

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: - (1974)
Heft: 1676

Artikel: Switzerland in a changing world (part two)
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DOI: <https://doi.org/10.5169/seals-686149>

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Switzerland in a Changing World (Part Two)

by Etienne Junod

We continue here the vast picture of Swiss economic history given before the Anglo-Swiss Society by Mr. Etienne Junod, President of the "Vorort". Having devoted the first part of his exposé to Switzerland's relations to the outside world and the Foreign Labour Problem, Mr. Junod now introduces the problems facing Swiss industry.

A high level of decentralization of production capacity abroad gradually deprives head office of practical know-how and sooner or later leads to a breaking up of the group. For this reason, it is hoped that the labour policy of the federal authorities will be sufficiently flexible in the future to ensure the maintenance of a vigorous research effort and advanced technology in Switzerland.

I have just mentioned the reservations with which certain working

circles greet the shift of production abroad. While this attitude may appear somewhat misplaced for the moment, in view of the present pressure on the labour market, it is nonetheless understandable in the longer run. Who in fact is to know what the future has in store for us and whether within the next few years we will not find ourselves at grips with a threat of unemployment? We don't like the idea . . . but anything can happen. And no-one today will deny that the worker is much more concerned with keeping his job than earning higher and higher wages which are largely nibbled away by inflation.

Keeping one's job brings with it the prospects of putting together the necessary reserves for a decent existence after retirement. In this respect, Switzerland, whose legislation had for a long time provided for only a modest old-age insurance scheme, has jumped ahead in the last two years with a system that in no respect lags behind what Sweden is doing in this field.

In 1947, when the AVS (old-age and survivors' insurance) was introduced, pensions for single people amounted to

66 francs per month and 105 francs for married couples. In 1973, after eight revisions, pensions range from 400 to 800 francs monthly for the unmarried and from 600 to 1,200 francs for couples, depending on the salary at retirement.

These sums are to be further increased by one-quarter (25%) from the beginning of 1975. Furthermore, with a view to guaranteeing salaried workers a standard of living corresponding to about 60% of the average of their last three salaries — the ceiling being fixed at 36,000 francs, a figure that the unions would like to see raised to 45,000 francs — the Swiss people, by an overwhelming majority, have now firmly rooted in the constitution the employers' obligation to create pension funds for their staff, the benefits of which will complement the old-age pension in such a manner as to assure their standard of living.

It is estimated that the probable cost of this security in old age will burden salaries to the tune of 35% in 1980, of which half is borne by the employer and half by the employee. If one adds to this



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the cost of compulsory health insurance — which is now under discussion — and the contributions, which don't amount to very much today, for unemployment insurance, we can expect that within a few years the social costs borne by workers will reduce their salaries by more than 20%, with the employer making a similar contribution. Under these circumstances, the concern of workers to be able to hold on to their jobs is understandable.

But nor is it possible to ignore the Cassandras among the employers who, worriedly taking note of the population growth curve I have spoken of, fear that in the long run these costs will weigh so heavily on the shoulders of an active but stagnating population — contrasting with a growing inactive population — that they will finally outweigh the forces of both the wage-earners and the economy as a whole. The danger which faces us today, as in many other countries, is the rapid escalation of social demands, which, borne into the political arena, find a growing audience because public opinion, carried away as it is by prosperity, the illusion created by inflation, fails to understand that one cannot get more than one produces.

Small though she may be, Switzerland has had no reason to complain of her size during her history. Her political ambitions, if she has ever had any, were nipped in the bud on the plain of Marignano in 1515. Enclosed since then within her mountainous confines, she has managed, as I have said before, to "cultiver son jardin" without offence to anyone.

This absence of political ambition doubtless goes some way to explaining her successful integration in the world economy and the volume of her foreign investments.

In the world of business, strength is derived from the weakness of others. Welcoming capital which — for whatever reason — was seeking security, Switzerland gradually rose to the rank of

a financial power. This position, while enviable, is however not always without its problems. She has just had first-hand experience of this in the financial crises that have shaken the world.

