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which had then to be granted to certain banks — notably in the cantons of Berne and Lucerne — and the fear of further similar measures, with-
drawals of funds became more extensive. But in
spite of this fact the shrinkage of the balance-
sheet totals of the big commercial banks, after
continuing for several years, came to an end as
early as the first quarter of 1936. Since the early
summer of the year under review greater easiness
in the money market has been noticeable. The
repatriation of capital on the one hand, and the
inflow of foreign capital looking for shelter on
the other hand, accounted chiefly for this ame-
lioration. With a view to improving their
liquidity and to off-setting capital withdrawals,
the Swiss banks refrained from renewing various
foreign loans. Funds available were also in-
creased by the proceeds of the redemption of
Federal loans.

The money market had consequently regained its liquidity before the Swiss currency was de-
valued, and this step on September 27th, 1936,
accentuated the movement which had started at
the beginning of the summer. Transfers of funds
at once rose to extraordinary proportions. The
repatriation of Swiss capital and the influx of
foreign capital more than doubled the deposits
with the Central Bank, which were considerable
even before devaluation. On September 9th, a
short time before the alignment of the Swiss
franc, the Swiss National Bank had reduced its
bank rate from $2\frac{1}{2}$ to 2 per cent. and the rate for
advances against securities from $3\frac{1}{2}$ to 3 per cent.; on
November 26th it lowered these rates to $1\frac{1}{2}$ and
 $2\frac{1}{2}$ per cent. respectively.

In contradistinction to what took place before devaluation, the capital market then grew easier too. On the stock exchanges there were large increases in turnover and sharp rises in stock and security prices, which entailed a marked decline in yields. Long-term lending also was actively resumed and debtors were quickly able to come to advantageous arrangements. Public corporations, some credit institutions, and one of the central issuing offices of mortgage bonds (Centrale de lettres de gage) availed themselves of these favourable circumstances.

Improved Liquidity.

The banks generally have taken advantage of this situation. The figures published up to date

show that their liquidity has improved noticeably since devaluation. The balance-sheets of the big commercial banks record in particular large increases in their items, due chiefly to the enormous influx of capital. A large part of these funds, mainly so-called "hot money," is ready to leave as soon as better investment possibilities attract it to some other country. Such funds cannot therefore, be treated as long-term investments in Switzerland, and must be kept highly liquid. For this reason the sight items in the balance-sheets of the big commercial banks have expanded greatly. These huge fluctuating sums of capital, liable to be suddenly withdrawn, weighed upon the money market. The Swiss National Bank, by reducing its rates in November last primarily with a view to lowering the general interest level, hoped by the same measure to interrupt somewhat this flow of capital from abroad. On the other hand, thanks to the general economic revival, the condition of debtors so improved as to enable them to reduce their debit balances with their bankers. The banks consequently experienced a rather substantial decrease of the debit balances on current account, which however was also largely due to the decline in frozen credit balances abroad.

The cantonal banks were not affected in the same way by the easiness of the money market. In particular this group recorded notable advances in bonds of short maturity (*bonds de caisse*) — namely, from three to five years. This peculiar type of bond is regularly issued by the Swiss banks in order to get more-floating capital. As these bonds are not listed on the stock exchanges they escape price fluctuations, and are therefore highly appreciated by the investing public. The amounts on savings accounts, on the contrary, have on the whole continued to decrease slightly since devaluation. They have probably been withdrawn in connexion with the National Defence Loan, issued in the second half of September, or for investment in higher yielding bonds of short maturity. This retrograde movement is not very surprising, because little new capital accumulated during the economic depression preceding devaluation, and the subsequent improvement has not yet been sufficient to influence saving. Since December last, however, savings deposits with the cantonal banks, as can be seen

from the monthly balance-sheets, have again begun to advance.

The revival of the money and capital markets had, of course, repercussions upon the interest level. Mainly in order to restrict the influx of fresh funds the banks have successively reduced the interest rate for bonds of short maturity to $3\frac{1}{2}$ and $3\frac{1}{4}$ per cent. Since January 1st, 1937, some banks have also lowered interest rates for savings deposits to 3 and even $2\frac{1}{2}$ per cent. Interest charges, on the contrary, have changed very little, except that rates for first-class mortgages have been reduced by a fair number of concerns which now apply a rate of 4 or $4\frac{1}{2}$ per cent.

