1922)”, in eds. Danièle Fraboulet and Pierre Vernus, *Genèse des organisations patronales en Europe (19e-20e siècles)* (Presses Universitaires de Rennes 2012), 143-152.

⁵⁵ Etienne Piguet, *L’immigration en Suisse: soixante ans d’entrouverture*. 3e édition (Presses polytechniques et universitaires romandes, 2013), 34.

⁵⁶ See for instance, Ciba, Rapport annuel 1964, 18, Firmenarchiv der Novartis AG, Basel.

⁵⁷ Industrie-Holding, Jahresbericht 1978, 8. PA 540 a M 2-5-2 IV, CH SWA, Basel.

⁵⁸ Sabine Pitteloud, “The Social Desirability of Offshoring: a Swiss Consensus [1945-1975]”, *Zeitschrift für Unternehmensgeschichte (ZUG)* 64 no. 2 (2019): 255-273.

drawbacks, the regional employers' associations should be able to inform these companies about the actual situation and the existing practices and possibly encourage them to join the appropriate organizations.⁵⁹

The possibility of integrating US multinationals into the Swiss employer's coordination system was discussed during a gathering of concerned Swiss authorities and business associations' representatives in August 1956. The participants agreed that "rushing the Americans with demands and prohibitions" would prove counterproductive and that their efforts should be aimed at "creating an atmosphere of mutual trust" instead.⁶⁰

With respect to employers' coordination, the Monsanto case was presented as a favorable example. The US multinational declared its intention of opening a research laboratory in Switzerland in 1956. Monsanto was represented by a Swiss lawyer who gathered favorable arguments in its favor and was in close contact with other Swiss multinationals from the chemical industry to get their support.⁶¹ Through its intermediary, Monsanto offered to contribute to fundamental research by providing unconditional donations to public research institutions. Monsanto also assured its Swiss multinational counterparts that it would respect salary levels and the usual working conditions. Moreover, the firm promised that it was going to hire foreign staff as a priority, which was welcomed by the directors of CIBA, one of its Swiss competitors in the chemical sector.⁶²

IBM also facilitated the establishment of its R&D center in Switzerland through the development of connections with local politicians and with the ETH. To run its Swiss laboratory, IBM appointed Ambros Speiser, a Swiss researcher at the ETH working on an electronic computer and son of a Swiss politician. Speiser was interviewed in New York, IBM paying for his travel a cost that was equivalent to five months of his salary. After his appointment, Speiser reported being "urged not to employ Swiss graduates" while "others urged [IBM] not to employ aliens, because there were already too many immigrants in the country".⁶³ To respond to these criticisms, Speiser recruited his team, mainly from his personal academic network from universities in Germany, Holland, Belgium and England and published an article in August 1958 in the *Neue Zürcher Zeitung*, emphasizing that "a fair number of Swiss graduates who had planned to emigrate to the United States had changed their minds and chosen a position" in one of the newly established US laboratories, while "in several cases, Swiss scientists residing in the United states had been induced to return home with their families".⁶⁴ Speiser also underlined that IBM pay structure was in line with the national salary level and that many of its researchers were teaching at the ETH, therefore facilitating the transfer of knowledge to the students.

Despite some encouraging examples, such as that of Monsanto and IBM, Swiss business associations and authorities recognized that these coordination efforts, based on individual companies' goodwill in

⁵⁹ UCAPS, aux associations régionales mixtes affiliées à l'Union centrale, 08 October 1960, IBVorort-Archiv 54.2.28, AfZ, Zürich.

⁶⁰ Konferenz betreffend die fremdenpolizeiliche Praxis gegenüber amerikanischen Forschungsinstituten und – Laboratorien in der Schweiz, Bern, 30 August 1956, 3, IB- Vorort Archiv 54.2.20, AfZ, Zürich.

