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of the co-operative movement's most distinctive traits, the liberty to unite and to retire. The farmers united in co-operative societies, the co-operative societies embodied in associations and these as members of a central federation have become tools of the state and are as such essential for the regulation of milk production and price fixation according to the state's intentions.

This trend has been stressed by the prescriptions of war-economics; through proving, in times of difficulties, pillars of the country's purveying, these economical obligatory organisms have merited an esteem that will also no doubt continue to have its effect after the war.

Such blending of state and co-operative society, which has taken place more than once in Switzerland's history, this interweaving of public and private bodies evidently originates from a spirit and a disposition of our people for co-operative community. These typical qualities result in the Swiss, whether a member of a small or a large collectivity, never being a guided subject, but co-responsible for the making of his own destiny.

LETTER FROM SWITZERLAND.

Switzerland's economic situation at the end of the 3rd quarter 1946.

Generally speaking, Swiss industry has been enjoying a period of prosperity. The excellent turn of the market arises not from the increase in the export trade, as one might think, but from many other causes, chief of which are the following: the maintenance in Switzerland of an autarcic regime owing to the shortage of imported semi-manufactured products, the heavy demand on the home market, excessive capital investment and the enormous expenditure of the State.

Nevertheless, Switzerland's present economic situation does hold a certain element of danger which the Government is striving to eliminate as far as possible. One of these factors is the shortage of labour which is causing a sort of outbidding on the labour market and giving an inflationary trend to wages and prices.

The total returns for Switzerland's export trade during the first nine months of the year show that the upward movement of exports and imports registered since the end of hostilities, has grown still more during the period under review. Imports total 2,421 million Swiss francs and are thus four times in excess of the value shown for the corresponding period last year; in volume, they are six times greater. Exports total 1,874 million francs. The considerable increase in arrivals of merchandise and raw materials in Switzerland has brought about a change in the country's trade balance; in effect, returns for the first nine months of 1945 show an overplus of 416 million francs, while this year there is a deficit of 547 millions. The present situation is far more normal than it was last year, because Switzerland's trade balance has always shown an apparent deficit, except during particularly difficult periods. This deficit is compensated by the yield on Swiss capital invested abroad, the tourist trade, international insurance business, transit trade, etc.

The increase in imports has caused an increase in the Customs revenue. The latter had fallen to a very low figure in recent years. During the first three quarters of the present year, 192 million francs were registered for Customs revenue, 145 millions more than that shown for the corresponding period of 1945. The situation of the Swiss Federal Railways has also been favourably influenced, first by the increase in foreign trade, secondly by the revival of the international tourist trade. During the first eight months of the present year, railway traffic has developed to such an extent that receipts are much greater than could have been hoped. The overplus of receipts during this period rose to 135 million francs and has made it possible to cover all invariable expenditure (payment of interest, redemptions, etc.) which, spread over the whole year, average 9.5 million francs per month.

As we have just seen, the Swiss hotel trade has witnessed the return of a fairly considerable proportion of its foreign clientele this year. The Swiss themselves have also travelled a great deal and the revival of the hotel trade, which began a year ago, has continued. For August 1946, 3,4 million night registrations were recorded, a peak never reached since 1934, the year in which official statistics were instituted for the hotel trade.

The present favourable situation in Swiss industry is reflected in the statistics for industrial employment. In the autumn of 1945, 435,600 workers were employed in firms subject to the factory laws - the number has increased still more this year - as compared with 367,000 in 1939. Today, there is no employment in Switzerland.

The cost of living has not increased of late and even a small drop in prices has been noted. The present increase is 51% as compared with August, 1939. At the end of September, the official wholesale price index, which includes the essential foodstuffs as well as the major auxiliary raw materials stood at 198.1 (August 1939 = 100). A fall of 4.4 has been noted in comparison with the corresponding month last year.

The expectation that the increase of Swiss imports would relieve the currency returns shown by the Bank of Issue has not materialized and the reserves of the Swiss National Bank show a constant upward trend. At the end of the third quarter of the present year, the gold and currency reserves of the Bank of Issue stood at 5,027 million francs, an expansion of 86 millions since early in the year. At the same time, the Government has taken over about 200 million francs of gold and its reserves have now reached a level of 1,230 million francs. Apart from this, the Bank of Issue has also placed gold coin on the market.

As a result of the continued payment of subsidies by the Federal Government and the transfer of currency to the National Bank, the state of liquidity on the Swiss market has been maintained. This situation finds reflection in the amount of short-term bills at the disposal of the market, over one milliard francs in value at the end of September. No demands for credits were therefore made on the Bank of Issue, either by industry or the Government during the June-September quarter.

During the first six months of the year, the note circulation decreased by more than 200 million francs, but expanded again by 168 million francs during the third quarter, rising to 3,785 millions. The reason for this lies in the heavy demand for medium of payment, caused chiefly by the development of autumn trade.

The step taken by Canada and Sweden to re-evaluate their currencies, gave rise at the time in Switzerland to a discussion regarding the expediency of a similar measure in relation to the Swiss franc, so as to bring down import prices. The Federal Council adopted a very clearly defined negative attitude to this proposal.

The Swiss Federal Council has examined the budget proposed for 1947. Revenue is assessed at 1,668 million francs and expenditure at 1,940 millions. The deficit anticipated is therefore in the amount of 272 millions, as against 520 millions for 1946. Customs revenue, including the duty on petrol, is established at 250 million francs the yield of emergency taxation at 600 million francs. It is hoped that it will prove possible to reduce expenditure still further so as to bring down the deficit to 250 millions. The Federal Council has firmly decided to do away with all expenditure not required by law. Even though this large deficit of one-quarter of a milliard francs is anticipated, the Government still hopes to be able to balance the budget and, for 1948, to present a budget showing no deficit at all.

NEWS FROM OUR FORMER CONSUL DR. W. SCHMID.

Recently a letter arrived from our former Consul Dr. W. Schmid and our readers will doubtless be pleased to have some news from our much esteemed countryman;

"First of all let me thank the Committee of the S.B.S. once again most warmly for the very friendly farewell which they offered us in Auckland before leaving New Zealand, and for the very kind and thoughtful souvenirs. I had plenty of occasion to appreciate the beautiful travelling rug and Mrs. Schmid is still admiring the lovely Maori carvings.