

# Correspondence received

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## FINANCIAL AND COMMERCIAL NEWS FROM SWITZERLAND.

**Reduction of the Bank Rate.**

The action of the authorities of the National Bank in reducing the official discount rate from  $4\frac{1}{2}\%$  to  $4\%$  on the 11th of August placed Switzerland in the position of having the lowest bank rate of any country. The only country where the rate is at present nearly as low is Holland, where it stands at  $4\frac{1}{2}$  per cent., while in France, England and the United States it is  $5\frac{1}{2}\%$  and in Spain and Italy as high as  $6\%$ . Such a divergence of rates would be impossible in normal economic circumstances, as it would immediately lead to a vast emigration of capital from Switzerland to those States where a higher rate is obtainable; at present, however, there are too many difficulties in the way of exporting funds for there to be any danger of speculative abuse of the latest reduction. The "Lombard" rate has, of course, been subject to a similar reduction, viz., from  $5\frac{1}{2}\%$  to  $5\%$ , and the rate for advances quoted by the "Caisse de Prêts" was simultaneously reduced from  $5\%$  to  $4\frac{1}{2}\%$ .

The latest change may be attributed directly to the general industrial stagnation, which is evident in all parts of the country, and the authorities have felt justified in making the change in view of the favourable position of the National Bank at the present time.

**Brown, Boveri and the Economic Situation.**

The extent of the depression in industry and some of the causes of the present situation are clearly illustrated in the annual report of Brown, Boveri & Co., of Baden, which has just recently appeared. The directors mention in this report that for their Baden and Münchenstein factories, without taking into account the many subsidiary companies in which they are interested, the introduction of the eight-hours working day has meant an annual loss of six million francs, and in another place they state their losses due to the fall in the value of stocks and raw materials amount to about 7 million francs. Such losses cannot be borne easily even by the best and most firmly established companies, and it is not surprising to learn that Brown, Boveri & Co. are this year compelled to pass their ordinary dividend. The gross profits and the year's manufacturing account amounted to 9,058,416 francs, as against 12½ millions in the preceding year, after deduction of all amounts written off on raw materials, etc. General expenditure amounted to 3,159,339 frs. as against 2,840,584 frs. in the year 1919-20, and repairs required 1,049,720 frs. or 200,000 frs. more than last year, owing to extensive reconstruction necessary in the company's buildings. The net profit amounted only to 666,863 francs, and for the first time for 30 years the directors were obliged to recommend no dividend on the ordinary shares.

**CONTRACTS FOR THE SWISS RAILWAYS.**—The most important item of construction completed during the year was for the Gotthard Railways, and the directors report that the fourteen express passenger electric locomotives of the 1B-B1 type delivered to the Gotthard lines have been proved to be a great and incontestable success. Fourteen more similar engines are to be constructed for the Federal Railways by 1923. Seven locomotives of the same type were also delivered to the Lötschberg Railways during the year, and in June last the first two locomotives of an entirely new type were delivered to the Rhaetian Railways. These latter are of a one metre gauge and of 1,200 h.p. and the weight has been reduced to 66 tons, which constitutes a remarkable technical achievement. Four more similar engines are under construction. The report goes on to say that the Swiss electro-technical industry may now be regarded as holding the highest place among the nations, not excluding the United States, in the matter of railway locomotive construction.

The effects of these Government contracts have been two-fold. At the time when business was brisk and orders were flowing in on all hands, the carrying out of these contracts often meant that a large amount of labour was thus employed which might otherwise have been engaged on considerably more profitable work. On the other hand, the existence of these contracts at the present time of depression is a benefit to the company which cannot be valued too highly and has had the effect of enabling them to keep open their works and to retain their workpeople when otherwise it would have been necessary to close down.

**Meeting of the Swiss Bankers' Association.**

The Swiss Bankers' Association will hold their annual general meeting in St. Gall on the 3rd of September, when in addition to the usual business the meeting will hear two papers read. The first of these will be delivered by Dr. Bruno Pfister, Secretary of the Kaufmännisches Direktorium in St. Gall, on "The Importance of the Embroidery Industry in Swiss Economic Life." The second paper will be by Mr. Haller, formerly Vice-Chairman of the Board of the Swiss National Bank, on "The Swiss National Bank during and after the War."

**Increase of Capital by Escher Wyss & Co.**

At the ordinary general meeting of Escher, Wyss & Co. it was decided to increase the capital of the undertaking by the issue of two million francs in preference shares.

**The Year's Deficit on the Wengernalp Railway.**

The accounts of the Wengernalp Railway, which were submitted to the shareholders at the annual meeting held on the 17th of July in Interlaken, showed a debit balance for the year of 2,047,769 frs. as against 1,773,605 frs. in 1919. The deficit is to be carried forward to the new year. A scheme of re-organisation is at present being worked out.

## CORRESPONDENCE RECEIVED.

To the Editor "Swiss Observer."

Sir,—Last night I found at our Club Room the following telegram, despatched from Petit Lancy on July 28th:

SWISS COLONY, STEINWAY HALL, LONDRES.

"AVEC VOUS DE COEUR ET PENSEE VOUS SOUHAITE HEUREUSE FETE."

GEORGES DIMIER.

This telegram reached the Manager of the Steinway Hall only on Friday morning, July 29th, which explains why it could not be read to the gathering on the preceding evening, having, unfortunately, arrived too late at its destination.

Yours, etc.,

A. A. DESPOND,  
President of the Swiss Institute.

August 17th, 1921.

The Editor is indebted to Mr. Jules Zimmermann, Secretary to the SWISS COMMISSION IN LONDON FOR THE STUDY OF ECONOMIC AND COMMERCIAL QUESTIONS, for having kindly forwarded to him one copy each of the Department of Overseas Trade's "General Report on the Economic Situation in Switzerland" by Mr. J. A. Cahill, Commercial Counsellor to H.M. Embassy, Paris, late Commercial Secretary to H.M. Legation, Berne, and the Société des Nations' "Projet de Crédits Internationaux" (Projet "Ter Meulen") by Sir Drummond Drummond Fraser, K.B.E.

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