⁶¹ Dr. Willy Stahelin, Rechtsanwalt Zürich, Memorandum : Gründung eines Forschungs-Laboratorium durch die Monsanto Chemical Company, St-Louis, Missouri, 27 May 1956, 2, IB-Vorort Archiv 54.2.20, AfZ, Zürich.

⁶² Direktion der CIBA Aktiengesellschaft, an Herrn Dr. Willy Staehelin, Rechtsanwalt, 2 June 1956, IB-Vorort Archiv 54.2.20, AfZ, Zürich.

⁶³ Ambros Speiser, "IBM Research Laboratory Zurich: The Early Years", *IEE Annals of the History of Computing*, 1988, 19.

⁶⁴ Speiser, "IBM Research", 19.

complying with usual wage levels and labor conditions, had only limited impact. As a representative of the Geneva Chamber of Commerce noted, it is in the nature of firms to grow, so that “any gentlemen’s agreement was condemned to go unheeded.”⁶⁵ This basically meant that if firms needed workers, they would do whatever it took to hire them. Moreover, there is little evidence that US firms were actively involved in the activities of Swiss business associations.⁶⁶ US multinationals only joined Industrie-Holding, the association of Swiss multinationals, after it changed its status to welcome Swiss-based firms with foreign ownership in the 1990s.⁶⁷

These coordination efforts nevertheless reveal that wage increase was perceived as a real threat to Swiss firms’ competitiveness and provide a good illustration of employers’ preference for self-regulation. Schaufelbuehl shows that similar feelings were prevalent within business interest associations of other European countries which shared hostility to state intervention and favored finding solutions between businessmen to address the “Americanization” issues.⁶⁸ Indeed, despite their concerns about US technological supremacy and product competition, European business elites generally promoted free trade and capital flows and therefore had little interest in seeing the state adopt restrictive practices against US FDI. Swiss business associations were no exception in this regard. What is noteworthy, however, is that these organizations were not inclined to accept the law of supply and demand, when the equilibrium was favorable to workers and that they tried to neutralize competition on the labor market through employers’ coordination between Swiss firms, but also, when possible, with foreign multinationals.

From “Laissez-Faire” to Underhanded Administrative Tactics

At the beginning of the 1960, the arrival of US multinationals gained increased visibility, especially in the Cantons of Zurich and Geneva. Several press articles spoke of “invasion” or “saturation”.⁶⁹ The phenomenon was also acknowledged in the US press, with, for example, the New York Times reporting several manifestations of this “invasion” such as “Big burgers” in Geneva restaurants, Chevrolets in the roads and blue jeans in the streets, the baby-sitter industry and little girls from the Midwest shopping for ketchup”.⁷⁰ The New York Times, and the press in general, made no mystery of US multinationals’ motivation in establishing subsidiaries in Switzerland, explaining that “most of all, it is the willingness of the Geneva canton to give American companies just about the best tax break they can find anywhere that has brought them to Geneva.”⁷¹ As a matter of fact, the “victim state” welcomed the so-called invasion. In 1960, the Federal Aliens Police reported the creation of 319 new enterprises, among which 160 chose

⁶⁵ Pierre Bourrit, Genfer Handelskammer, Konferenz betreffend die fremdenpolizeiliche Praxis gegenüber amerikanischen Forschungsinstituten und – Laboratorien in der Schweiz, Bern, 30 August 1956, 3-4, IB- Vorort Archiv 54.2.20, AfZ, Zürich.

⁶⁶ The top managers who were part of the main Swiss business interest associations’ executive committees were usually Swiss male nationals, who occupied an officer position in the army, at least until the 1980, see: André Mach et al., *Les Élités Économiques Suisses Au XXe Siècle* (Alphil, 2016).

⁶⁷ Müller, “Internationale Verflechtung”, 429.

⁶⁸ Schaufelbuel, “The Transatlantic Business”, 890.

⁶⁹ See for instance Olivier Reverdin, *Journal de Genève, Saturation*, 31 October 1959, Archives Le temps.

