

# Swiss economic problems

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### SWISS ECONOMIC PROBLEMS.

*(The following is part of an article which appeared in the "Financial Times," 7th September, reviewing the Annual Report of the Swiss National Bank.)*

Hemmed in by belligerent nations, Switzerland has found her economic difficulties multiply. The blockade has limited more and more the supplies of foodstuffs and raw materials. Russia's entry into the war deprived Switzerland of a transit route as well as a source of supply.

In the last three months of 1941 Britain stopped authorising the passage of industrial raw materials across the blockade zone. Swiss purchasers were forced to resell a large part of the goods which they had purchased in the United States. These and other phases of Swiss national economy are recorded in the annual report of the Swiss National Bank. In spite of all regulations to keep prices at a moderate level the index of wholesale prices increased by 85 per cent. from the beginning of the war to the end of 1941. This rise was due primarily to the 136 per cent. increase in the price of imported goods.

The rising cost of imports necessarily affected the price of domestic products. Not only did world market prices advance at a greater rate in 1941 than in the first year of the war, but the increase of transportation costs for imports was especially sharp because of the lack of shipping space and the greater transportation risks.

The following examples are given by the bank to show the share contributed by these costs to the price of goods in Switzerland. In July, 1939, 100 kilograms of wheat from Canada cost 13.35 francs in Switzerland, whereas they cost 49.85 francs at the beginning of December, 1941. Of this difference of 36.50 francs, 4.50 francs is attributable to the increased cost of wheat in the producing country and 32 francs to import charges. The cost of corn purchased in Argentina rose from 12.35 francs to 50.95 francs for 100 kilograms. Import charges increased 40.70 francs, whereas the price of corn in the country of origin declined by 2.10 francs.

At the beginning of the year the Government was spending more than 80 million francs a year to keep the price of bread down.

The rise in the cost of living has, of course, multiplied the demands for wage increases. On 6th January, 1941, the Federal Department of Public Economy addressed an appeal to employers to grant wage increases or allowances for the higher cost of living. In industry the wage increases and allowances granted since the beginning of the war amount on the average to 15 per cent. The amounts differ, of course, between different branches of industry.

A Committee of Inquiry set up by the Federal Department of Public Economy to study the problem of wages considered that if the various factors which contributed to the rising cost of living were taken into account, an increase in wages of 10 to 15 per cent. would be permissible when the cost of living index had advanced 30 per cent. above the pre-war level.

Economic policy has been dominated in an increasing measure by the requirements of a war economy. Since raw materials were becoming exhausted, it was necessary strictly to control their use. The decree of the Federal Council of 1st April, 1941,

made it necessary to obtain a permit to open or to expand undertakings in the fields of industry, the arts and crafts, commerce and related branches. In practice this measure amounts to controlling the investment of capital. In the iron and metal industries regulations were issued providing that forced delivery of certain metals might be ordered. In the textile industry new limitations were imposed. Not only were rationing measures developed, but new provisions regulated the supply of rationed textile products back to the source. Domestic wool was requisitioned for the army.

It was necessary to adopt new provisions to control consumption by means of ration cards.

Expenditure for national defence makes it necessary to follow closely the development of Government finance, taking the point of view of the bank of issue. By the end of 1941 military expenditure had amounted to about Frs.2.9 billion, of which about 850 million had been amortised.

In order to insure the amortisation of, and interest payments on the extra-ordinary credits for national defence, the Federal Council the previous year provided for new fiscal receipts. The national defence tax came into effect on 1st January, 1941. According to the resolution of the Federal Council of 9th December, 1940, it comprised two types of taxes: general taxes including a tax on income and a surtax on net unearned income, and a special tax imposed at the source on the income derived by foreigners from Swiss securities and assets located in Switzerland.

The tax on business turnover, which came into effect on 1st October, 1941, has prompted more discussion than the national defence tax.

In addition, the tax on war profits was raised. It reduced the portion of these profits exempted from taxation and increased the rate on the taxable portion. War profits must be increasingly absorbed not only as an aid to the Treasury but also as an aid to the price policy. To the end of 1941 about Frs.420 million were paid as a sacrifice tax for national defence. The total extraordinary receipts of the Federal Government amounted to Frs.525 million in 1941, as against 26 million for the previous year (excluding the exchange equalisation fund).

Although the Administrative orders bringing the new taxes into effect (except for that on business turnover) had been issued in 1940, it was only during 1941 that fairly sizable revenues were produced thereby. In fact, technical difficulties retarded the application of the fiscal decrees. In 1941 tax receipts served to pay about 47 per cent. of the extra-ordinary military expenditures, thanks to the revenues derived from the national defence tax; this is regarded as an excellent result which compares favourably with the financial burdens assumed by taxpayers in certain foreign countries. These taxes have covered roughly 20 per cent. of the expenditure made from the beginning of war until the end of 1941.

In 1941 the Government resorted to the capital market. In May a 3½ per cent. loan of 200 million francs maturing in twelve years and a 3 per cent. loan of 100 million maturing in six years were offered to the public. Subscriptions were so large that the Government raised the issued amount of each of these loans to 280 million francs. In November two new loans were placed: a 3¼ per cent. loan of 250 million francs with a maturity of 15 years, and 100 million

francs of 2½ per cent. notes with a term of five years. In these two cases also, amounts subscribed exceeded the amounts first offered. The Government raised 320 millions by the first loan and 270 millions by the second. The loans contracted in 1941 made it possible to convert outstanding loans of 320 million francs. The Government thus succeeded in borrowing 830 million francs of new money. In addition, 142 million francs of Treasury bills were placed on the market, principally with banks.

