

Zeitschrift: The Swiss observer : the journal of the Federation of Swiss Societies in the UK
Herausgeber: Federation of Swiss Societies in the United Kingdom
Band: - (1954)
Heft: 1230

Artikel: Switzerland's economic evolution since the Second World War
Autor: Masnata, Albert
DOI: <https://doi.org/10.5169/seals-690750>

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SWITZERLAND'S ECONOMIC EVOLUTION SINCE THE SECOND WORLD WAR.

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During the second world war Switzerland had to fall back upon her own resources, doing her best to ward off the threats of suffocation to which she was exposed. Once the conflict was over, it was expected that export trade would be resumed, but it was also thought that this would be followed, as after the first world war, by a period of stagnation with the danger of unemployment.

These forecasts were too pessimistic by far, and not only in Switzerland but almost everywhere in the world, there was a period of prosperity, the effects of which are still being felt. At the beginning of 1954, Switzerland's economic situation can be considered as good. The degree of occupation of her industries is high, and even though there has been a slight falling off in the situation for some time now, there seems to be no real cause for anxiety about the near future. This trend must be considered rather as a return to a more normal state of affairs.

Let us examine some aspects of Switzerland's recent economic evolution which seem to us likely to be of interest to countries maintaining close relations with the Confederation.

It goes without saying that once the frontiers were opened up again, the normal flow of trade was bound to be re-established and at the same time was bound to alter the economic structure Switzerland had built up during the war. Thus, in the field of agriculture for example, the area under cultivation, which was almost doubled during the war, has now returned to more normal proportions. Industry also underwent an inevitable evolution; the manufacture of certain products had developed rapidly owing to the absence of foreign competition, but the authorities had taken the precaution of warning manufacturers, during the war already, against an excessive development on their part as they would not be able to count on any protection that might adversely affect the general interests of Swiss trade.

Although during the war Swiss economy was not exposed to the dangers of inflation to the same extent as that of the belligerents, this problem was bound to preoccupy the economic organisations concerned. In fact, it was mainly in the years of prosperity that followed immediately after the war that it became a source of concern and particularly after the outbreak of hostilities in Korea. Switzerland however remained privileged in this respect. It was possible, under the aegis of the Federal Authority, to conclude a stabilisation pact between the main economic organisations of the country consisting of both management and employees. This agreement made it possible to put a brake on the rise in prices, and to avoid the terrible spiral of prices and wages. When this pact expired, the magnitude of imports and the spirit of discipline, aided to a certain extent by a very loose federal control, saved Switzerland from excessive price increases, except those of course dictated by the development of the international markets of raw materials. The effect of this situation was that Switzerland did

not experience such a big rise in the cost of living as other countries, and this country, which had hitherto been considered as an island of high prices, saw the production costs of its own industry decrease in comparison with those of other countries. On the whole, export prices have remained very much the same, as can be seen from an examination of the figures for foreign trade.

The post-war years have also seen important changes in the structure of the Swiss home market. It is well known that the standard of living in Switzerland is high, and the national income has continued to increase during recent years. In 1945 it was 13,842 million Swiss francs; in 1948 it rose to 18,408 million, then to 19,090 million in 1950 and 21,200 million in 1952.

Compared with the national income of 1938, the increase is 134%. Similarly the real income per head of the population has increased by 16% and wages now represent 60% of the whole of the national income instead of 48% as previously. On the other hand, the percentage of income from capital over the same period has appreciably decreased 92% of the income of wage-earners is composed of wages or salaries and 8% of social contributions from employers. These contributions have increased to a slightly greater extent than wages and have helped a great deal in improving the position of wage-earners, and consequently in maintaining social and economic stability.

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Switzerland's recent economic development to a close without saying a few words about the country's home and foreign economic policy. After long discussions in the Federal Parliament and among the people, a new draft of the economic articles of the Federal Constitution was ratified by the people in a referendum on July 6th, 1947. The new draft once again proclaims the principal of the freedom of trade and industry, with a certain number of exceptions however, intended to allow the government to intervene if necessary in order to protect important sections of the economy, such as agriculture, or to take measures to overcome economic crises. In actual fact these measures could only be taken with the agreement of the people expressing their approval in referendums; and this represents a serious check to any attempt to misuse the new provisions. It is in fact interesting to note that since the introduction of these new articles, the Swiss people has, on several occasions, shown itself to be against schemes of economic planning or measures of protection smacking too much of state control.

This attitude, which may be qualified as liberal, is obviously not without importance with regard to Switzerland's foreign economic policy. International trade is a vital necessity for Switzerland. She has every interest in supporting everything that facilitates it, and thus takes part in all schemes tending to restore greater freedom of trade in the international field. She takes a very active part in O.E.E.C. and her degree of liberation of trade amounts to 91.4%. She is also a member of the European Payments Union, and, although her trade with countries overseas is of vital importance to her, Switzerland has

greatly developed her trade with European countries during recent years. Her efforts have been crowned with success as can be seen from the figures for trade in 1953 which show a movement of more than 5,000 million Swiss francs in both directions. This is more than three times the pre-war amounts. Even if the increase that has occurred in prices since then is taken into consideration, these figures show an appreciable increase in the volume of trade and bear witness to the satisfactory position of Switzerland's foreign trade. But the slight recession in the world's economic situation, which is already having its effects on foreign trade, will demand new efforts on the part of Switzerland as of other exporting countries.

(Swiss Industry and Trade)

Issue No. 1, 1954.

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