⁷⁰ The New York Times, *Swiss Welcome Yankee Invasion by Tax-Minded Business Men*, 26 January 1960, E220.52-02#1981/114# 1022*, AF, Bern.

⁷¹ The New York Times.

Geneva and 135 Zurich.⁷² The number of US immigrants living in Switzerland more than doubled between 1950 and 1960, even if they only represented 1.1% of the 450,000 foreigners present in the country.⁷³

When the Federal Aliens Police reported these US immigration numbers to the Division of Commerce, it specified that these numbers should be weighed “qualitatively”, since US immigrants were of an important type, mostly businessmen, leading scientists and top managers and their arrival would stimulate the economy further.⁷⁴ Some of the US subsidiaries grew rapidly indeed. Du Pont de Nemours, for example, employed five people when its Geneva subsidiary was established in 1959. A year later, about 240 employees were working for the firm in Geneva, among them 40 foreigners and 200 Swiss.⁷⁵ The Swiss National Bank estimated that the stock of US FDI, which corresponded to 25 million USD in 1950 and 82 million USD in 1958, more than quadrupled to reach 553 million USD in 1962.⁷⁶ The arrival of US multinationals at the beginning of the 1960s seemed exponential.

To encourage this trend, a dense ecosystem of Swiss Banks and business lawyers offered their services to US multinationals and were using massive propaganda to attract more and more of them. For example, a brochure prepared by some Swiss tax experts and entitled “Swiss Tax Shelter Opportunities for U.S. Business” promised US clients to relieve them of the “tremendous tax burden” which was affecting US companies.⁷⁷ The US Department of Commerce also provided information for companies willing to invest in Switzerland. While some advice related to administrative requirements and fiscal rules, some of them were as specific as stating that “electric refrigerators are very small by U.S. standards and inadequate in ice making or storage capacity” or that “social life in Switzerland can best be described as rather quiet on the whole.”⁷⁸ Beyond the anecdotes, these examples show the increased demand for precise information about Switzerland. Moreover, the Swiss Consulate in New York received many solicitations for administrative assistance on behalf of US companies and businessmen.⁷⁹

The impression of facing a runaway phenomenon was soon voiced by the Vorort and certain parts of the Federal administration. In December 1959, during a session of the Vorort’s executive committee, one member regretted that US FDI was “a new component of economic overexpansion”, increasing the demand for workers, offices, housing, and consumer goods. In addition, US multinationals were also criticized for

⁷² Henri Tzaut, Eidgenössische Fremdenpolizei, Niederlassung amerikanischer Firmen in der Schweiz, Interdepartementale Besprechung, Bern, 19 June 1961, 4, E2200.267-03#1969/226# 254*, AF, Bern.

⁷³ E. P. Maeder, Directeur de la Police fédérale des étrangers, Séance tenue à la demande de la Police fédérale des étrangers, à la Chambre de commerce de Genève, 12 November 1959, 1. IB-Vorort Archiv 54.2.24, AfZ, Zürich.

⁷⁴ Eidgenössische Fremdenpolizei, an die Handelsabteilung des Eidg. Volkswirtschaftsdepartementes, 14 October 1959, 2-3, IB-Vorort Archiv 54.2.24, AfZ, Zürich.

⁷⁵ Riccardo Motta, Vice-président de la Banque nationale suisse (BNS), Exposé : L’implantation des sociétés américaines en Europe et en Suisse, à la séance du Comité de banque, 21 July 1960, 5-6, E2200.267-03#1969/226# 254*, AF, Bern.

⁷⁶ Comité de la BNS, 21 July 1960, E2200.267-03#1969/226# 254*, AF, Bern.

⁷⁷ Silvio Bianchi, Accountant and Tax Consultant, Basel & Dr. Otto L. Walter, Attorney at Law New York, *Swiss Tax Shelter Opportunities for U.S. Business*, Schulthess & Co. AG, 1960, IB-Vorort Archiv 54.2.24, AfZ, Zürich.

