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THE ANGLO-SWISS MONETARY AGREEMENT.

The following is reprinted from the "Economist," Nov. 16th:—

"The Anglo-Swiss Monetary agreement, signed last March, has not been working according to plan, and representatives of Switzerland have been in London this week to discuss what should be done about it. Like the other pacts with Western Europe, the Swiss agreement provided that the Swiss would be prepared to hold sterling up to an amount of £5 million; but it also had a novel clause under which a further amount might be held, the addition to "be determined . . . in the light of the estimated balance of payments between the sterling area and Switzerland." This additional amount was understood to be a maximum of £5 million for each of the first two years of the agreement so that the total credit for the first year was to be £10 million — and that figure was, in fact, the estimated amount of the sterling area deficit. The overall maximum, available by the end of the second year, and for the remainder of the agreement, was to be £15 million. In fact, sterling area net payments to Switzerland have been a good deal heavier than was expected, and the first year's limit has been reached in less than eight months.

One reason for this miscalculation is the summer's heavy tourist expenditure — and a further reason for Swiss concern at their mounting sterling balance is the prospect of even heavier tourist spendings next year. These outlays, moreover, have been increased by travellers' purchases of Swiss goods as well as by illicit

arbitrage in currency. It would be wrong, however, to suppose that tourism is wholly, or even mainly, to blame for the state of the overall account. To date, it has probably not absorbed more than £4 million. Another important factor has been the unexpectedly heavy deficit on the visible trade balance with the overseas sterling area. Purchases of Swiss goods by sterling countries, particularly South Africa, have been heavy. Essential supplies, such as specialised Swiss machinery, have played their part, but there has also been significant buying of luxury goods, Britain's own visible balance with Switzerland has been well in credit, though this was more than wiped out by "invisible" debts — in the early part of the period, for example, substantial payments had to be made to the Swiss railways for transport of troops moving from Italy.

Fortunately, that special source of strain has now dried up, but there is still a balance to be redressed. The problem of large spending by other sterling countries is intractable, for the allocation of exchange for imports is entirely a matter for decision by the local exchange controls. Britain will obviously make additional goods available for export to Switzerland as and when the supply position allows. The problem of excessive tourist outlays, however, could hardly be solved from this side except by reducing the standard allocation of exchange — which would cause resentment here, and, one imagines, would scarcely be welcomed by the Swiss. If the Swiss tourist industry needs the added attraction of Swiss luxury goods in the shops to put it on its feet again, the Swiss can hardly complain if visitors swallow the bait and take the goods. But if it needs no such aid, Switzerland should take steps to limit visitors' "non-tourist" spendings. At the very least, she could do much to stop the illicit sale of sterling notes — a traffic that has certainly been facilitated by the practice of Swiss banks of advertising the rates at which they would deal in them."

* * *

These are extracts from a long commentary which appeared in "The Statist," Nov. 16th, from the Zurich correspondent and written before the conclusion of the London Conference.

"Capitulating before dire economic necessity, the National Bank of Switzerland discreetly notified the leading Swiss banks that, after November 1, subject only to quite nominal restrictions, gold coins to any amount could again be sold to the general public on demand, no questions asked, thus relaxing the stringency of regulations in force since December 7, 1942. Since the Washington agreement regulating the liquidation of German assets in Switzerland was signed last May, the gold policy of the National Bank has been under the incessant fire of public criticism, mainly because the refusal of the National Bank to accept or part with gold, except in commercial operations, prevented the transfer of capital interest and dividends from abroad and, unless relaxed, would effectually prevent the repatriation of Swiss dollar assets blocked in U.S.A. since 1941 and releasable on execution of the terms of the Washington agreement.