Today, for the first time in a great number of years, her small size is turning against her. Intimately bound up with the fate of the economies of the industrialized countries, strong financially but not sufficiently so to withstand the assaults of speculation — which is no less harmful for being legitimate — she simply does not have the means to allow her to follow an independent policy. Thus she must align herself with the decisions of the great powers of this world, which due to the fact that she was not invited to join the Committee of Twenty are taken without her participation, a warning that in my opinion we cannot afford to ignore.

Switzerland at the present time is in fact running the risk of isolation. This risk, which I see less at the commercial level — where the Brussels agreements and the growing ties with the EEC have created the foundation for a necessary and welcome cooperation — than in the domain of monetary policy, where the hedgehog tactics which the defence of our currency and our struggle against inflation oblige us to take, *could*, if we are not careful, undermine the world's confidence in the stability of the franc and the Swiss capital market. A reputation is spoiled more easily than it is built up.

The decision to float, while it enables us to avoid having to buy up dollars and to neutralize the inflationary effect that this would have, has resolved nothing. In the absence of the solid anchor that was provided by gold and its convertibility, exchange rates are varying at the mercy of capital movements and no longer reflect the true value of currencies: the tight discipline needed to keep the balance of payments in equilibrium has been replaced by the manipulation of the exchange rate. Thus

the Swiss franc has been upvalued by close on 40% against the value of the dollar immediately before the parity of the franc was adjusted in May, 1971.

That, in spite of the resulting higher prices, the volume of Swiss exports to the United States should have expanded, defies the rules of logic. Certainly, the fact that inflation is rampant everywhere doubtless explains the phenomenon, the attraction of real-value goods having greater sway than considerations of price. But for how long?

Attacking the problem on a monetary basis creates a danger of a shift in the flow of trade away from the expensive to the cheaper countries. Switzerland, which belongs to the former, for reasons beyond its control, is thus eminently interested in seeing that the Committee of Twenty, on whom the concern of finding an alternative solution to the system established at the Bretton Woods conference devolves, rapidly come to an agreement. It is absolutely essential to go back to a system of fixed exchange rates with concomitant convertibility — although it should nevertheless permit more rapid and flexible adjustments than in the past — in order to restore to international trade the solid bedrock without which no long-term commercial policy is possible.

In the field of heavy engineering, for example, where deliveries are often spread over several years, it is virtually impossible to make reliable calculations without a firm standard.

In spite of the uncertainty that reigns in monetary matters, it is a positive element worth stressing that on the commercial front the Ministerial Meeting in Tokyo should have given an impetus to a new round of negotiations within the framework of GATT.

Switzerland has a strong interest in these negotiations, which she hopes will result in greater harmony of customs tariffs and will serve to level off the excessive duties still to be found in a number of countries.

She will of course have to make some concessions with regard to her own tariffs in return. But in view of the moderate level of these tariffs, she holds a rather modest hand. If it were possible, furthermore, to take a first step in the field of non-tariff barriers, this would be a great improvement on the past. In the agricultural sector, for reasons of self-sufficiency, Switzerland is forced to maintain a protectionist policy which results in the domestic prices of local agricultural products being far in excess of world prices. On the other hand, since national production covers only a part of the country's needs, Switzerland is a not insignificant customer of the EEC and the United States. This situation ought to stand her in good stead in these negotiations. With regard to products, both agricultural and industrial, from developing countries, we pursue a liberal policy which has resulted in our according preferential tariff reductions of the order of 30% on numerous industrial