⁷⁸ U.S. Department of Commerce, Bureau of International Programs, World Trade Information Service, *Living Conditions in Switzerland*, Part 2 n° 61, 2200.267-03#1969/26# 258*, AF, Bern.

⁷⁹ EPD, Auskunfterteilung an amerikanische Industrie, an das Schweizerische Generalkonsulat in New York, 23 April 1958, E220.52-02#1981/114# 1022*, AF, Bern.

their takeovers of Swiss firms⁸⁰ and their use of the Swiss capital market to finance expansion.⁸¹ Regarding the labor market issues in particular, concerns were not restricted to the phenomenon of engineer and technician poaching as in the mid-1950s but focused more and more on the inflationary effects of the additional demand for office staff. The Zurich Chamber of Commerce accused US firms of simply applying the exchange rate to US salaries and therefore “threatening labor peace”.⁸² Carl Koechlin, director of Geigy, a multinational from the chemical sector, stated that *ELLE magazine* advertised how much money young secretaries working for US firms could make and on top of that, “not much was expected from them as long as they looked smart and pretty”.⁸³

In the face of these concerns, the Vorort and Swiss Federal authorities decided at the beginning of the 1960s that, at the very least, Swiss diplomatic services should not strengthen the trend by providing information for potential US newcomers.⁸⁴ The Embassy of Switzerland wrote to all its US consular offices to urge them to avoid any type of “*Investitionspropaganda*” and to refuse to circulate promotional brochures created by Swiss banks and fiscal experts.⁸⁵ The Vorort and the Federal Aliens Police also started to advocate more restraint in granting residence and work permits for US immigrants. The first step was to harmonize the procedure between the different cantons by creating a questionnaire to assess the permit applications.⁸⁶ Soon after, in April 1961, the Federal Department of Justice and Police wrote to its cantonal sections to ask them to be more stringent by only granting permits to people slated to run a new subsidiary that would prove “beneficial from the perspective of the whole Swiss economy”.⁸⁷ The Vorort also sent similar guidelines to the cantonal Chambers of Commerce which were often consulted by the cantonal Aliens Police in making their decisions.⁸⁸ The idea was therefore to obstruct unwished for FDI by creating some underhanded administrative complications. The Vorort explained this strategy in a crystal-clear way in a 1962 meeting:

⁸⁰ On this topic of “*wirtschaftliche Überfremdung*” and the tactics to avoid foreign takeovers, see Thomas David, et al. eds., *De la ‘Forteresse des alpes’ à la valeur actionnariale: histoire de la gouvernance d’entreprise suisse (1880-2010)* (Seismo, 2015), 41.

⁸¹ Michel de Rivaz, BNS, Exposé : Aspect économique de l’implantation de sociétés étrangères en Suisse, à la Conférence annuelle de l’Association des chefs de la police cantonale des étrangers, 15-16 September 1960, 4, IB-Vorort Archiv 54.2.24, AfZ, Zürich.

⁸² Zürcher Handelskammer, Entwurf eines Merkblattes: Sie wollen eine Geschäftsniederlassung in der Schweiz eröffnen?, 06 January 1961, IB-Vorort Archiv, 54.2.28, AfZ, Zürich.

⁸³ Carl E. Koechlin, an Herrn Dr H. Homberger, Vorort des SHIV, 07 September 1962. IB-Vorort Archiv 54.2.28, AfZ, Zürich.

⁸⁴ In parallel, Swiss diplomats were defending the Swiss banking secrecy and double taxation agreements in the US and at the OECD, therefore preserving the competitive advantages of the Swiss financial center responsible for the establishment of many US holding companies, see Leimgruber, “Kansas City”, 131-134.

⁸⁵ Embassy of Switzerland, Kreisschreiben Nr° 116, an die konsularischen Vertretungen in den USA, 23 August 1960, E220.52-02#1981/114# 1022*, AF, Bern.