At the end of last September, the gold stock of the National Bank was returned at sFr.4,881 million, and that of the Confederation at sFr.1,229 million, making altogether sFr.6,110 million. On that date, the note issue was returned at sFr.3,785 million and the demand



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deposits at sFr.1,078 million, so that the gold cover was over 100 per cent. No useful purpose would be served by any further increase. For years past the demand for gold coins has been ravenous, partly from hoarders in Switzerland itself, but much more so from agents acting for people in neighbouring countries where devaluation of the currency was a perpetual fear. Gold in small quantities was always on sale, but buyers had to disclose their identity and undertake not to sell except to those authorised to buy. Those who sold to foreign agents broke the law, but made substantial profits. On the black market, carried on in cafés and at street corners, the sFr.20 gold coin, obtainable from reputable Swiss banks at the official price sFr.31.80, at one time brought as much as sFr.45 from those who wanted to smuggle gold into other countries.

As it was feared that as soon as restrictions were removed the greater part of the gold in Switzerland would vanish and be irrecoverable in an emergency, the National Bank refused to relax the restrictions. Practical experience has shown that these assumptions were erroneous. Since last July, following the signature of the Washington agreement, large weekly allocations of gold coins have been made to the banks licensed to sell. Sales have been steady, but far below what they had been at the beginning of the year. Prices on the black market continuously declined, fluctuating around sFr.36 just prior to November 1. During October, while restrictions were still in force, the sale of gold coins averaged somewhat less than sFr.10 million weekly. After November 1, sales dropped sharply and the black market disappeared altogether, dealers buying at sFr.32-34.

This development was as disconcerting as unexpected.

Last March Switzerland granted Britain a two-year credit in Swiss francs for the amount of £15 million, £10 million of which was intended to facilitate trade operations for the first year and the remaining £5 million for the second. In the event of the balance in favour of Switzerland exceeding £10 million in the first year, Britain was to cover the deficit in gold. At

the end of seven months, the whole allocation for the first year was exhausted. Partly because the amounts spent by British tourists in Switzerland far exceeded what had been expected, partly because other countries of the sterling area bought from Switzerland in excess of what had been foreseen. In the first nine months of 1946 Switzerland exported to Britain goods worth sFr.35.5 million (sFr.20.6 million in the corresponding period 1945) and imported sFr.134.6 million (sFr.3.8 million 1945), so that on trade alone Britain converted a deficit of sFr.17 million in 1945 into a trade surplus of sFr.99.1 million in 1946. But with other members of the British Commonwealth the trade balance was not so favourable for Switzerland. Financial transactions rendered possible by the credit from Switzerland and influencing the balance of payments unfavourably have been transfers of capital, dividends and interest, insurances, payments to the Red Cross and capital placed in Switzerland by British banks and businesses. Switzerland does not wish the resuscitation of trade with the Commonwealth to be delayed by difficulties in effecting such international payments.

At the negotiations between Britain and Switzerland beginning in London on November 11 to grapple with the problem that has arisen through the premature exhaustion of the credit granted by Switzerland, an arrangement similar to that with Sweden will be proposed. Deliveries from Switzerland to other parts of the Commonwealth have already been curtailed. A charge of 1½ per cent. is already being made on all conversions of sterling into Swiss francs. If the deficit in payments were to continue for the next five months at the same rate as heretofore, Switzerland would have to accept from Britain gold to the value of about £7 million, or sFr.120 million over and above what Switzerland has agreed to accept from Sweden. This is an amount of gold with which Britain would be loath to part and Switzerland to accept. Hence it is very probable that, in compliance with the wish of Switzerland, the amount of sterling placed at the disposal of British tourists to Switzerland will be reduced. Belgium also wants to float a Swiss-franc loan in Switzerland and will probably be allowed to do so, as soon as Belgium has made some acceptable arrange-

International BOXING TOURNAMENT

Organised by the Amateur Boxing Association

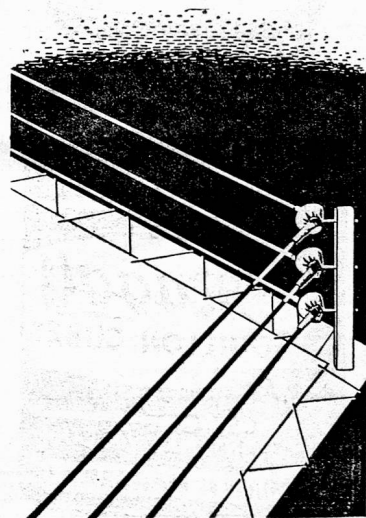
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ment to liquidate outstanding pre-war obligations.