It may be added that an improvement also took place in the mortgage market. Owing to persistent withdrawal of funds during the first half of 1936 certain banks had been compelled to foreclose on mortgages.

Thanks to the happy turn the capital market took after devaluation, there was not need to prolong the gentlemen's agreement concluded by the Swiss banks in the autumn of 1935, according to which they promised to observe the greatest possible circumspection in connection with foreclosures. However, the trustee offices created by virtue of this agreement continue their activities.

In conclusion, it may be stated that 1936, as far as the Swiss banks are concerned, ended favourably. Confidence has to a great extent returned and it seems probable that exceptional measures instituted in favour of some banks, such as moratoria, will be repealed in the course of 1937. The total figures of the bank balance-sheets have ceased to decline and have even begun to advance. Furthermore, two large commercial banks have been radically reorganized, for which purpose they have utilized a large part of their own capital. Owing to the economic recovery following devaluation and the rise in stock and security prices, financial results in 1936, as a whole, proved to be better than in 1935. Yet the banks were prudent in distributing dividends; they applied their earnings to writing off and consolidating their financial position. The accounts of the group of big commercial banks show similar results to those in 1935; the receipts on profit and loss account increased slightly and allowed one bank in this group to raise its dividend rate, while all others maintained the same rate as in 1935.

T. & E.

A CITADEL OF NEUTRALITY.

The Swiss Citizen Army.

(*The Times*.)

(Continued).

The Positive Purpose.

While the troops are raised and to some extent administered by the various cantons, the system is controlled by the central government, the Federal Council acting through the Military Department. The cantons provide the personal equipment for the troops which each supplies, and they form the infantry and cavalry units. The central government is responsible for posting the personnel to the other arms and services, and for providing the corps and army equipment. The Military Department has a Federal Councillor at its head, with his staff. He presides over the National Defence Committee, an advisory organ which consists of the three army corps commanders, the chief of the General Staff branch, and the officer commanding the infantry. The Military Department itself comprises on the one hand the General Staff branch, which has sections dealing with mobilization, operations, intelligence, training, personnel, lines of communication, and rear services in general; and, on the other, the offices of the heads of the infantry, cavalry, artillery, engineers, and of the medical, veterinary, technical, war material, topographical, remount, and judicial services. Only on mobilization is a commander-in-chief appointed, whereupon the National Defence Committee ceases to function.

The organization of the Swiss Army has naturally been influenced by its positive purpose. The military horizon of the Swiss is bounded by the strict defence of their own territory. Here is the third of the distinctive features earlier remarked. The exclusion of the strategic offensive from their thoughts does not rule out the use of, and training for, the tactical offensive; this, indeed, occupies more attention and time than would seem economic in the circumstances. But it has affected the organization and equipment of the Army, with the result that it has hitherto lacked the resources for the tactical offensive on which it spends much of its training time, while also becoming defective under modern conditions for its strategically defensive role. These new conditions have complicated the defence problem of Switzerland. The proper treatment is now a subject of keen discussion.

Theories of Invasion.

The development of air power and military mechanization has given a new aspect to the

defence of Switzerland, affecting both its own security and its neighbours'. Its industrial and munition centres are few, and now easily accessible by air. Basle has always been untenable, as the French and German frontiers converge in its suburbs. Zurich, St. Gall, and Winterthur lie close to Germany's Rhine frontier. Berne, the capital, and the munition depôts or factories there and at Biel, Thun, and Interlaken are only a short hop across a low mountain belt. The Swiss railways and roads are canalized by the mountains, while the main rail communications from east to west have been aptly described as of wasp-like figure, with the waist at Olten, less than 20 miles from the Rhine. And the electrification of the railways makes them all the more vulnerable.

Thus hostile air attack, apart from its menace to the general life of the country, might paralyse the mobilization of an army which does not exist until it has been mobilized. By contrast, the mountainous terrain of Switzerland limits her own air development; possible air bases are few, and even these mainly lie in the more exposed districts, while the combination of her mountains and her weather is a handicap to training.