⁸⁶ Police fédérale des étrangers, Circulaire aux polices cantonales des étrangers n°6/61, Concerne : nouveaux questionnaires pour étrangers désireux d’exercer en Suisse ou de la Suisse une activité lucrative indépendante ou d’occuper un poste de direction dans une entreprise économique, Berne, 20 January 1961.

⁸⁷ EJPD, Kreisschreiben an die Polizeidirektionen der Kantone, Nr° 17/61, Betr. Zulassung von Ausländern im Zusammenhang mit der Gründung von Tochtergesellschaften und Niederlassungen ausländischer Firmen in der Schweiz, 27 April 1961, IB-Vorort Archiv 54.2.26, AfZ, Zürich.

⁸⁸ SHIV, Zulassung von Ausländern im Zusammenhang mit der Gründung von Tochtergesellschaften und Niederlassungen ausländischer Firmen in der Schweiz, an die Handelskammern, Zürich, 06 May 1961, IB-Vorort Archiv 54.2.26, AfZ Zürich.

Per se, the establishment of foreign subsidiaries cannot be prevented. It is their right in a free economy. The majority of these companies, however, require residence and work permits for their foreign executives. The practice of the Aliens Police constitutes therefore a means of indirect influence. [...] Generally, the parent company wants to send its employees to Switzerland. In these cases, the 'international center' will be set up in another location as long as the Swiss authorities refuse residence and work permits.⁸⁹

The Vorort specified that the case-by-case evaluations should be handled discreetly and that Swiss companies working in the same sector as the US newcomer should have input about the granting or denying of permits.⁹⁰ Fear of US retaliation also became less critical as the US government became increasingly concerned about US tax evasion in Switzerland during the 1960s.⁹¹ In an April 1961 official address, US President John Fitzgerald Kennedy explicitly targeted Switzerland as a “Tax Haven”, so Swiss business and political elites feared the repudiation or renegotiation of the US-Swiss bilateral taxation agreement which was of vital importance for Swiss multinationals. It seemed more relevant than ever to slow down the too obvious arrival of US giants in the Swiss fiscal paradise.⁹²

Nevertheless, the agreed underhanded administrative tactics requested by the Federal Aliens Police and supported by the Vorort proved ultimately to have only limited impact. The Swiss cantons, did not follow the federal guidelines scrupulously and, because of the Swiss federal system, they had the final say in granting permits. They therefore enjoyed much leeway in defining whether a new FDI would be “of benefit to the whole economy” or not, and often deemed that because it would bring a new taxpayer, it was beneficial. In the case of Britain, Jones underlined how the administration struggled with the vagueness of the criteria to assess if a certain FDI was advantageous or disadvantageous.⁹³ The same observation describes the Swiss authorities at the time. The Geneva Canton, as well as its Chamber of Commerce which was dominated by financial firms, was particularly derided by the Vorort for being “still not very rigorous”, while several other cantons clearly stated their intention to take advantage of the saturation prevailing in Geneva and Zurich to get their piece of the pie.⁹⁴

The case of Socony Mobil Oil is representative of the difficulties experienced by the Vorort and the Federal authorities in enforcing stricter permit-granting regulations to US citizens based on goodwill and non-mandatory immigration guidelines. In 1962, this US petroleum company chose Switzerland in which to establish two new subsidiaries: the Mobil Mediterranean West Africa SA in Lausanne to oversee the operations in North Africa, Spain and Portugal, and the Mobil Regional Service Geneva SA to provide commercial and technical assistance for sales in the European market as well as in Switzerland and Austria. When applying for work and residence permits for its managing staff, Socony Mobil Oil was asked to

⁸⁹ SHIV, Protokoll der 8. Sitzung des Vororts im Vereinsjahr 1961/62, 29 January 1962, 13, IB Vorort-Archiv 1.5.3.16, AfZ, Zürich.

⁹⁰ SHIV, 16.

