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THE SWISS FRANC.*To the Editor of the Swiss Observer,*

23, Leonard Street, E.C.2.

I was greatly interested in your article dealing with the recent decision of the Federal Council to devalue our Swiss Franc.

As an ardent supporter of devaluation may I in "my orgy of victory" offer you my hearty congratulations for the splendid way you exposed the "doubts and wait and sees" of the "Doyens" of our Colony.

We all agree that declarations have been made from time to time by members of our Federal Council that no change of the monetary policy was intended, but in my view they were necessary, especially when in May of this year the now historic gold-block received another severe set-back as a result of the French elections. Sooner or later our Council would have had to face the speculators single-handed as everybody will have to admit. Heavy gold-losses combined with capital flight would have been the result of this, and last but not least a certain misgiving amongst the opposition that the Federal Council did everything to promote the dealings of the speculators.

So much for the drastic steps which, as you will no doubt agree, had to be taken at a moment's notice. Why be out of pocket to the tune of 650 million francs which might easily have slipped our Treasury had the Federal Council adopted a more "berne" attitude!

Who will be the gainers from the devaluation of our franc? Your compliment goes to the Tourist Industry and in a smaller measure to the Export industry. This is the view of everybody who rightly or wrongly supported the monetary policy of our "past" government. Our government has been attacked in many ways, for once it has taken a decisive step. It is a very important step and our people are suddenly confronted with a new, perhaps in a certain sense uncomfortable situation. How will our people react? Will they meet the present situation with confidence or will they resort to panic, thus adding to the present difficulties in our homeland. Most of your subscribers were witnesses of the reaction on English people when in 1931 England was faced with a similar situation. Calmness and confidence prevailed everywhere supported by a sympathetic press. It now depends on everyone of us that the decision taken on the 26th September is exploited in every possible way for the benefit of our country. We must realise that the intellectual alignment is of the greatest importance and it is our duty to act accordingly. It is the only way the advantages of devaluation can be materialised and the only way the disadvantages be reduced to an absolute minimum.

May the Spirit created by the recent issue of the "Wehranleihe" also prevail in this hour of financial upheaval and be supported by a more sympathetic editor of our beloved London Weekly, who would be wise to follow the excellent lead set by the editor of our leading Swiss Paper, who in an editorial note dated 1st October, actually wrote as follows:

"Auch unser Blatt erachtet es heute als seine Aufgabe, den unabänderlichen Tatsachen "INS AUGE ZU SEHEN" und unter den veränderten Verhältnissen am wirtschaftlichen Wiederaufbau unseres Landes mitzuhaben."

Yours sincerely,

F.St.

(The Editor fully agrees with the closing sentence of the above letter.)

7th October, 1936.

The Editor of the Swiss Observer,

23, Leonard Street, E.C.2.

Dear Sir,

The opinion expressed about the Swiss Franc in last week's *Swiss Observer* seems to be similar to that held by a large section of the press in Switzerland. May I be permitted to put forward, in your columns a somewhat different view of the devaluation question.

There can be no argument about the fact that the Swiss Franc on its old gold parity was overvalued as compared with the currencies on the sterling and dollar bases. Anyone who has visited Switzerland during recent years or has been trying to sell Swiss goods in this country has been made to realize this in no uncertain way.

The only possible way of bringing the purchasing power of the Franc in Switzerland (and at the same time the price of Swiss goods to the foreign importer) into line with the purchasing power it had in this country for instance, would have been drastic deflation. The very painful process of reducing wages and selling prices, however, met with fierce resistance.

The alternative was devaluation. It was only a question of time when this adjustment to the sterling-dollar basis would be effected. It was not a question of how strong the position of the Swiss National Bank was, or to what percentage

the currency in circulation was covered in gold, but merely a question of adjusting the Swiss measure of value to that adopted by the most powerful economic units in the World, Great Britain and the United States of America.

The Federal Council — far from taking a panicky decision on the Saturday, September 26th, as was widely stated in Switzerland — has proved itself to be guided by the sagacity and far-sightedness of a capable and determined business man. It took its decision at the most opportune moment and fixed the gold value of the new Swiss Franc on a level which, in the light of present circumstances, must seem the right one. Suppose for a moment, as some politicians and economists in Switzerland demand, the Federal Council had made it known after the French Franc was devalued, that the advisability of similar action would have to be considered in the near future. Merely to mention the likelihood of devaluation would have brought about panic among the population. Wholesale hoarding of commodities, an immediate rise in prices, the export of capital in a round-about way and possibly the withdrawal of savings from the banks would have been the consequence. Moreover, the doors would have been thrown open to the international speculators in currencies. The Swiss Franc would probably have been driven off gold and this to the detriment of the Swiss reputation abroad.

