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culture are limited, whereas those offered by industry are not. And that is why the industrial population continues to increase in comparison with the farming population.

## LETTER FROM SWITZERLAND

### SWITZERLAND AND THE EVOLUTION OF PRICES.

Swiss economy is at the moment enjoying a period of real prosperity. The various branches of industry, the metallurgical industry, machinery, precision instruments, watchmaking, textiles and chemical products all have orders on their books for many months to come. Delivery dates in many cases have had to be extended. Unemployment is non-existent, firms are working to full capacity, and a call has had to be made on foreign labour to make up for the shortage in the number of workers and employees, which was taking on serious proportions in certain trades.

The causes of this great activity are not unknown. The intensive re-armament programme that has been going on in other countries for a year now and the considerable stockpiling are among the principal causes, but it would be wrong to consider only these factors. The liberalisation of trade that has taken place under the aegis of the European Payments Union, of which Switzerland is a member, has favoured Switzerland's commercial relations with certain European countries. The textile industry in particular has profited by this state of affairs, as has watchmaking, which has been able to increase its sale of finished watches. Mention should also be made of the heavy demands of the home market, the wages paid in Switzerland nowadays being such as to grant a high purchasing power. It is only fair, however, to mention that the retail trade is complaining of a certain falling off in business, the continued bad weather of the last few months having put a brake on the sale of clothing, travel articles, etc.

In spite of the favourable situation, industrialists and those at the head of Swiss industry are showing signs of a distinct anxiety with regard to the future. They point out, and rightly so, that the present state of prosperity is in part an artificial one, since it is dominated by political factors, and that a deterioration or an easing of the international situation could produce serious repercussions on foreign markets as regards prices.

Moreover, it is this question of prices that is commanding the most attention in economic circles at the present moment. In Switzerland it is particularly serious, for the poor soil of the country and a sub-soil barren of raw materials oblige her to seek beyond her frontiers the products in which she is lacking, and consequently to suffer the fluctuations of prices on international markets.

Up till the first quarter of this year, the cost of living index was only 4.6 points higher than the year before. In no other country had the cost of living risen so little. It should be emphasised here that it is not official measures—such as price controls, for example—which have put such a brake on the rising of prices, but, on the contrary, the free decisions of private enterprise. In point of fact, the economic groups of the country as a whole agreed that recourse to a system of official price controls was in no way justified, that the law of supply and demand worked as a sufficiently strong regulator and that it was advisable, in the present circumstances, to obey the appeal issued by the Federal Council in January of this year. This appeal pointed out clearly enough that the maintenance of industrial and agricultural exports is a vital necessity to Switzerland, and that a rise in the prices of products for export would have grave consequences for the export

industries. It is everybody's duty, therefore, to fight against rising prices, and to refrain from seeking exaggerated profits or increased wages.

Although the recommendations of the Federal Council were unanimously agreed upon and followed, the rise in wholesale prices and the cost of raw materials, which rose from 196 points in June, 1950, to 230 points at the beginning of 1951, affected the cost of living, which by the end of May had reached the figure of 166.1, thus exceeding the maximum recorded in November, 1948, which has been called the "danger figure."

This development of the situation led workers to demand increases in wages to which the employers were opposed, pointing out that a certain stabilisation would set in since the increase in wholesale prices appeared to have reached its highest peak, and that it would be dangerous to create an inflationary movement by increasing wages. In support of this theory, it must be pointed out that the real wages of Swiss workers have increased by about 20 per cent. on an average as compared with 1939.

Another cause for anxiety is the question of obtaining supplies of raw materials, Switzerland's particular position and its statute of neutrality being the cause of serious difficulties in this respect. Dependent on the markets of the world for all products of prime necessity, she feels keenly their present scarcity, which is due to the intensive re-armament programmes that are being carried out all over the world. Moreover, some countries producing raw materials have certain measures of control and applied a system of quotas which are a continuous source of anxiety to Switzerland. The Federal Council in its turn has had to issue certain decrees involving the control of imports and exports. It is obvious that the demands of a strict neutrality prevent Switzerland from acting exclusively according to the criteria of simple expediency or immediate interests. It is in the economic field that the carrying out of a policy of neutrality presents the greatest difficulties and demands the vigilance of the authorities, in so far as decisions of economic significance taken by foreign Governments pursue political ends. But over and above this vigilance and prudence there reigns in Switzerland the profound conviction that collaboration between countries and their Governments is the only path leading to a state of peace. For her own part, Switzerland is doing everything in her power to facilitate this collaboration.

## NOTICE

The Swiss Consulate informs the Swiss in New Zealand who are not members of the "Freiwillige Alters- und Hinterlassenenversicherung" (Voluntary Old-age Widows' and Orphans' Insurance) that they still have an opportunity to do so, as there has just been an extension of time limit for joining. They should apply to the Swiss Consulate before the end of this year. After the 31st of December, 1951, no applications will be taken into consideration.

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