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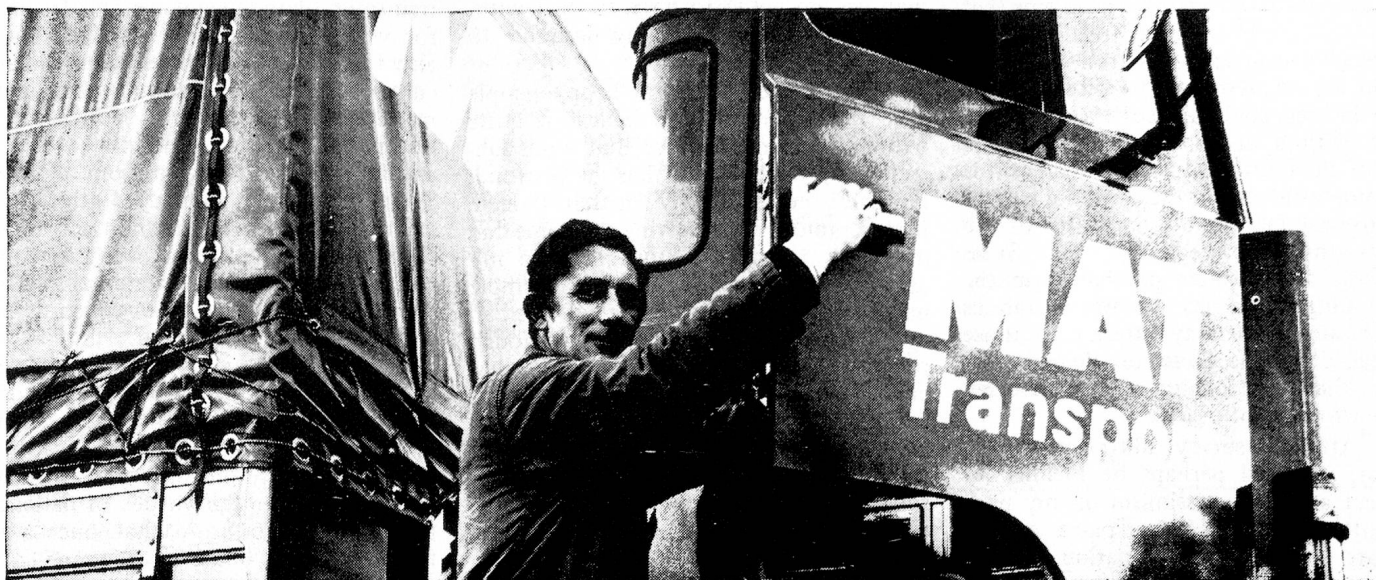
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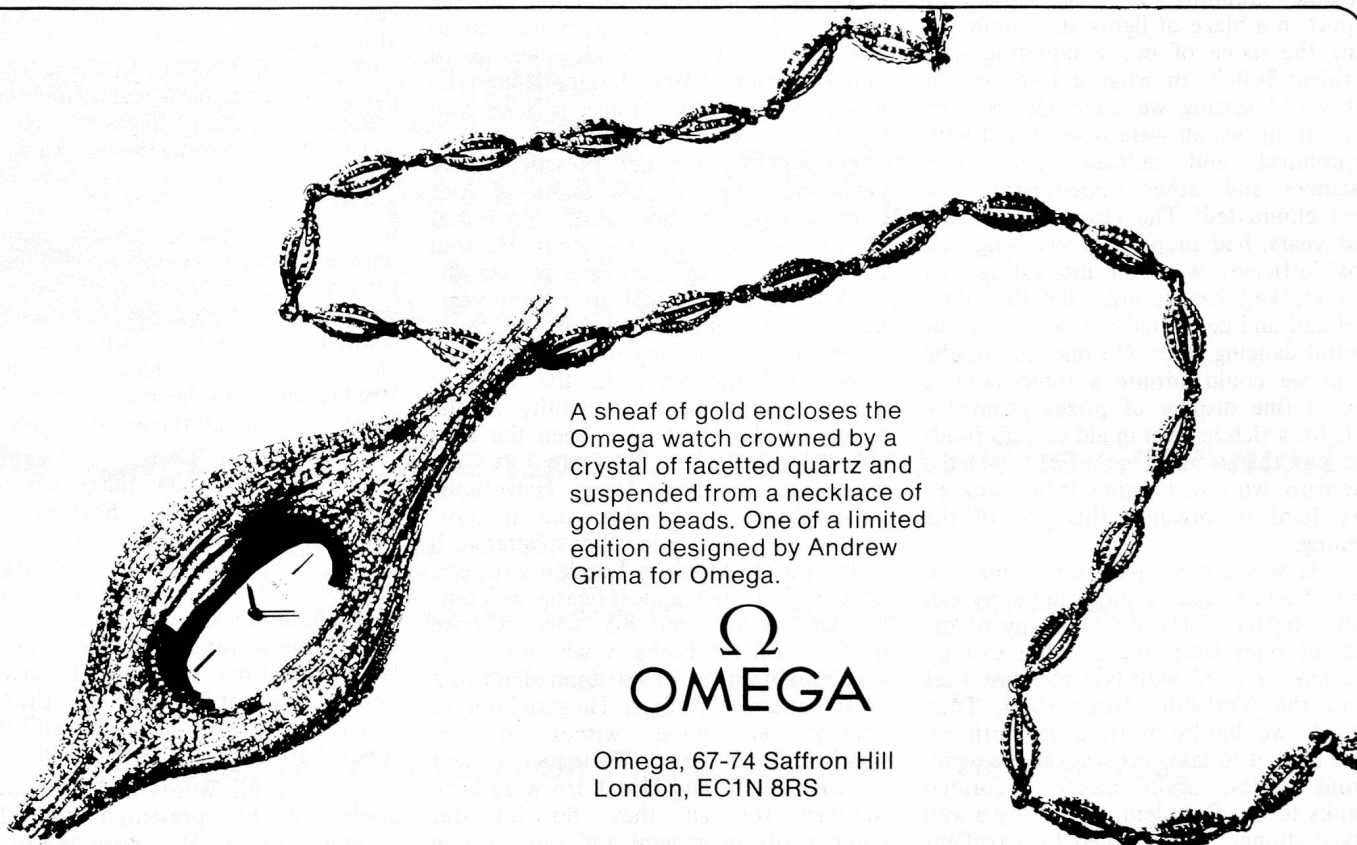
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and agricultural goods. The problems that would be raised by total freedom from duties on industrial goods from the Third World are at present under discussion. It is to be expected that such a move will meet with a certain resistance on the part of the textile industry, fearful as it is of competition from these products. It is an ironical fact that the quality of the looms manufactured by the Swiss industry allows their purchasers in the developing countries to weave fabrics which are in no way inferior to those produced by the Swiss textile industry. Thus, the good fortune of some is often the misfortune of others.