### RAILWAY CENTENARY.

(*"Railway Gazette," September 11th, 1942.*)

The creation of a national traffic museum to be opened in August, 1947, on the occasion of the centenary of the first Swiss railway, was brought a step nearer by the constitution in February last of an association for the promotion of a Swiss Museum of Communications & Transport. Its president is Dr. Cottier, formerly Secretary-General of the Federal Railways, later Manager of the 3rd Division, and now Director of the Federal Transport Department, who presided also over the study commission set up in 1939 to make preliminary contacts and investigations. The results so far achieved are due to a great extent to the activities of M. Eugène Fontanellaz, the future Director of the museum, who is a former official of the Federal Department of Industry & Labour and has considerable experience of railway matters, having been for some years a locomotive engineer at the Skoda Works. The museum is to be in Zurich, most probably near the site of the transport section of the National Exhibition of 1939, on the left shore of the lake, with track connection to the adjacent Zurich-Wollishofen Station. It will be divided into six sections, concerning water, road, rail, air, communications (post office, telephone, telegraph, and radio) and tourist traffic respectively; each will be housed separately but will have connecting galleries. In addition to numerous documents, photographs, maps, and charts, it is intended to show a large range of models, to a uniform scale of one-tenth, representing locomotives, carriages, and wagons of the principal Swiss railways at various periods, and the co-operation of Swiss model-railway clubs may be enlisted in this connection. Appeals have been made to railwaymen and the general public for contributions in the way of documents, tickets, and other items of particular interest, relating especially to the earlier years of railway history. Full-size exhibits include one of the original cars of the Vevey-Montreux-Chillon Tramway (the first electric tramway in Switzerland), and electric locomotive No. 2 of the Burgdorf-Thun Railway. The first locomotive of the Rigi Railway, which was shown at the National Exhibition in 1939, also has been preserved. Unfortunately, none of the original locomotives of the first Swiss Railway, from Zurich to Baden, are in existence, nor were any complete drawings available; but by careful research at Esslingen and Karlsruhe M. Fontanellaz has been able to assemble authentic data regarding the first engine, named *Limmat*, and these are being co-ordinated at present with a view to the construction of a replica, which, together with coaches, will be prominent in the celebrations and afterwards will tour the country before going to the traffic museum.

### NIKLAUS VON FLÜE.

(*Reprinted with acknowledgement from "The Swiss-American," August 1942.*)

The blessed Niklaus von Flüe is undoubtedly one of the most eminent figures in Swiss history. According to a tribute paid to him a few years ago by Federal Councillor Philip Etter, President of Switzerland for 1942, he started life as a peasant on his own free soil. He was tall and straight like the towering rocks of his mountainous homeland. His face and arms were tanned by sun, wind and rain. He was a soldier and officer, and as such he fought under the flag of his native canton of Obwalden in the old Zurich war from 1436-50. He also participated in the drive to Thurgau and in other campaigns.

Against his real inclination he became a member of the Court of Justice and the Council of State. He was a Democrat to the bone and took an enthusiastic interest in the fate of the small and free canton of Obwalden. He never hesitated to confront his colleagues in court and in the council with the sometimes unerring instinct they sensed that Niklaus von Flüe possessed all the qualifications for President of their canton.

However, Niklaus von Flüe declined this honour. Nobody could understand his decision except his still youthful wife Dorothea, who had presented him with five sons and five daughters. She knew of her husband's inner conflict, of his higher destination, of his nightly prayers to the Master who was calling him for service dedicated to Him. And this strong heroic woman fought her own victorious battle. She was ready to let her husband follow the divine voice. In the year 1467, when he had reached the age of fifty, Niklaus von Flüe, strong in body, possessor of a fine wife, ten children and many distinctions, owner of a flourishing homestead with cattle and land, left all this to seek complete solitude.

At last Brother Klaus, as he was affectionately called by the people, was free. He was free from worldly property and worldly cares. He now could devote himself to God and his country. He remained in his retreat praying when, from 1474-1477, the Confederates had to wage war against Charles the Bold, Duke of Burgundy. In due time the soldiers of Obwalden returned home victorious, heavily laden with valuable booty. Niklaus von Flüe did not like this, for he knew the danger of unwonted foreign riches. Soon differences arose between the towns and peasant cantons. The latter feared for their rights of equality and ancient privileges; they opposed the admission of the cities of Fribourg and Soleure to the Swiss Confederation.

There was danger that the young Swiss Nation was going to be divided by Civil war. The delegates of the Assembly convening in these matters at Stans in 1481 were about ready to disband, threatening to take up arms. At this crucial moment the venerable Niklaus von Flüe was called from his mountain retreat, one hour's walk above Sachseln on the Brünig route. With his great love for his homeland the saintly man succeeded to reconcile the delegates. He reminded his listeners of the democratic ideals which their forefathers had adopted almost 200 years previously and so convincing was his counsel that within an hour all their differences could be settled. Fribourg