All these prospective concessions by Switzerland, aimed at the maintenance of trade with other countries in the interests of the home labour market, create great uneasiness among those Swiss eager to repatriate dollar assets in U.S.A. frozen since 1941, but soon to be released, because repatriation under present circumstances would only be feasible if the National Bank were to part with gold in the shape of gold coins to the amount seeking repatriation. Competent estimates set the probable amount at about sFr.500 million. But the National Bank denies that there is any intention of parting with gold on such a scale. So that if Switzerland has to accept gold from Sweden, Britain and Belgium to cover deficits in the trade balance, the prospects of those hoping to be able to repatriate unfrozen dollar balances seem remote. Especially as the National Bank declares that, for the time being, the principle to be followed in the marketing of gold is that the amount released should just balance the gold Switzerland will have to accept from Sweden, Britain and Belgium. The National Bank disclaims any intention of selling enough gold to diminish the note issue and thereby produce deflationary effects.

This policy will provoke vehement opposition from those who want to repatriate their unfrozen dollar balances. Their assumption until now has been that the market would absorb all the gold the National Bank made available. Coins can be minted in Berne at the rate of 800,000 to a million, equivalent to sFr.25 to sFr.30 million, a month. Gold holdings are of course, evaluated in paper francs, not in the nominal amounts stated on the coins. At this rate repatriation would take at least 18 months if the National Bank had no other obligations to fulfil.

All such calculations, however, have been upset by the surprising discovery that, now that gold to virtually any amount is available, demand has suddenly dropped. One reason is that buyers must pay a purchase tax of 4 per cent. Swiss people conclude that, as The National Bank is able to part with gold so readily, the Swiss franc is in no danger, so that there is no justifiable reason for buying gold to hoard when purchase involves a definite loss of 4 per cent. on capital. Black marketeers have been put out of business because anybody who wants gold can buy it across the counter of any reputable bank. An increase in the demand for gold is however expected to arise in time when the difference between the official price of gold in Switzerland and the black market price in other countries attracts operators of a new kind, but nobody can foresee on what scale the demand will arise.

Meanwhile, as a precautionary measure against pressure from other countries eager to pay Switzerland in gold instead of goods, preparations are discreetly being made to resume bilateral trade agreements subject to fixed quotas so as to enable Switzerland to replenish her stocks of raw materials and obtain urgently needed industrial products in exchange for what she has to export."

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To "little tables in the sun".

They're sometimes painted green or red
Bright yellow, or pale blue instead,
You'll find that it is always fun
At "little tables in the sun".

The lakes you'll sail, the mountains climb,
Your appetite will soon be prime,
So hungry you will have to run
To "little tables in the sun".

A plate of soup, some Gruyère Cheese,
A 'Café complèt' if you please;
Yes, there's a chair for everyone
At "little tables in the sun".

Could we not make old England gay,
In something of the selfsame way?
An idea here, second to none,
Those "little tables in the sun".

A little vision and some paint
And we could make things bright and quaint
An English tea with toast and bun
At "little tables in the sun".

But oh! You'll say, 'How can it be?'
The sunshine we so seldom see
In England, it can not be done,
Those "little tables in the sun".

A few days, yes, at summer's height
We drag our tables outside quite
Our optimism hardly won,
At "little tables in the sun".

But we can have more joy and hope
By planting flowers and painting up
With corners bright by roses spun
O'er "little tables in the sun".

But haste the day when through the world
Love's banners everywhere unfurled
'Twill the United Nations stun
When all have tables in the sun!

INTERNATIONAL BOXING TOURNAMENT. Great Britain v. Switzerland.

We wish to direct the attention of our readers to the first "Amateur Boxing International" arranged between Great Britain and Switzerland, at Wembley, on December 11th, 1946.

Reports from Switzerland indicate that a strong side will be sent over.

We understand that all the cheaper seats have been sold.