After this survey, all too superficial, I fear, you will perhaps be inclined to suspect a certain pessimism on my part. Admittedly, rather than paint a rosy picture of the Swiss situation, I have preferred to lay stress on the problems

that we are going to have to deal with, some of which it is highly desirable to solve on a world-wide basis.

It is often said that happy people have no history. This, I believe is quite wrong: Switzerland, since that is our subject, has a history of which she is proud, but she is no less happy for that. Indeed, in my opinion, it is in solving problems that happiness is to be found. Thus in my country we have prospects of an ample harvest of happiness. But we will need all our energy to achieve it. Although prosperity, wherever it may be, has created a mood of complacency and unconcern — and Switzerland is no less a victim of this than other nations — I think that the country has a sufficiently solid moral backbone to confront the difficulties and uncertainties of a still undefined future.

This solidity, which is born of

traditions of independence and freedom for which we have not ceased to fight, also finds its source in the linguistic and cultural diversity of a country that is the meeting-place of the currents of European thought. Benefiting by ideas and incentives flowing in from all sides, Switzerland has learned, I think, to assimilate them in her fashion and to cut them to her size, armed as she is with a certain critical sense — sometimes rather annoying for others — but which is not without moderation.

To have given in, like the frog in La Fontaine's fable, to the temptation of a growth which flew in the face of this moderation, is a timely lesson for her. It will be a salutary one only if the Swiss of today rediscover the virtues of patience, tolerance and measure that once were theirs, *put their house in order and cut it down* to human dimensions.

NEWS from the COLONY

ANNUAL DINNER DANCE OF THE MANCHESTER SWISS CLUB, ON THE 10th NOVEMBER, 1973

It was again at the Excelsior Hotel, Ringway Airport, that members and friends met for one of the highlights of Swiss activities in the North of England and the satisfactory attendance spoke also this time for the popularity of this yearly function.

