

Boom in Switzerland

Autor(en): **[s.n.]**

Objektyp: **Article**

Zeitschrift: **The Swiss observer : the journal of the Federation of Swiss Societies in the UK**

Band (Jahr): - **(1947)**

Heft 1063

PDF erstellt am: **28.06.2024**

Persistenter Link: <https://doi.org/10.5169/seals-688368>

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BOOM IN SWITZERLAND.

(We have much pleasure to reproduce this excellent article, which appeared in the March number of "THE ECONOMIST," by courtesy of the Editor.)

Switzerland is in the throes of a boom which fills its people with anxiety rather than satisfaction. The foreign trade figures for 1946 have just been published. They show that although the 1938 figures of quantity have not yet been reached, those of value have been left far behind. And whereas in 1945 the unique situation arose, thanks to the destruction of productive capacity elsewhere, that Swiss exports exceeded imports by over 248 million francs, in 1946 imports exceeded exports by 747 million francs, a higher figure than any reached since 1933 by the country's habitual excess of imports over exports.

	1938	1945	1946
IMPORTS :			
In Units of 10 Tons	737,920	146,052	544,040
In Millions of Francs	1606.9	1225.4	3422.5
EXPORTS :			
In Units of 10 Tons	61,105	17,612	49,648
In Millions of Francs	1316.6	1473.7	2675.5
Balance in Millions of Francs	-290.3	+248.3	-747.3
Export to Percentage of Imports	81.9	120.3	78.2

Swiss imports in 1946 naturally consisted almost entirely of foodstuffs and of raw materials, especially for the metal and mechanical industries. Watches headed the exports (in terms of value), with machines,

silk goods and chemical products following not far behind. Whereas in 1938 Germany came an easy first on the list of Switzerland's customers and of its suppliers, in 1946 the United States had taken Germany's place both for Swiss exports and imports, while France has remained second-best supplier, and is now second-best buyer.

All this looks splendidly satisfactory on paper: profits are tremendous, labour extremely scarce and skilled workers' wages almost proportionately high. And yet a boom in a vacuum is an uncomfortable thing; a boom, that is to say, in a small country surrounded by a devastated continent, which cannot really afford to buy highly finished Swiss products, still less to provide Switzerland with the material resources which — apart from inadequate water-power and attractions for tourists — it entirely lacks. And to be as much involved economically with the United States as it was formerly with Germany is a change of dubious advantage for Switzerland.

Already there are signs that the zenith has been passed, particularly for the watchmakers. At all events, anxiety lest the bubble should suddenly burst is sufficiently great for the Swiss authorities to be at one and the same time exerting themselves to organise an influx of foreign labour (nearly 50,000 workers were brought in from neighbouring Italy during 1946) and preparing to be able to withdraw foreign workers' permits at the moment when the demand for labour may cease and Swiss workers themselves again be faced with unemployment.

It is not only a matter of anxiety for the future; the boom has already created a number of immediate problems. There is an inflationary tendency, not in the sense that the Swiss franc is weak, for there is twice as much gold in the National Bank as in 1938, and, whereas at the end of January, 1946, the note circulation (*Notenumlauf*) had gone up by 56 million francs, at the end of January, 1947, it was up by 81.6 million, thus reaching the figure of 3,883 million.

Prices are high. But life is easy enough for industrialists and skilled workers, though both complain that they are forced to spend all they gain. But it is really difficult for officials and clerks and all those whose incomes are more or less fixed; while there is an additional payment to officials and many other white-collared workers in proportion to the cost of living, it varies from canton to canton and from town to town, and is mostly inadequate. It should be noted that, outside the traditionally privileged hotels and restaurants, ordinary life is in many ways not very much easier than in England; household rations are not quantitatively much more generous, and they are relatively far more expensive. Clothes are unrationed but dear, and coal is fantastically expensive. The housing shortage in this neutral country seems to be as great as in a country like our own, which endured air-raids and flying bombs. There are various explanations of this housing difficulty, such as an increase of population of over 7 per cent. during the war and the influx into the towns caused by the present industrial boom. But considering the activity of the building industry now that cement is unrationed, the shortage remains astonishing. The building boom, when it has at last borne fruit, is, of course, particularly likely to be transformed very suddenly into a slump, since it can but depend upon internal demand.