⁹¹ Leimgruber, “Kansas City”, 134; Neil Rollings, “Multinational Enterprise and Government Controls on Outward Foreign Direct Investment in the US and UK in the 1960’s”, *Enterprise and Society* 12 (June 2011): 400; Janick Marina Schaufelbuehl, “Becoming the Advocate for US-Based Multinationals: The United States Council of the International Chamber of Commerce, 1945–1974”, *Business History*, (3 February 2021):7.

⁹² These points were discussed during a meeting gathering business representatives and high-ranking federal civil servants, see Herr Diez, Vorsitz, EPD, Niederlassung amerikanischer Firmen in der Schweiz, Interdepartementale Besprechung, Bern, 19.06.1961 2. AF, E2200.267-03#1969/226# 254*.

⁹³ Jones, “The British Government and Foreign Multinationals before 1970”, p.201.

⁹⁴ Protokoll der 8. Sitzung des Vororts im Vereinsjahr 1961/62, Ziegelbrücke, 29.01.1962, p. 13, AfZ, IB Vorort-Archiv 1.5.3.16.

provide information about its motivation in choosing Switzerland and the activities the company sought to conduct in the country. Socony Mobil Oil justified its decision to set up in Europe because of the creation of the Common Market and the Russian offensive in the oil industry, and specifically Switzerland because of its lack of a colonial past.⁹⁵ It also stated that in addition to its American managing staff, the firms would hire 200 to 300 employees in Switzerland to run its offices in Lausanne and Geneva.

These hiring plans were far from insignificant in 1962 Switzerland, since unemployment was almost nonexistent, with the number of 832 unemployed people in the whole country,⁹⁶ while the number of foreign workers had increased by about 100,000 each year between 1959 and 1961.⁹⁷ Moreover, the high dependency of the Swiss economy on foreign immigration was increasingly criticized within the population and by the labor unions.⁹⁸ With such considerations in mind, the Swiss Federal Aliens Police, backed by the Vorort, advised the Vaud and Geneva cantons to deny the permits:

There is currently no unemployment in any of the occupational categories from which the Socony Mobil Oil subsidiaries would need to hire. The companies in question would therefore be obliged either to bring junior staff from abroad in addition to the senior executives essential to their management, or to recruit personnel of this category already employed by other companies, usually Swiss, thanks to more favorable salary and working conditions. The domestic companies thus deprived of some of their employees would have to replace them by foreign workers. Given the current situation of our labor market, the establishment in Switzerland of subsidiaries of foreign companies of the importance of Socony Mobil Oil Cy. Inc. would inevitably increase the number of foreigners working in Switzerland, which is already too high.⁹⁹

After various exchanges of views between the cantonal authorities and their federal counterparts, as well as between the cantonal Chambers of Commerce and the Vorort, the Canton of Geneva did not change its welcoming attitude at all. Worse, it only provided 14 lines of justification for its approval without specifying any concrete advantages or disadvantages for the establishment of the Socony Mobil Oil subsidiary. Moreover, the Vorort discovered that some of the prospective leading figures in Mobil Regional Service Geneva SA had already settled in Geneva thanks to direct assistance from the canton.¹⁰⁰

This process of “soft and discrete” regulation of the arrival of US multinationals therefore shows how opinions from different governmental bodies were far from homogenous, which led to diverging ponderations of, on the one hand, the advantages of gaining new taxpayers and greater economic stimulation, and, on the other hand, the disadvantages of wage increases and economic overheating. Similarly, the business community was divided between the interests of the industrial and financial sectors, as well as between multinationals and small businesses. The general preference for avoiding state

⁹⁵ Wälchli, Remplaçant du chef de l’OFIAMT, Subdivision de la main-d’oeuvre et de l’émigration, Personnel étranger des filiales de Genève et de Lausanne de la Socony Mobil Oil Inc. (New York), à la Police fédérale des étrangers, Bern, 22.03.1962, p. 1-2. AF, E7175B#1976/197# 1040*.

