

# How much richer are the Swiss?

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# HOW MUCH RICHER ARE THE SWISS?

The Union Bank of Switzerland has published a thorough brochure entitled "Prices and Wages in 31 large cities". This document is distributed free at UBS counters and provides interesting data on the standards of living in the various cities of the industrial world for which comparisons can be made. The brochure has a series of tables with the cost of the main consumer goods, followed by a roster of wages according to five professions and concludes with a list of service costs in the same 31 cities.

As it is impossible to convey all this data we shall confine ourselves to the data given for London and Zurich, with the results for New York and Paris given in brackets.

Starting with wages, the gross income of a 30-year-old bachelor *primary school teacher* with five years experience is 12,413 francs a year in London and 25,722 francs in Zurich (43,150 and 11,726). The take-home pay obtained after deduction of income tax and social contributions is 9,206 francs in London and 20,167 francs in Zurich (32,808 and 10,194). The gross income of a married *bus driver* with two children and 10 years employment in London is 13,445 francs a year. In Zurich the same man would get 21,592 francs (40,259 and 14,071). Take-home pay falls to 10,497 francs for the London bus driver and 17,412 for his Zurich counterpart (31,934 and 12,422). The gross annual income of a 35-year-old *bank cashier* married with two children is 15,516 francs in London and 29,000 francs in Zurich (33,398 and 15,634). Their net income is respectively 12,258 and 23,276 francs a year (26,643 and 13,758). A 22-year-old unmarried *secretary*, with shorthand, three years of experience and a foreign language, earns 12,414 francs in London and 16,800 francs in Zurich. Their take-home pay is respectively 8,793 and 14,183 francs (26,315 and 14,462). Finally, a *car mechanic*, unmarried, 25 years old with five years experience earns 11,378 francs a year in London and 19,000 in Zurich (43,888 and 12,507). Their take-home pay is 8,223 and 15,757 francs respectively (33,371 and 10,467).

Calculating the sum of these incomes one finds that, for the five professions under consideration, the net income in Zurich is 162 per cent higher than in London. If one subtracts a generous 12 per cent from the Swiss income to account for the fact that a Swiss wage-earner does not benefit by a national health service and council

rents, then the earnings superiority falls to 150 per cent.

To have a true picture of the standard of living it is necessary to have an idea of the cost of living. This, the UBS review does in full detail. The cost of social contributions and the benefits entailed are equally set forth in a detailed table.

If you stacked a basket with a series of ordinary household and edible goods bought in a large supermarket, your bill in London would be only 68 per cent of your bill in Zurich (95 per cent in New York and 78 per cent in Paris). Cigarettes, however, are 94 per cent more expensive in London (+98 and -98). Ordinary clothes are cheaper and cost 27 per cent less than in Zurich (-59 and +31). Consumer durables are more expensive and cost 29 per cent more than in Zurich (+47 and +11). Rents are considerably higher in London. They are 54 per cent higher than those practised in Zurich (New York +240, Paris +41). Services are approximately as expensive as in Zurich, costing two per cent less (New York +62 per cent, Paris +21 per cent). By service is understood an assortment of eight common services, ranging from a haircut to the weekly telephone bill. No set figure is given for cars, but two cars of identical category would cost on average from 10 to 15 per cent more in London, owing to higher purchase tax and import duties. Petrol is 34 per cent more expensive (-20 and +41), the combined cost of a meal and a hotel room is 30 per cent more expensive (+56 and +15).

It is difficult to derive anything more than an idea of the relative standards of living from these figures. Assuming however that the consumption habits of the average London household (as broken up in official statistical abstracts) would not change if Londoners received wages on the Zurich scale, then one can "weigh" the importance of the cost differences enumerated above.

The foregoing in fact cover items over 80 per cent of the expenditure of a London household. The arithmetic yields the result that the cost of living for a Londoner is about two per cent higher in his home town than it would be in Zurich. The statistics show that he pays a higher rent than the "Zurcher" but ignore the fact that his accommodation is of a lower comfort in general. Statistics cannot therefore be a faithful image of the differing

standards of life. For example, costs are much higher in London than elsewhere in Britain, whereas Geneva is practically as expensive as Zurich.

Despite these and other objections the picture that emerges is that the comfort of the average Zurich resident is a clear 150 per cent of the comfort of a Londoner. Thus if the average London woman can afford a dress for £10, then the woman in Zurich will be able to stake out £15.

