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# The Swiss Observer

FOUNDED BY MR. P. F. BOEHRINGER.

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## HOME NEWS

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### FEDERAL.

#### THE SWISS FRANC.

Selling of Swiss francs in connection with the second devaluation in France was observed for a few days only, and then almost stopped when the Swiss Minister of Finance early in the week gave an assurance that the change in the French currency position would not affect the Swiss franc. This assurance is relied upon in London, seeing that as things stand at present in Switzerland a new devaluation would probably prove harmful to the country.

It is just nine months since the Swiss franc was devalued. It can already be said that as a result of the currency alignment there is at least a tendency towards an improvement in all sections of Swiss industry and finances. Strong criticism of the devaluation is indeed still widely expressed, and the rising price-level, for the index of wholesale prices for foodstuffs and raw materials at the end of June, 1937, showed an advance of 22.1 per cent, on the year, and total costs of living on the same date were 5.5 per cent. higher, will probably keep this criticism in circulation for some time.

But since last September the export trade of the country has undoubtedly been improving again after years of continuous contraction. Exports from Switzerland in the first five months of this year aggregated 472,000,000 francs, against 330,000,000 francs in the corresponding period of last year. The rising prices of Swiss exports are, moreover, not yet fully reflected in these figures. The hotel industry, one of the pillars of Switzerland's national economy, too, is experiencing the direct effects of the devaluation unmistakably. In the first four months of this year some 310,000 foreigners have visited Swiss hotels, against 207,000 last year. Tourists have apparently been much more numerous again in May and June, and as hotel rates are being kept stable by the existing legislation and all travel facilities for foreign visitors (30 per cent. reduction on railways, &c.) have been maintained Switzerland should continue to regain increasing parts of its lost tourist trade. With the hotel and export industries on the up-grade also the other branches of Swiss industry must necessarily benefit, particularly as the devaluation has resulted in the disbanding of large gold holdings and the repatriation of Swiss flight. The financial liquidity of the Swiss industry has thus improved, and the inclination to replenish stocks of goods and to carry out work held back during the period of deflation is general. Consequently unemployment is diminishing, and in the first four months of this year the sum paid to insured unemployed has declined by 26 per cent. on the year.

The financial situation of the public authorities has so far not yet been changed decisively by the devaluation. Certain reductions in import duties were necessary to prevent an undue rise in internal prices after the devaluation, and most of the existing subsidies had to be maintained. The current Budgets had still to be left unbalanced, as it proved impossible to assess the effects of the devaluation at such an early stage. But revenue has been buoyant and the next Budgets will certainly show substantial savings in expenditure (mainly subsidies introduced in the slump). In addition, the various public bodies in Switzerland, from the Federal Government and the Federal railways to the local authorities, are benefiting greatly from the low interest rates and the liquidity of the capital market, which allows of the conversion of high interest-bearing debts. The possibilities which exist in this direction were convincingly shown early this week,

when it was announced that the recent 3.33 per cent. Federal Conversion Loan of 150,000,000 francs met with a subscription of 715,000,000 francs.

The maintenance of a low rate of interest and the liquidity of the capital market is the basis both of the rising industrial activity and the stabilisation of public finances which is now being prepared in the departments concerned. The present state of the Swiss capital market, however, is mainly the result of the confidence in the Swiss franc. This confidence has led to the repatriation of huge sums of Swiss capital and the influx of foreign funds. Even two weeks ago, when the devaluation of the French franc became more and more certain, foreign money (partly from France) continued to flow to Switzerland. A new currency experiment would reverse the direction of this flow and thus deprive both the Swiss industry and the various Swiss Governments to obtain a reduction in their interest payment, which is vital to a stabilisation of the improvements now in progress. The technical position of the Swiss National Bank to defend the currency against a bear attack from outside is very strong. On July 7th bank-notes and other short-term obligations were covered by gold to the extent of 96.49 per cent. In these circumstances the Swiss Government has the means to make its currency policy effective and to prevent any new and major diminution in the value of the Swiss franc.

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#### CURRENCY FOR FOREIGN TRAVEL.

The Swiss Bank Corporation, of 99, Gresham Street, E.C.2, believing that it may be of interest to prospective visitors to the Continent to have a few general particulars as to the most convenient means of arranging their supplies of currency during foreign travel, have prepared a short guide to currency conditions in the most important countries. The guide is available from the office of the Corporation.

#### NEW MOUNTAIN RAILWAYS.

An aerial cableway is to be built from Kandertegg to the Oeschinen valley (1,727 m.), whence one of the now numerous "sledgeways" (cable-hauled sledges using the snow as a track and worked on the funicular railway principle) will lead to fine ski-ing slopes at an altitude of 2,000 m. The line is to be completed in time for the next winter sports season.