If, by the paralysis of the defending forces, an invasion could make headway, mechanized mobility might nowadays give an invading army the prospect of a much shorter passage through Swiss territory to its ultimate objectives in a land beyond. Under such conditions the Abyssinian war has shown how much even motorization can accelerate the strategic offensive and its exploitation. For the motor-vehicle Switzerland is a much easier country than Abyssinia, especially in its northern part, where any such operations are the most probable. Even if the invading army were checked on the farther frontier by the forces of the great Power which was then the target, the military occupation of Switzerland would enable the attacker's air forces to be moved forward to advanced bases from which they could operate at much shortened range, thus multiplying the frequency and effect of their bombing.

II. — MOUNTAINS AND MOBILITY.

The danger to a country in Switzerland's situation arises less from direct hostility than from the possibility of a clash between her large neighbours, and the attempt by one of them to use her territory as an avenue of approach to the other. In examining a defence problem of this kind it is necessary to take account, if only from a technical point of view, of the countries whose geographical location provides the strategic hypothesis.

Intent on the maintenance of their neutrality, the Swiss are properly concerned with the possibility of a French as well as a German attempt to use their territory for a turning movement. Leaving aside the political doubts, the former is much the less likely on military grounds. The conquest of Switzerland would still leave it faced with the Rhine, and beyond that the Black Forest; no important objectives in German territory would be within reach even when the frontier was gained. There is a better case comparatively for a German attempt, as the penetration of the French frontier would bring an invader into the wide basin of the Saône; it would turn the mountain barrier of the Vosges and the main fortified line; alternatively, it would threaten Lyons and the main communications with Provence and the Mediterranean. The prospects of any such strategic flank move would depend first, however, on its success in overcoming the resistance which the Swiss could offer in defence of their territory. What are the chances?

Three Factors.

Any estimate must take account of three principal factors: the nature of the country to be traversed, the normal superiority of the defensive under modern conditions of warfare, and the readiness of the Swiss forces at the moment such a stroke was delivered. The first is unalterable; the second shows little sign of being modified by recent developments in armament, so that the chances of the attack depend more than ever on the possibility of surprise; the third can be improved, to the reduction of an invader's chances of surprise. I have motored the whole length of the Rhine frontier from Lake Constance to Basle, and over much of the hill country behind it, as well as a large part of the Jura frontier between Basle and Geneva. On the map the former sector may look a lesser obstacle, but closely examined its difficulties become formidable. While the belt of hills south of the Rhine are not high — only at a few points rising more than a thousand feet above the river — they are steep and wooded, and the roads which cross them offer numerous defiles where well-posted anti-tank guns and machine-guns could impose a check, the more prolonged because of the difficulty of turning them by a flank detour. In moving off the roads light tanks would constantly encounter obstacles higher and slopes steeper than they could compass; wheeled motor-vehicles would be still more circumscribed. Powerfully engined tanks of longer track base might be able to carry out a wide-fronted advance, if the area had been carefully reconnoitred in peace time, but few of the machines at present in service in the Western Europe would seem to have the necessary capacity.

The hill rampart is pierced by the Aare south of Waldshut, 40 miles east of Basle, but the valley is narrow in several places between Waldshut and Olten, some 30 miles up the river. Only beyond Olten does it widen into the plateau which runs between the Alps and the Jura, down to the Lake of Neuchâtel, and thence over a fairly easy slope to the Lake of Geneva.

If an invading army could debouch on to the plateau before meeting any serious opposition, its further progress would be much facilitated. It might forstall the mobilization of the divisions near the Rhine frontier and establish a protected corridor, to fend off those assembling in eastern Switzerland, along which the striking force could pursue its course towards the French frontier. Or, should it choose to drive south-westwards to the Lake of Geneva, it would only have to deal with an isolated fraction of the opposing forces. A less ambitious alternative to this bound on to the central plateau is a narrower move round the skirts of Basle, but, although simpler initially, it has limited possibilities; if the attackers succeeded in this side-stepping manoeuvre across the projecting corner of Switzerland before a firm resistance was met, they would be immediately confronted with the fortified switch-line which the French are reported to have been building from the Rhine, at a point south-east of Mulhouse, in a south-westerly direction towards Porrentruy — across the Basle approaches. And beyond that line the Belfort "gap" is seamed with water-courses and lagoons.

