

Spotlight : "New aspects of the Struggle against Inflation"

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SPOTLIGHT.**"New aspects of the Struggle against Inflation."**

By PIERRE BÉGUIN.

On the occasion of a series of recent votes, the Swiss people have manifested their opposition to State intervention in the economic field and their attachment to liberalism. This reaction on the part of the population is quite spontaneous. It is not always the result of reflection, or even of logic. In spite of everything, each one is more or less a partisan of protectionist or directivist measures, when he hopes to gain some advantage from them. It is perhaps for others that one is especially liberal, and less so for oneself. Nevertheless, there is one fact that should retain our attention: it is relatively easy to get together a majority possessing liberal tendencies when a Popular Referendum takes place. And this, to such an extent that it proved necessary to invoke some very particular and convincing motives in order to persuade the sovereign people to surmount their distaste for the Law on Agriculture, which cannot seriously be qualified as a work of liberal inspiration.

This problem will have to be faced once more before the end of the year. This time, the question raised will be whether or not price control should be maintained. It is still in force. But its activity is not very intense. What our authorities really want is to be able to reserve to themselves the possibility of making use of this arm, should the threat of inflation make this justifiable. Let us examine the problem.

No one can dream of contesting the fact that price control has rendered immense services during the war and the immediate post-bellum period. We have all the proofs we need. During the first World War, there was no price control and prices almost doubled. During the second World War, control was introduced and prices only increased by about 60%. This had a very favourable effect on the maintainance of social peace and on the safeguarding of our currency.

Moreover, if prices did not soar above this level, this was due also to another action on the part of the Government. In effect, the Confederation spent tens and hundreds of million francs for the purpose of subsidizing certain basic products, in order to give indirectly to the producers, that which the consumers were unable to pay directly.

By degrees, these war measures were reduced in their effect or else completely abolished. The Federal Treasury now spends considerably less in order to maintain prices. Price control now only functions in a very restricted number of domains, the principal one being that of rents. That is a position which the authorities are anxious to treat carefully. Owing to State intervention in the matter of rents, the tenants benefit from an indisputable advantage. House owners, on the other hand, are obliged to sacrifice part of their income.

As for the remainder, prices have been allowed to establish themselves naturally. Even when they are regulated, as is the case in regard to dairy produce, the authorities have consented to successive, but relatively small, increases in price. It is true that, periodically, the State proclaims that producers and middlemen must be modest in regard to their claims, in order to avoid all inflation. But, the State itself cannot always show a good example. It has also found itself obliged to raise its tariffs, as for instance in

respect of railway fares and postage. Viewed objectively, this adjustment to new circumstances was indispensable. If one had tried to fill in the deficits of our administration by means of further taxation, the inflationist effect would not have been averted. The result would have been exactly the same.

Everything that has occurred up to the present in this particularly sphere has been bearable. But, it might happen that — within a relatively short space of time — there might be a sudden rise in prices which would be followed by an increase in wages. One would then find oneself skirting very closely to inflation and, as one knows only too well, one cannot remain on the edge of inflation very long without falling a victim to it. And that is why our authorities are anxious that they should be given for a certain length of time to come, the right to re-introduce, should this prove necessary, that price control which is dormant or semi-dormant, at present. They are perfectly right. And, in order to give them the required approval, the Swiss people will have to overcome its repugnance towards directivism.

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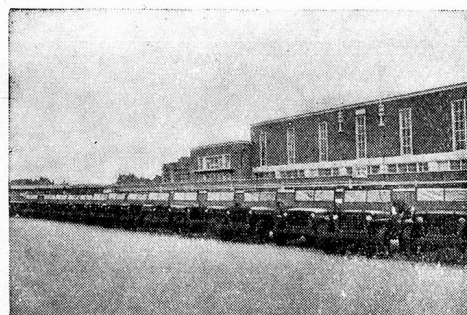
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