

# Home affairs

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**HOME AFFAIRS.**

by MAX NEF.

**(Financial matters and interest rates.)**

A politico-financial phenomenon which is engaging the attention, to a growing extent, and even arousing a certain anxiety in Swiss banking and business circles, is the appearance of a decline in the rates of interest.

Switzerland belongs to those countries which possess the lowest rate of interest. The steadily declining yield from savings and funded property, is making it very hard for these persons who have retired from economic activities, and belong to the lower and medium income brackets, to be able to live on their reduced interest yield, more especially as both cost of living and taxation have gone up. This decline in interest and in yield also gives anxiety to numerous welfare organisations. The reason for this is that most of such social institutions have to invest their collective property to the best possible advantage, in order to be able to carry out their obligations by means of the yield from interest. In recent years, Swiss welfare activities have been greatly developed, in a general fashion, more particularly through the creation of the obligatory Old Age Pension and Survivors' Insurance scheme. This institution alone needs to invest as much as approximately five hundred million Swiss francs. It is estimated that the investment requirements of the insurance companies operating in Switzerland amount, altogether, to more than ten thousand million francs.

As a result of the prevailing economic prosperity, private capital, formed by savings, has also increased. This greatly increased supply of capital, to which must be added, also, the liquidity of the money market, resulting from good business, constitutes one of the principal causes for the afore-mentioned decline in rates of interest.

Finally, this abundance of money is still further augmented by the fact that foreign capital which was deposited in Switzerland for security reasons, has not yet been taken back to its various countries of origin. It will continue to remain in Switzerland until such times as more stable currency conditions once more prevail.

Meanwhile, new investments of Swiss capital are, once more, gradually, being made abroad, or else

loans are being granted abroad by Swiss Banks. Such export of capital has a certain attraction, in view of the higher interest rates offered by foreign countries. Nevertheless, the risks attached to such financial transactions are still considered to be high, and this produces a certain restraint upon the normalisation of capital exports.

Another problem which faces those large banks which engage primarily in the business of commercial credits for abroad, is the question of the guaranteeing of long-term credits for exports. The machine-making industry, in particular, requires export credits over a period of more than five years. In such cases when orders have been received for the delivery of big electric plants, to take one example, the manufacture alone of the requisite machinery takes three, or even more, years, and this explains the necessity for granting the foreign buyer longer terms for payment. And then one must add to this the keen competition on the part of those countries of supply which have been furnishing goods to Switzerland for many a long year, as well as from those — shall we say — newly-awakened producer countries. This more acute competition makes it necessary to be more conciliating in the matter of granting long-term payments. Furthermore, the aid given in regard to the reconstruction of countries which have been ravaged by the war, or else to economically under-developed countries, consists, to a very large extent in the industrialisation of these territories, which means, above all, deliveries from the machine-making industry. In these cases there exists mostly, a greater need for credit on the part of the customer-country, as it will only be able, after the industrialisation has been carried out, to attain the required economic and currency level.

Our big commercial banks, in view of the risks which still prevail and because of the losses which they have incurred during the last twenty years, show a certain reserve in regard to the granting of export credits, which extend over the usual term of five years. It would appear, however, that a solution in this respect has now been found, through a union with the already existing State Office for Guarantees in respect of Risks connected with Export Orders, in so far as the relevant exports serve to create opportunities for employment. It is also being contemplated to incorporate the mostly considerable liquid assets of the production plants into the system of credits guarantee.

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