#### DRUMMER OF THE SWISS GUARD.

A former drummer of the Swiss Guard died this week in the Vatican City, at the age of eighty-four. He was M. Augustus Hertzog, and was born here of Swiss parents from Munster, in the Canton of Lucerne. For generations his family had given soldiers to the Pontifical Swiss Guard, and he, too, might have become a fully-fledged guard had he not been of such diminutive stature. He joined as a drummer in 1874, and served in that capacity for twelve years, after which the Vatican retained his services as custodian of one of the famous fountains in the Piazza of St. Peter. He was a familiar figure in the Vatican City, where all loved him for his kindly disposition and eminently Catholic life. Augustus Hertzog was invariably present at social gatherings of the Swiss, and was extremely proud of his connection with the historic corps which Pope Julius II, over 430 years ago, founded by a treaty with Zurich and Lucerne.

#### RAYON EXPORTS ADVANCE.

In comparison with the same period last year, exports of the Swiss rayon factories during the first three months of 1937 have considerably improved, namely to 1,020 tons as compared with 830 tons. The factories also report an increasing influx of orders. On the other hand the Swiss exporters continue to complain of the inadequate prices obtainable in many cases, and of the numerous obstacles in the way of a further development of rayon exports.

#### THE PAYERNE MONASTERY.

La Liberté, of Fribourg, announces that the ancient monastic church of Payerne, one of the finest relics of Norman architecture in Switzerland, is shortly to be restored. The grounds were given to Cluny by Queen Bertha in 962. The monastery was confiscated in 1536, and a century later the church was closed and used as a prison, to be converted again into a barracks. Work has been started and the chapter hall, the choir and the transept have been cleared and cleaned, thus revealing the exquisite proportions of the building and its wonderful architectural lines.

#### SWISS NATIONAL BANK.

On June 30th, 1937, the gold and gold exchange reserves of the Swiss National Bank amounted to 2,624 million Swiss francs; discounts and advances on securities reached 53 millions. The notes in circulation (1,408 million) and the other liabilities at sight (1,319 million) were covered by 96.2% by gold and gold exchange.

#### SWISS AUTHOR HONOURED.

The French Academy has awarded a prize, amounting to 5,000 Frs. to the Swiss writer, Guy de Pourtales, for his book "La pêche miraculeuse." M. de Pourtales was born at Geneva.

#### 4th INTERNATIONAL AVIATION MEETING ZURICH.

The 4th International Aviation Meeting in Zurich from July 23rd to August 1st, 1937, will begin by the International Rally for Sports and Touring Aeroplanes. This contest offers to the competitors, as well as to the guests arriving by plane at the meeting, an opportunity of combining the flight to Dübendorf with a competition. The Rally will start on July 23rd, 1937, at 6 a.m. The arrival in Dübendorf must be on the same day between 5 and 5.30 p.m., the last lap having to be Geneva-Dübendorf as compulsory and with checked speed. The longer the flight the greater the number of national frontiers flown over, the higher the average speed attained and the more economical the aeroplane is, the more favourable are its chances. In all 69 competitors have given in their names from Austria (1), Belgium (2), Czechoslovakia (3), England (6), France (16), Germany (17), Greece (1), Holland (4), Hungary (2), Italy (1), Poland (7), Rumania (1), Sweden (3), Switzerland (5). Among these are the following well-known personages: the German Major Polte accompanied by the General of the Flying Corps Milch, the French Commandant Lorient, the Belgian Major Lambert, Prince Kinsky, President of the Austrian Aero Club, and the Polish Lieut. Colonel Chramiec.

In addition to the Rally there will be in the course of the meeting, in addition to 6 further international contests, a competition for sports and touring aeroplanes, with the object of testing the capacity economy, safety and comfort of modern sports planes to the utmost. The competition consists of a technical-aviatic preliminary test and a reliability flight of 600 km. with handicaps for the various types of planes. In this competition Germany will be represented by 8, England by 3, France by 2, Austria by 1, Poland by 6, Rumania and Switzerland by one each competitors. The victor at the same contest at the 3rd International Aviation Meeting in 1932 was the well-known Swiss sports aviator Fretz, who will also take part this time.