(To be continued).

Secretariat Berne, Bundesgasse 40, le 5 Juin 1937.
des Suisses à l'Etranger.

JOURNÉE DES SUISSES A L'ETRANGER 4/5 SEPTEMBRE 1937, A BERNE.

Aux Membres et Correspondants de l'Organisation des Suisses à l'Etranger de la Nouvelle Société Helvétique et aux autres sociétés suisses, Aux Légations et Consulats de Suisse à l'Etranger.

Messieurs et chers Compatriotes,

Ainsi que vous le disait notre circulaire du 28 avril, nous avons résolu de réunir de nouveau cette année une

"Journée des Suisses à l'Etranger."

Si notre Secrétariat se fait tout le long de l'année l'interprète de vos voeux et de vos désirs, s'il s'efforce de montrer au peuple suisse ce que représentent pour notre pays les citoyens d'élite que nous possédons à l'étranger et combien il importe de ne pas laisser se perdre la force que vous représentez au dehors, il est nécessaire que de temps en temps vous fassiez entendre vous-mêmes votre voix. Nous avons remarqué lors de précédentes "Journées" combien les témoignages apportés par les Suisses à l'étranger impressionnaient le public, beaucoup plus que le nôtre — et c'est normal — et combien nos autorités elles-mêmes nous étaient reconnaissantes de l'occasion que nous leur donnions de vous entendre, car elles se voyaient mieux à même ensuite de travailler dans le sens de vos voeux et de vos intérêts.

Non seulement il est nécessaire qu'on vous entende, mais il est utile que vos "landsgemeinde" se renouvellent chaque année. Plusieurs questions soulevées lors de précédentes réunions font actuellement l'objet de réformes; nous pensons en particulier à la taxe militaire. Pour activer la marche des travaux en cours et pour que nos législateurs ne perdent jamais de vue ce que vous attendez d'eux, il faut revenir périodiquement à la charge. A côté de cela, il y a tant de domaines où la collaboration entre Suisses de l'intérieur et Suisses de l'extérieur laisse encore beaucoup à désirer, malgré les progrès obtenus. Là aussi, il est opportun que votre voix se fasse entendre toujours à nouveau.

Voici maintenant une esquisse du programme des assemblées qui auront lieu à Berne:

le samedi 4 et le dimanche 5 Septembre 1937.

Nous avons décidé que, cette fois-ci, les séances du samedi seraient réservées exclusivement aux délégués de nos colonies. A l'ordre du jour figureront tous les problèmes qu'il y aura utilité à discuter, soit simplement entre représentants de diverses colonies, soit avec les représentants des milieux suisses susceptibles de collaborer à une heureuse solution des questions soulevées. Nous voudrions que vous nous fassiez part avant le 31 juillet de vos suggestions afin que nous ayons le temps de préparer une discussion approfondie et fructueuse sur tous les points proposés par vous. Ceux-ci devront toucher essentiellement :

- 1° aux difficultés morales et matérielles des Suisses à l'étranger;
- 2° à ce qui devrait être fait pour écarter tout ce qui éloigne et pour promouvoir tout ce qui rapproche du pays et
- 3° aux efforts qui devraient être déployés pour arriver à une collaboration meil-

leure entre les milieux suisses de l'intérieur et ceux de l'extérieur.

4° Nos groupes auront aussi là l'occasion de nous entretenir de leur activité et des moyens qu'ils voudraient obtenir pour la développer davantage.

L'assemblée du dimanche, par contre, sera une grande manifestation publique pour laquelle nous avons choisi comme thème :

"Les Suisses à l'Etranger au Service de notre expansion économique et du Rayonnement de notre Culture."

