

# Switzerland and the evolution of prices

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## 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 nonexistent, 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 rearmament 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 watch-making which has been enabled to increase its sale of finished watches.

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 subsoil 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 has 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".

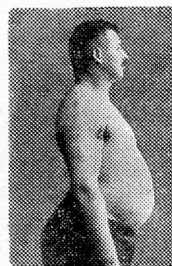
This development of the situation led workers to demand increases in wages to which the employers were opposed, pointing out that a certain stabilisation would set in since the increase in wholesale prices appeared to have reached its highest peak, and that it would be dangerous to create an inflationary 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% 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 rearmament 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 continual 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.

Gi.

(Swiss Industry and Trade.)

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