#### INITIAL ENTRANCES FOR THE SWISS GRAND-PRIX AUTOMOBILE MEETING.

As previously announced, there will be run, in connection with the Fourth Grand prix of Switzerland, the "Prix de Berne" on August 21st. Those who are looking forward to this event as one of particular importance, are being confirmed by the numerous entrances already received from first-class racers of European fame, who have completely specialised on the 1.5 liter class. More than a dozen of the best names are, in fact, already figuring on the list of the Bernese Grand-prix meeting. At its head, we find that of the Siamese prince Birabongse, who had already been at the start last year under the pseudonym of "B. Bira." He will again enter an ERA car, as will be the case with the Englishman Dobson and two other Britishers, Denis Henry Scribbans and R. E. Tongue. Great interest attaches to two further entrances, with Talbot cars by A. Powys-Lybbe and the Italian Gigi Platé. C. E. C. Martin will run this year a Martin Jap of special construction. Among other makes to be represented, we note those of M. G. Magnette with E. Herzberger, Bugatti with R. Chambard, and E. Troeltsch belonging to the South-German racing team, while his comrade, Hans Kessler, will pilot a Maseratti. Another Bugatti starts with Louis Villeneuve, and T. P. Cholmondeley-Tapper has, on his part entered a Maseratti.

#### MERCEDES-BENZ AND AUTO-UNION SECURE FOR THE FOURTH GRAND-PRIX OF SWITZERLAND.

The well-known competence of Director W. Ed. Huber, race manager of the Swiss Grand-prix at Berne, has been successful in concluding firm contracts for this year's event with Mercedes-Benz and Auto-Union. The first-named Unter-ürkheim firm has entered with 4-5 cars, and the Auto-Union, a firm in sharp rivalry with

Mercedes, will be at the start with no less than 4 machines. It is to be noted that this year's "Grand-Prix Suisse" will afford the ultimate opportunity to witness a start of the aforementioned racing bolides, they having been built under the norms still to rule in 1937. The formula to enter into force in 1938 will limit cylinder measurements in such a manner as to make it questionable whether makers will succeed in constructing machines from which speeds, equalling those seen up to now, can be obtained.

#### ROMANSCH AS FOURTH SWISS LANGUAGE.

The Swiss Parliament has decided to make Romansch the fourth national language. As the Constitution, which provides for three official languages in Parliamentary and legal matters, is not affected by this decision, there will be no referendum on the question.

The decision has been received with great joy in the Engadine, in the principal villages processions formed of groups in Engadine costumes paraded in the decorated streets, while all the bells were ringing.

Romansch, an offshoot of Latin, is spoken by some 50,000 people in the greater part of the Engadine, the Oberhalbstein, and the Grisons Oberland.

#### LOCAL.

##### ZURICH.

The court of arbitration, appointed to study the wages question of the Engineering works Gebr. Sulzer, in Winterthur, consists of the following members: Dr. K. Gessner, Judge at the Superior Court in Zurich, President, Dr. H. Widmer, Mayor of the town of Winterthur and Dr. Paul Keller, Professor of the Commercial University of St. Gall, members.

The death is reported from Zurich of M. Paul Balmer, since 1918 Pastor at the "Engel" church, at the age of 55.

##### BERNE.

The 19 year old glider pilot, Rudolf Bieri, from Heimberg, was killed when his machine fell from a height of 50 meters.

M. M. Pochon, a partner in one of the best-known jewellery firms in Berne, was attacked by a man, who had asked him to accompany him in his private car, in order to show some jewellery to an intending buyer.

As the man, whose car was driven by a chauffeur in livery, would not disclose the place of his destination, M. Pochon, becoming suspicious, requested him to stop the car, instead the car accelerated and drove with great speed into the "Bremgarten" woods, where, whilst the car was still travelling at full speed, the stranger suddenly attacked M. Pochon. The latter, although badly hurt, defended himself vigorously and managed, after he had delivered a blow at the chauffeur to stop the car.

Whilst alighting, profusely bleeding from a scalp wound, the car disappeared with great speed. The police have the full descriptions and it is hoped that the attackers will be found.

(On going to press we hear that the two assailants have been arrested in France).

##### BASLE.

Dr. Gustav Ryhiner, Librarian at the University of Basle, has celebrated his 70th birthday anniversary.

On July 9th Professor D. R. Handmann has celebrated his 75th birthday anniversary, he was for 45 years Pastor at the St. Jakob church and since 1899 Professor at the University in Basle.

Doctor C. Henschen, since 1926 Professor of surgery at the University of Basle, has celebrated his 60th birthday anniversary.

##### SCHAFFHAUSEN.

The well-known industrialist and inventor, M. Alfred J. Amsler, has celebrated his 80th birthday anniversary, he is the head of the firm J. Amsler-Laffon. M. Amsler is a *doctor honoris causa* of the Technical University of Zurich.

##### TICINO.

In Bellinzona, died at the age of 73, M. Giovanni Odoni, who for many years played a leading rôle in the political sphere of the canton of Ticino.

#### LETTER FROM SWITZERLAND.

**The economic situation at the half-year in 1937. Recovery in External Commerce and Stability of the Swiss Franc.**

If one compares the results of Swiss external commerce for the first five months of 1937 with those for the corresponding period of 1936 it is shown that importations have increased from 448.5 million francs to 774.9 million, constituting an improvement of 326.4 millions. Exportations have increased from 329.9 million to 471.8 million francs, representing 141.9 millions. The excess of importations over exportations has thus increased from 118.6 to 303.1 million francs, showing an increase of 184.5 millions.