The decision of the Federal Council took most people by surprise and there cannot be any doubt but that this proved to be of great benefit to the country.

It is stated that this process of adjustment (I do not like the word devaluation) is bound to bring about an increase in the cost of living. Why should it? If it must, why did the cost of living not decrease substantially when other countries left the gold standard and a large proportion of the Swiss imports could be bought cheaply with a highly valued Franc? The reason probably is, that some people pocketed the profit. Let them surrender it in the future and adhere to the regulations laid down by the Federal Council that prices must not be increased. Seeing that a number of countries have since followed the example of France and Switzerland, this should not be too difficult. The only difficulty seems to be that everybody is expecting a rise of prices, and no doubt, if purchasers regard a rise of prices as natural the sellers will let them have it.

A final word about the 6 milliard francs "Ausland-Guthaben." In the event of this debt being paid in full, which seems doubtful at the present time, and always provided the cost of living does not materially rise, the 6 milliards, when they come in will have the same purchasing power as before. It can therefore be immaterial to the Swiss creditor what rate of exchange his foreign debtor has to pay to procure the necessary amount of Swiss Francs.

Yours faithfully,

W. Meier.

LETTER FROM SWITZERLAND.*(The New Swiss Franc).*

The Swiss Government decided on the 26th September to bring the franc into line with the big monetary values of the world and has specified in a decree of the 27th September the extent and technical modalities of the devaluation.

It has first of all freed the National Bank from the obligation of reimbursing its notes in gold or in gold devices at the legal parity, which liberates the Swiss franc from the strict engagement that up to now bound it to gold. On the other hand the prescriptions regarding the existing cover and the note issue of the National Bank must be, as up to the present moment, covered by gold in a proportion of at least 40%.

At the same time the Federal Council has declared the legal rate for the notes of the National Bank, thus legally sanctioning a state of facts that had been in force from 1914 to 1930. It has fixed, as has been done in France, the exact limits of the minimum and maximum rates of the devaluation. The higher margin is 34.55 and the lower one 25.94%. Further the Federal Council has given instructions to the National Bank to keep the Swiss franc on a level corresponding to a devaluation of about 30%, as compared with its former parity value. This rate has been chosen in the belief that it will suffice for an adaption of the cost of production and of the level of prices in Switzerland to the conditions reigning abroad, thus giving, especially to the Swiss export trade a new base and better opportunities of progress.

A new fixed relation of the Swiss franc to gold is not foreseen as no one is aware of the final attitude of the big countries in economic and financial matters. For the Swiss franc the devaluation constitutes an alignment with the monetary systems of the big countries without excluding the possibility, later on, of stabilizing on the gold standard.

To ease the passing of the transitory period all Swiss Exchanges were closed the 28th and 29th September. Otherwise, the ordinary banking business has not been interfered with in any way. Further the traffic in gold and other foreign currencies continues quite freely. If the Swiss Government has refrained from restrictive measures in this domain it is, that, in spite of the devaluation, the monetary system of Switzerland remains on a solid basis. The gold reserve of the National Bank, the level of which is specially high, has not been affected in the period preceding the decision to devalue; the prudent financial policy and the satisfactory position of the State Budgets, as well as the Cantons' and Town's, certainly all justify the position taken up in this respect by the Government and its optimistic opinion as to the future economic development of the country.

On a parallel with its monetary measures the Government has taken dispositions to hinder any unjustifiable increase in the cost of living and to facilitate the adaption of the national life to the new conditions. It has particularly the right to fix by decree, tariffs, the wholesale and retail prices of merchandise, hotel prices, rents. Besides, the control of prices must not be solely the business of one-sided interventions by the state but the result of agreements between producers and consumers masters and workers abroad.

(Ed. As regards the satisfactory position of the states, cantons and towns budgets, we have read previously of nothing but deficits.)

PERSONAL.

The many friends of Mr. and Mrs. Wyss, 44, Old Compton Street, W., will sympathise with them in their loss, Mr. Wyss's brother having died at Albisrieden at the age of 60.

Mr. Jakob Wyss was a well-known landscape painter and many of his pictures found a way into exhibitions.

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