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## COMMENT

### THE CONSEQUENCES OF REVALUATION

Although the revaluation of the Swiss franc was a perfectly logical decision under the circumstances prevailing after the floating of the German Mark, it took many people by surprise. Many federal press correspondents were conjecturing that such a step would never be taken, as the Federal Council had made it clear in the past that it would not resort to revaluation as a means of damping the present overheated state of the Swiss economy. But it took place nonetheless and took would-be speculators by surprise—which is how a revaluation should be. The Federal Council made propitious use of the new powers received from Parliament to readjust the value of the Swiss franc without having to wait for the assent of the two Chambers.

The Finance Minister, Mr. Nelio Celio, explained later that the floating of the German Mark had been equivalent to a revaluation and had obliged the Swiss to follow suit, considering that 30 per cent of their imports came from Germany. If the Swiss franc had not been revalued, it would have meant an increase in the cost of German products for the Swiss consumer and speeded up an already alarming rate of inflation. By favouring the terms of trade of Swiss industry with respect to Germany, its first customer, an absence of revaluation would have spurred its export production and strained its highly taut production capacity. Furthermore, the undervaluation of the franc would have tempted foreign speculators in getting hold of this currency and encouraged capital inflow, all of which would have frustrated the

efforts of the government in credit restrictions. Mr. Celio added that the revaluation of the franc would have a welcome effect in putting a clamp on continuously rising wages.

Naturally, not everybody was pleased with revaluation. The watch industry lobby cried out that it could not have been decided at a worse time and that it would not make the struggle of Swiss watch makers to keep their position in world markets any easier.

But the average Swiss consumer had reason for satisfaction, as most of the goods of foreign origin on which he relies should be cheaper. They won't necessarily be 7 per cent cheaper. Importers may keep a margin to themselves to hedge against rising costs. Cars are the best example of unhampered competition since none are made in Switzerland. They won't be 7 per cent cheaper for the reason that import duties have also kept pace with the new parity of the franc. German cars should remain at about the same price because the Mark has risen. They will probably not be sold more cheaply until it has settled down to a safe and definite parity.

Revaluation should help British car exporters, whose share of the Swiss market has markedly decreased during the past two years. However, revaluation will probably do no more than offset an imminent increase in the price of British cars. It should come as a consolation to Britain's car manufacturers that the French and the Italian car industries are plagued by the same sort of industrial trouble and will also have to increase their prices, which means that they won't keep too much of a competitive edge on the British in Switzerland.

In practical everyday terms, revaluation means that every Swiss going abroad for his holidays will be 7 per cent richer and will be able to afford classier hotels and buy more souvenirs. Conversely, it means that tourists to Switzerland will have to spend more and tighten their belts. This will naturally affect persons of modest means and package vacationers. It may involve some difficulties for the tourist trade. The Swiss abroad who get their income from Switzerland, in particular those who receive Old Age Pension, will be 7 per cent more prosperous. Italian workers will be able to send larger subsistence packets to their families. Swiss residents with foreign securities will be 7 per cent poorer. Foreign borrowers who have drawn credit in Swiss francs will have to pay 7 per cent more interest. On the other hand, the Swiss who have borrowed money abroad in foreign currency will effectively benefit from a 7 per cent reduction in interest rates.

Before revaluation, you could buy 203 milligrams of gold with a franc, now you can buy 217 milligrams. This means that all gold hoarders have lost 7 per cent. The greatest hoarder of all, the Swiss National Bank, lost 1,500

million francs. As already mentioned, the cost of imports should diminish by 7 per cent, which means, to make an invidious paraphrase, that "you will be able to buy more with the franc in your pocket".

The most important effect of revaluation will bear on exports. In order to keep their prices unchanged exporters will have to cut them down by 7 per cent, which may well slash their profit margins. Prices of Swiss goods—Swiss watches, Swiss cheese, Swiss chocolates and the like—should therefore go up, much to our inconvenience as Swiss abroad. But this is really what the Government has wanted all along. It failed to get a 5 per cent export deposit passed by Parliament last year. Now an international monetary crisis has given it a welcome opportunity to cast upon thriving Swiss industrialists what amounts to a 7 per cent deposit without refund.

(PMB)

## SWISS NEWS

### SCHWARZENBACH LAUNCHES A NEW PARTY

Mr. James Schwarzenbach, the champion of "Swiss" Switzerland, has launched a new party called the "National Movement of Republican and Social Action".

With a General Staff of five senior citizens, including a publisher, a professor and an engineer, he presented the 12-point programme of his new movement to the Press. Its ideology is based on Article 2 of the Federal Constitution: "The aim of the Confederation is to preserve the outward independence of the fatherland, to maintain internal peace and order, to protect the freedom and the rights of the confederates and to promote their common prosperity".

The "National Action" is a patriotic movement. Its tenets are: Respect of Christian morals, belief in armed neutrality, the belief that Switzerland's best contribution to a free and federated Europe is her own military independence, opposition to unchecked immigration, opposition to foreign speculation in real estate, conservation of the environment, a vision whereby inflation is attributable to foreign financial powers, the demand for a strong middle class, the maintenance of Peace of Labour, the solidarity with elderly, sick and poor people, the requirement of a youth conscious of its duties towards the community, impartial mass media and parliamentary freedom from interest groups.

The Movement won ten seats at the recent cantonal elections in Zurich. This was only a beginning. The National Action will present candidates in 11 cantons in the October federal elections. These cantons will be Vaud, Neuchatel, Berne, Zurich, Basle-Town and Country, Saint-Gall, Thurgau,