The index of wholesale prices for Switzerland which was 97 at the end of September 1936, the period of the devaluation of the franc (July 1914 — 100), was checked at 113 in March, 1937, and has not increased since then; there even appears to be a tendency for a decrease. The Swiss index for cost of living after having increased from 130 in September 1936 to 137 last April descended again to 136 at the end of May, 1937.

One sees therefore, that the policy adopted by the Swiss Government to extract the maximum benefit from the devaluation, of the franc has borne fruit. In short, Switzerland recognised in good time the importance for her export and tourist traffic of avoiding a too great increase of prices and took the necessary measures.

From another angle, the Swiss money market continues to give proof of great liquidity, and the Swiss franc has shown great stability during the last few weeks. Since the disturbances on the gold market which caused a passing demand in dollars during April, the rates fluctuate between relatively narrow limits. This stability clearly demonstrates that the Swiss franc is to-day completely independent of all other currencies.

Switzerland has in addition renounced all restriction of the dealing in gold, and has thus diminished hoarding and strongly increased the influx of foreign capital. In addition she is striving to balance her budget. This task has been greatly facilitated by the liquidity of the money market, which permits, by the conversion of loans, to diminish the expenses caused by the payment of interest.

The situation of the Swiss labour market has continued to improve very noticeably. From January to May, 1937, the number of requests for employment has fallen from at least 110,750 to 58,000 constituting a decrease of more than 52,000. By comparison with May, 1936, the decrease is 22,000.

In the tourist world Swiss hotels have recorded, from 1st December, 1936, to 31st March, 1937, 132,000 arrivals and 922,000 night-lodgers more than for the same period of the preceding year. This increase of arrivals represents 21%, and of night-lodgers 27%.

The improvement in railway traffic is also strongly noticeable. For the first 4 months of 1937, the excess of receipts of exploitation for the Federal Railways has undergone an increase of 15 millions, having increased from 17.3 millions to 32.7 millions.

One may therefore state in conclusion that the economic improvement following on the devaluation is being maintained.

#### 1st OF AUGUST CELEBRATION AT THE MYLLET ARMS.

We have much pleasure to inform our readers that a Dinner and Dance will take place at the Myllet Arms, Western Avenue, Perivale, on Saturday, July 31st, to celebrate our National Day. (August 1st).

Our compatriots, Messrs Widmer and Rhyhner have been fortunate enough to engage our old "yodling" friend Mr. von Bergen and his companion to make this evening a real "Swiss Evening." In addition a band, including some accordion players will play many of our folk tunes, and we understand that several surprises will be in store for those who attend this gathering.

Owing to limited accommodation it is advisable to book already now. (See advert.).

We feel sure that this evening will be an enjoyable one, and we heartily recommend our compatriots to spend a few happy hours at the Myllet Arms in congenial company.

#### SWISS BANKS IN 1936.

##### Salutary Effects of Devaluation.

The Swiss banking system, like other branches of economic activity, did not escape the harmful effects of the years of depression, but was affected in very different ways. Until 1935 the cantonal banks regularly recorded advances in their balance-sheet totals. The 27 cantonal banks affiliated to the Union of Swiss Cantonal Banks, though as a rule limited in their activities to their own territory, are still, as a whole, playing a preponderant part in Switzerland's banking system.

The large commercial banks, on the other hand, were more quickly and seriously affected. Transfer restrictions, even transfer prohibitions, especially those introduced by Germany, as well as similar measures set up by other countries, proved very prejudicial to the big commercial banks and a few local banks too. Under such conditions it was not surprising that some of these banks experienced delay in obtaining payment in respect of matured foreign loans; several hundred million francs were in this way blocked. Some distrust of credit institutions, which took the concrete form of capital withdrawals, was the result.

In addition to the losses sustained in Switzerland through the general economic depression, the difficulties of the banks were augmented by the diminution in the formation of new capital and the reduced possibilities for remunerative investment. The banks on their side endeavoured to liquidate, as far as possible, such of their foreign investments as were subject to exchange restrictions. This retrograde movement is clearly revealed in the aggregate amount of the balance-sheet totals of all the Swiss banks, which dropped from 21,780 million francs in 1930 to 17,750 million in 1935. With few exceptions, however, the banks managed easily to meet these difficulties — a gratifying fact revealed by the small number of failures.

##### Influx of Capital.

The beginning of 1936 brought no change in the situation. During the opening months the strain on the money market continued as in the preceding year, and the banks had to meet further withdrawals of capital. Owing to moratoria,

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