⁹⁶ Historische Statistik der Schweiz HSSO, 2012. Tab. F.18a. hso.ch/2012/f/18a

⁹⁷ Historische Statistik der Schweiz HSSO, 2012. Tab. F.17e. hso.ch/2012/f/17e

⁹⁸ Piguet, *L’immigration en Suisse*, 34.

⁹⁹ Henri Tzaut, Police fédérale des Étrangers, au Chef du Bureau cantonal de la police des étrangers, Lausanne, Copie à l’OFIAMT, Subdivision de la main-d’œuvre et de l’émigration, Bern, 10.04.1962, p. 2. AF, E7175B#1976/197# 1040*.

¹⁰⁰ SHIV, Mitwirkung des Vororts bei der Begutachtung fremdenpolizeilicher Dossiers, an die Handelskammern, Zürich, 01.03.1963, p. 6. AFZ, IB-Vorort Archiv, 54.2.30.

intervention and favoring self-regulation also contributed to the limited impact on the rate of US subsidiaries' establishment. The Aliens Federal Police estimated that permit denial reached 25% in 1962.¹⁰¹

A slowdown of the process would happen soon afterward, most likely for external reasons. Diplomatic tensions with the US reached a climax in 1962, with the US Congress taking steps to revise the Revenue Act to prevent fiscal evasion in tax havens, and the US delegates sitting on the Fiscal Committee of the OECD urging action against the abuses resulting from the existing double taxation agreements.¹⁰² These US offensives were strong enough to worry the Swiss financial sector, so that the Swiss Bankers Association called on its members to avoid further advertisements promoting Swiss banking secrecy and to avoid transactions that might give rise to polemics. By the mid-1960s, the Federal Council asserted that the pinnacle of US arrivals in Switzerland had already passed, an opinion shared by Industrie-Holding, the association of Swiss multinationals.¹⁰³ Their impression is confirmed by the estimate of the number of subsidiaries of the 150 largest US multinationals in 1967 and 1975, which, while showing a continuous increase, was far less than that of the previous decade.¹⁰⁴

Conclusion: US FDI, Diverging Business Interests and Coordination in Motion

This working paper has shed new light on an understudied consequence of the establishment of US multinationals in Europe: the competition it engendered on the national labor markets and its appraisal by Swiss businesses and political representatives. Moreover, the arrival of US multinationals in the Swiss labor market offers interesting insights on the day-to-day functioning of a coordinated capitalist system, when it has to deal with multinationals with different corporate habits. In point of fact, US FDI did not go unnoticed in post-war Switzerland. The increased demand for engineers, technicians, and office employees, driven by the creation of research centers and head offices, was perceived as having detrimental effects on the labor market by the majority of Swiss businesses, with the exception of the banking sector and fiscal law firms. Their views were influenced by the economic features of postwar Switzerland. Indeed, to characterize the period from the mid-1950s until the mid-1960s, contemporaries would speak of “economic overheating”, marked by steady economic growth, full employment, massive immigration and inflationary tendencies. Within this context, US multinationals were criticized for their lack of adaptation to local practices by offering higher wages and better working conditions, especially at the expense of small Swiss businesses and declining industries. Ultimately, it was feared that their hiring practices would lead to inflation and be a threat to the competitiveness of the Swiss export industries. The fact that job creation by foreign companies was not perceived positively is rather counter-intuitive with respect to current debates in which multinationals are often criticized because of offshoring of jobs. These findings also nuance the historiography that depicts Switzerland as an exclusively welcoming and liberal tax evasion hub. While the

¹⁰¹ Der Direktor der Eidgenössischen Fremdenpolizei, Bewilligungen und Verweigerungen ausländischer Niederlassungen in der Schweiz im Jahre 1962, an Herr Dr. Bernard Wehrli, SHIV, Bern, 30.04.1963. AFZ, IB-Vorort Archiv, 54.2.30.

¹⁰² Leimgruber, “Kansas City”, 134-135.