Ce sujet sera traité par des Suisses de divers pays qui feront ressortir l'activité déployée par nos compatriotes de l'étranger en faveur de la mère-patrie dans le domaine économique et culturel. Ces exposés seront destinés à faire comprendre au peuple suisse les devoirs qui découlent pour lui des services que nous rendent nos compatriotes de l'étranger. Nous espérons pouvoir convoquer cette assemblée dans la salle du Conseil National, afin de lui donner ainsi une plus haute portée.

Nous vous donnerons un plan détaillé de ces deux "Journées" dès que vous nous aurez fait part de vos observations et de vos suggestions. Nous insistons pour recevoir aussi celles des groupes qui seront trop éloignés pour se faire représenter à nos assises; nous pensons en particulier aux Sociétés suisses d'outre-mer.

Nous vous prions d'agréer, chers Compatriotes, nos très cordiales salutations.

Le Secrétariat des Suisses à l'Etranger

A. Briad. G. Schürch.

P.S. A noter que les participants pourront bénéficier du billet de chemin-de-fer de fin de semaine pour se rendre à Berne, c'est-à-dire que le billet d'aller, dès la frontière, vaudra pour le retour. Nous vous rappelons aussi les réductions faites par les C.F.F. aux personnes établies hors de Suisse.

SOME OF THE FORTHCOMING EVENTS.

August 15th or 22nd
Traditional Wrestling Contests at Meiringen-Brünig.

August 16th
Alpine Fête and Traditional Cortège at Montana-Vermala.

International Tennis Tournament, Championship of Zermatt, at Zermatt.

Golf Championship of Vulpera at Vulpera.

August 16th-22nd
International Tennis Tournament of Sarina Club at Gstaad.

International Tennis Tournament, Oberland Championships, at Wengen.

August 20th-September 5th.
Horticultural Show at Berne.

August 21st
Cantonal Costumes Festival at Berne.

August 21st and 22nd
Automobile Races and Swiss Grand Prix for Automobiles at Berne.

Aviation Meeting with stunts (Blécherette) at Lausanne.

August 21st-28th
Golf contests, Ladies' and Bernina Cups, at St. Moritz.

August 22nd
Golf Match, "Martens" Challenge Cup, for men only, at Lucerne.

August 23rd
Alpine Fête at Engstigenalp, Adelboden.

August 23rd-29th
International Tennis Championship of Gstaad at Gstaad.

August 23rd-September 11th
Vacation Course at the High School of Commerce at Neuchâtel (2nd Series).

August 27th-September 12th
International Golf Weeks at Lausanne.

August 29th
Golf Match, "Morgan" Cup, for men only, at Lucerne.

International Aviation Meeting at Lugano.

Gymkhana of Automobile Club at Zurich.

Opening of International Medical Congress at Interlaken.

MISCELLANEOUS ADVERTISEMENTS

TO LET. Beautiful furnished Mansion Flat near Piccadilly Circus, consisting of 1 double and one single bedroom, reception room, bathroom, kitchen, h. and c. water, Lift, at £4. 4. 0 per week. Write F. M., c/o Swiss Observer, 23, Leonard Street, E.C.2 or phone: Gerrard 6765.

FORTHCOMING EVENTS.

July — City Swiss Club — No Meeting.

Wednesday, August 4th, at 7.30 p.m. — Société de Secours Mutuels — Monthly Meeting, at 74, Charlotte Street, W.1.

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Pendant les vacances du pasteur, Mr. le pasteur Emery, de la Chaux-de-Fonds assumera les cultes, etc. Pour tout renseignement s'adresser à lui, le mercredi de 11h. à 12.30 à l'église, ou, par lettre à son domicile, Hôtel Foyer Suisse, 12, Upper Bedford Place, W.C.1.

SCHWEIZERKIRCHE

(Deutschsprachige Gemeinde).

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(near General Post Office.)

Sonntag, den 18. Juli 1937.

11 Uhr morgens, Gottesdienst, Pfarrer V. Nuesch.

Kein Abendgottesdienst.

Während der Ferien des Gemeindepfarrers amtet Herr Pfarrer Valentin Nuesch von Roggwil bei Langenthal, an den, bitte, alle Anfragen wegen event. Amtshandlungen zu richten sind: c/o "Foyer Suisse," 12, Upper Bedford Place, Russell Square, W.C.1.

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