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The situation creates discontent as well as anxiety. The industrialists and many other Swiss citizens, who have now experienced two world wars as spectators and easily think in terms of 1913, are eager to return to the full freedom of *laissez-faire*. It is not quite clear how this could be done in the Europe of 1947, but Switzerland is loud with demands for the abolition of rationing and other controls, and with protests against the bureaucracy of the Federation, i.e., of the central authority. The technical developments of the century have inevitably increased Federal authority at the expense of the cantons, causing what may be regarded as a very gradual evolution of the constitution. The necessities of the last war greatly stimulated this tendency, to the chagrin of conservative, that is to say cantonal and anti-centralist, opinion, which expresses itself in violent abuse of the now greatly extended Federal apparatus of officials. More moderate opinion joins in in favour of a rapid return to constitutionalism in place of war-time decrees and the alleged extravagance of the Federal credits granted at home and abroad during and after the war.

There are, however, anti-traditional voices, backed by the large but very cautious Social-Democrat Party, which deplore that Switzerland has not advanced beyond nineteenth century standards in social legislation, and who claim that the prosperity of the moment should make it possible for the profits of industry to flow into a system of what are elsewhere regarded as normal social insurances. Further, progressive opinion believes that the Federal authorities, far from abdicating at this moment in favour of the once sovereign cantons, should insist upon the powers with which economic history has inevitably invested them in order to plan insurance against the dangers of a slump. The issue of the moment is that of National Old-Age Insurance, which has not hitherto existed in Switzerland — there has only been cantonal and municipal organisation of relief for the needy. During the war a temporary system was inaugurated by which employers, employed and Federal authorities contributed to a fund to ensure payment to men who were forced to leave their work for military service at the frontiers. A considerable amount of the sum collected in this way remains over, and in December, 1946, Parliament voted that this should be converted into the basis of an old-age insurance fund.

But in Switzerland when a law has gone through Parliament that is not the end of the matter; its citizens still have the right to demand that a referen-

dum be held in order to make sure that the electors, and not only the elected, still favour the measure. Accordingly the opponents of socialising and centralising tendencies have begun to collect the signatures necessary for a referendum to be held on this issue, and it is thought that in the three months which the constitution allows them they will certainly succeed in gaining the number of supporters they require. There is, of course, a strong case for leaving as much social organisation as possible to small local authorities who can familiarise themselves with particular circumstances, and there is no doubt that the conservative peasants of the Catholic cantons of the interior take this view. On the other hand, the big Liberal Party (*Freisinnig-demokratische Partei*), with which big industry is associated, has officially declared in favour of a national centrally organised old-age insurance system. The issue is further complicated by the fact that a referendum upon certain economic decrees, which ensures Federal credits to the peasants, has in any case to be held, and is likely to split from conservative but interested peasant opinion those conservatives who wish for a contraction of the Federal finances.

A great deal of opposition to the old-age insurance law is expected from Geneva and the west of Switzerland, partly for anti-Socialist reasons, but mainly because the French-Swiss, and especially the Genevese, are feeling aggrieved. The war has certainly reinforced the self-confidence of the German-Swiss, who feel themselves almost surprisingly well able to get on in the world without the background of Germany; while the French-Swiss are uneasy about their background of a strongly Leftist France. Since the war, in spite of the boom in watches, which are a mainly French-Swiss product, prosperity has seemed to work out to the advantage of the German-Swiss, who can afford to do things on a larger scale. Meanwhile the watch industry now expects to decline. Geneva is particularly jealous of Zürich, believing among other things that Zürich has been unduly favoured in the matter of air traffic. The French-Swiss are a minority, and the birthrate does not operate in their favour; it is inevitable that they should resist centralising tendencies with something like fanaticism.

While Switzerland is thus faced with difficult political and economic problems, it would be foolish to exaggerate their gravity. No outsider who has observed the country during the last ten years could doubt that its national unity has been strengthened.

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