¹⁰³ Industrie-Holding, Vereinigung der industriellen Holdinggesellschaften, 23. Jahresbericht 1965, 6, PA 540 a M 2-5-2 I, CH SWA, Basel.

¹⁰⁴ Müller, “The Case of US Companies in Switzerland”, 114.

consolidation of Switzerland as a tax haven was certainly one of the most distinctive features of Swiss postwar economy, it also created unintended consequences for other segments of Swiss business.

The strategies of the Swiss business and political representatives were highly embedded in Switzerland's institutions. In the VOC literature, Switzerland is categorized as coordinated economy, while several specialists of Swiss capitalism refined this ideal type and spoke rather of a "liberal" variant of coordinated economy, because of the prevalence of voluntary gentlemen's agreements within the private sector and the usually limited role of the state. Regarding Switzerland's postwar labor market, coordination took shape through collective labor agreements at the sectoral level, through employers' self-coordination to prevent salary overbidding and employee poaching, and through the use of immigration as a means to adapt the labor force to the economic climate and to ensure that less competitive segments of the economy would find enough workers. The arrival of US multinationals had a disturbing influence on these settings, but the main Swiss business associations expressed strong preferences for self-regulation and limited state intervention, especially when it would interfere with investment decisions. The first strategy of Swiss businesses was to sensitize the newcomers to local practices, especially with respect to the usual range of salaries. US multinationals, as the Monsanto and IBM cases showed, were indeed more easily accepted when providing guarantees to adapt to the local context and when contributing to the financing of national public research. Nevertheless, business interest associations also recognized that voluntary agreements with employers could have only limited effects since it was in the DNA of companies to pursue growth, and, if necessary, to engage the necessary means to attract a suitable workforce. Moreover, since the Swiss constitution guarantees the "freedom of commerce and industry", the Swiss authorities, even if they wished to, could not legally prevent the establishment of foreign subsidiaries. When the situation seemed completely out of control at the beginning of the 1960s, the Swiss authorities, with the Vorort's consent, used the regulation of immigration through permit approval as a subtle way of erecting administrative obstacles for US multinationals. Labor unions were not included in these discussions that took place between the federal and cantonal administrations, the main national business interest associations, and the cantonal chambers of commerce.

The diversity of Swiss business interests explains why, despite the criticism raised by US multinationals' hiring practices, no firm actions were taken. Swiss multinationals and outward-oriented industries renounced any obviously protectionist measures in fear of retaliation. Moreover, the willingness of banks and cantons to attract more clients and taxpayers undermined the envisioned administrative complications which ultimately had only limited effects. Indeed, Swiss Multinationals and banks would not take action to preserve the less competitive segments of the economy at the cost of their own prosperity. Consequently, while the general classification of the Swiss capitalist system as being coordinated certainly proves relevant, this analysis shows that when one observes coordination in motion and in a contextualized fashion, its fragilities and the existence of latent forces for change become quite apparent. US companies' arrival and its challenges was to some extent merely revealing the difficulties of reconciling diverging interests within the Swiss economy, especially between the losers and winners as a result of globalization. Interestingly, in studies inspired by the VOC literature, the strengthening of competition laws in Switzerland and the abandonment of protectionist measures favoring agriculture and the inward-oriented industry at the beginning of the 1990s, is often depicted as a necessary reaction to globalization and European integration, i.e. driven by external forces which push to a convergence with the liberal model. Other authors have nevertheless underlined the importance of multinationals in promoting these policy changes in Switzerland,

as well as at the European level, bringing more agency into this story.¹⁰⁵ The business history approach, based on the study of MNEs from host and home countries, therefore introduces granularity in the VOC approach and in these debates by showing that the specific interests of MNEs constituted a Damocles sword that hung over the national coordinated market economy for decades to come.

¹⁰⁵ André Mach ed., *Globalisation, néo-libéralisme et politiques publiques dans la Suisse des années 1990*, (Seismo, 1999).