These figures ought to be more or less corroborated by Gross National Product data. The GNP of Switzerland's 6.2 million inhabitants (including the balance of invisible trade) was £8.8 last year, while the GNP (similarly calculated) of 53 million "Britishers" was £41 billion. The arithmetic shows that the Swiss GNP per head is about 175 per cent of the British GNP per head. Allowing for the higher rate of investments in Switzerland, the absence of outside debts and the greater inflow of capital earnings one understands why the Swiss live one-and-a-half times better than the British.

## "LIVING ON A TICK"

*The above article had hardly been written when we came across the following alarmist account in the "Guardian" of September 6th. It is entitled "Living on a tick" and is presented as a report on Switzerland's "troubled economy".*

The Swiss, everybody's ideal of a competent, self-sufficient people, are up to their Alps in trouble and uncertainty.

Switzerland has labour and inflation problems, and even a race problem. If that were not enough, the vaunted watch industry is not ticking as well as it used to, either.

Unbelievably, the main Swiss difficulty is an outdated grasp of economics. Which is strange for a nation which virtually invented money and treats banks like religious shrines. But until recently the Swiss paid little attention to their economy. Now, however, they have found it necessary to amend the Constitution, to create a viable national economic policy.

Dr. Edwin Stopper, head of Switzerland's Central Bank, said: "Hitherto, the people's thrift and diligence, together with the maintenance of labour peace, compensated for various sins of omission in economic policy. But these virtues are not a substitute for an effective economic policy when inflation bursts through".

Inflation has indeed burst through, to the current rate of more than 7 per cent a year. In a country where until a couple of years ago it was never above an annual 2 per cent—one of the lowest inflationary rates in the world—the effect has been traumatic.

One result is a wave of wildcat strikes, breaking a pattern of harmonious labour relations which had lasted 34 years. Another has been to bolster a new right-wing political movement preaching the expulsion of hundreds of thousands of immigrant workers, especially Spaniards and Italians.

In its first electoral outing a year ago, the National Action Movement Against Over-Foreignisation won 40 per cent of the votes in a referendum on expulsion. The movement's leader, James Schwarzenbach, is confident he will win the next time. And many people here agree.

Mild-mannered and bespectacled, Schwarzenbach could only be a Swiss demagogue. But he makes up in his language for what he lacks in bearing. To him, the foreign workers are to blame not only for the spiralling cost of living but for just about every contemporary development "destroying Swiss traditions". His logic is not always sound, but the normally commonsensical Swiss listen with surprising attention.

But maybe it is not so surprising, in a tiny country of six million whose recent immigrants comprise 10 per cent of the population and more than a quarter of the labour force. Even the Swiss to whom Schwarzenbach is anathema candidly admit that so many newcomers in so short a period has

stretched the usual Swiss tolerance dangerously thin.

"People are bewildered", said a Zurich businessman. "Things are changing so fast and upsetting the calm of our lives. High prices. Foreigners. Women voting. Why, the other day a banker here was arrested for embezzlement".

In an attempt to deter Schwarzenbach's campaign the federal authorities have frozen the foreign labour force at existing levels. However, critics claim this has had the effect of making the anti-foreigner movement seem respectable.

Businessmen here are worried that Swiss exports may be pricing themselves out of world markets. Because of inflation, the Federal Government was reluctantly compelled to raise the parity value of Swiss money by 7 per cent when West Germany floated the mark last spring. Yet Switzerland is literally a nation which must export or die.

So acute is the situation that recently a major printing company moved its operations to France, where it believes it can produce more cheaply. But most disturbed of all is probably Switzerland's basic industry, watch-making. Swiss watchmakers are already losing ground to Japanese and Russian competition. Since this competition is strongest at the less expensive end of

the market, every rise in labour of manufacturing costs hits the Swiss most.

"It's taboo to say so around here", confessed one Swiss, "but we no longer dominate the world watch market. We control only about 40 per cent of it and the figure is going down steadily. A decade ago, we still possessed a virtual monopoly".

To meet what looks like becoming a fully fledged economic crisis, the Federal Government is trying to amend the Constitution to extend its powers on regulating the country's traditional laissez-faire economy. As things stand, the Government even lacks the authority to order detailed statistical investigations of economic and social phenomena. The amendment may not come before the Federal Parliament until the spring. After that, it must face a popular referendum.

The economic menace may even be bad enough to affect Switzerland's 350-year-old policy of political neutrality. The Swiss have nightmares about an enlarged Common Market, to which all of Western Europe except themselves may shortly belong, leaving them isolated.

This has started serious talk of applying for full membership in the United Nations, an idea previously regarded as violating the principle of neutrality.

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