Before reaching the Hotel we could admire the tremendous sight of the new cyclopic building of the expanding airport in a blaze of lights and combined with the name of our banqueting hall, "Trident-Suite", in what a European if not world setting we were moving and how strong we all were now united with economical and cultural ties, once distances and other impediments had been eliminated! The Hotel, as for the past years, had prepared everything in a most efficient way, an interesting and well stocked bar at arms length, tables well laid and decorated around a spacious central dancing floor. On one side of the room we could admire a tombola-table with a fine display of prizes promising well for a rich harvest in aid of club funds and our thanks must go to Mrs. Martha Themans who with other ladies worked very hard to organise this part of the evening.

It was a great pleasure to meet so many friends again, indulge in happy and lively chatter, enjoy the company of the faithful ones from the London Colony and have a word with our acquaintances from the Yorkshire Swiss Club. Time passed, we hardly noticed it, until we were invited to take our seats at the many round tables, again nicely decorated thanks to our President, and enjoy a well served dinner accompanied by excellent vintage wines or any other drinks one may wish... even "S. Pellegrino" could

be had, for the ones on a strict diet. After the loyal toast, proposed by our President Mr. Peter Senn and sweets and coffee having been served the time of the speeches had arrived and I am glad to say that nobody was disappointed by the quality and content.

Our President started this official part of the evening and we listened with great pleasure to his sincere and warm words. Welcoming everybody he wished us a happy continuation of the evening, expressed some nice thoughts for the ladies present and then introduced us to our guests a task specially pleasing to him. Referring to Mrs. Mariann Meier who was accompanied by Monsieur Henry von Gunten he said that she had already honoured us with her presence many years ago on the occasion of our Centenary Celebration when his father Mr. Gustav Senn was President. He told us of her many achievements and sterling work done on our behalf. For many years she was the able Editor of the *Swiss Observer*. Over a long time she has now represented the Swiss in the U.K. at Berne, and this most successfully. At the beginning she must have been the only lady-delegate. Actually, she is the President of the "Neue Helvetische Gesellschaft" in London and is most certainly also active in other spheres such as the Swiss Church in London, etc., etc. He extended then a most hearty welcome to Dr. Iselin and his wife, Chargé d'Affaires at the Embassy who were here as personal guests of our immediate past President Dr. R. Bolliger. He asked him to convey our good wishes to our Ambassador Dr. Weitnauer. Our Consul-General and Mrs. Born were both thanked for all they do for our compatriots in general and our club in particular; alas, Mr. Born had to give us the sad news that both will soon leave us,

taking up a new appointment in Chicago, U.S.A., although they have always hoped that they could have stayed a little longer. A few kind words were also reserved for Mr. and Mrs. Berner, he being one of the doyens of the club and this year's President of the Yorkshire Swiss Club. A special welcome was reserved to Major and Mrs. Nicolson, President of the Manchester Rifle Club, a stout friend of Switzerland with strong links with the "Arquebuse" of Geneva, a rifle club formed around the middle of the 15th century. Particularly pleasing to us all was also the presence of Mr. and Mrs. Simon who drove all the way from the South to come to our gathering and how we had missed his wisdom and experience always so lavishly given to us in past years.

Living in a somewhat restless political climate and with so many uncertainties facing us he quoted a humble village parson, also keenly interested in politics but also bound to some restraint by his vocation, who wanted to remind his parishioners of the election to be decided the following Sunday and how he made a selection of hymns to cover all the eventualities.

Should the Conservative candidate win: "No. 397 — Now thank we all our God..." For a Socialist win: "No. 165 — O God our help in ages past..." Should the Liberal man get in: "No. 373 — God moves in a mysterious way, His wonders to perform..." In his concluding words he informed us that for the first time we would have the opportunity of voting, at the 1975 election, the "Nationalratwahlen" should we at that time be in Switzerland.

After his words had been warmly applauded he presented two lovely bouquets, one to Mrs. Born as a token of our appreciation for all she has done for us and the other to Mrs. Meier, the best