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States, above the lowest level and retail prices have lagged far behind.

It has been forgotten in England and America that the prices cannot rise generally, as long as the consumer has not increased income required for paying higher prices. Before the depreciation of the pound, the English consumers could spend about 6 million £ daily for their needs. With the present level of the English currency they should be able to spend for the purpose 10 million £; the fact is, however, that they have not got this increase in income of 4 million £ as the majority of the English consumers have no greater incomes in pounds with a value of fifteen francs than formerly in pounds with a value of twenty-five francs. The prices have to adjust themselves to the purchasing power; that is why retail prices in the depreciated currency always lag behind so much. It is true that the depreciation of the pound gradually forces up the average price level but it is impossible to compel the consumer to pay at the same higher prices for all goods; this is just the impossible condition that the English and American currency policies have aimed at. It is not surprising that they have failed in attaining this object.

It is quite right for Sir Henry Strakosech to say, in the Supplement of the "Economist" referred to, that the task during the period of depression, is to restore once more a tolerable relationship between cost and prices; this task cannot, however, be made as easy as had been thought in England and America. The heads of Issuing Banks cannot order about prices at their pleasure. Prices do not drop out of malice or temper. They do not drop either at the behest of speculators. They fall because production has exceeded the demand. The copper mines of the World have now the facilities to produce 2 million tons of copper yearly, while copper consumption is about 1 million tons. This disparity cannot be conjured away by currency depreciation. It can only be removed by closing down the mines where the working costs are too high, while the cheapening of copper would at the same time give rise to an increase of consumption, until demand and supply come in line.

What can be said of copper also applies to all other goods and commodities that have dropped in price owing to an excessive supply; this has been the case for nearly every one of them. In the case of all these goods and commodities industry is faced with the same problem, that of restoring a state of equilibrium between production and consumption. This work of adjustment may, to the theorist, seem to be a small matter; it is in fact, at the present day, the most delicate and difficult task that the leaders of industry have to deal with. The English and American depreciation policies are an attempt to circumvent the nearly infinite difficulties attached to this task, by a depreciation of currency.

2. Lack of success of the depreciation of the pound in connection with exports.

The most notable result of England's attempt to avoid the trying process of adjustment by resorting to the apparently much easier course of currency depreciation may well be said to have been the drop in exports. From 1929 to 1931, the English exports fell from a value of £729 millions to £389 millions. The English goods were too expensive for the foreign market. It was thought that they could apparently be generally cheapened by resorting to the depreciation of the pound and that exports would thus rise again. With the renewed expansion of the export trade, unemployment that had reached serious dimensions would disappear once more. The expectation was so general that the abandonment of the gold standard created nearly throughout the country a feeling of great hopefulness. Now things were going to take a turn for the better.

This expectation — and this cannot be repeated sufficiently often — has, however, proved entirely fallacious. Even the people who figure themselves that the pound at 15 Francs is still the same as that at 25 Francs cannot show that currency depreciation has brought any appreciable benefit to the English export trade. First of all, the exports dropped still further in 1932 to £365 millions and only rose once more in 1934 to £396 millions. The English exports had apparently increased by 8% as compared with 1933. The average value of English money had, however, dropped by exactly 8% as compared with 1933. The statistics of the League of Nations give, in fact, for 1934 a further drop of English exports. If the difference between gold pound and paper pound is neglected, the increase in exports secured by England, by depreciating its currency by 40%, is $\frac{1}{3}\%$ as compared with 1931. This calculation is, however, illusory. If the value of English exports for 1934 is converted into gold, it will be found that exports have yielded to England not £240 to £250 millions, but a third of what they brought her in 1929. On this basis, England has, during the last five years, suffered a heavier loss in exports than gold countries; this is con-

firmed by the statistics of the League of Nations, as well as by the developments in connection with English shipping. The tonnage of the English ships engaged in overseas trade amounted in 1929 to 68.7 million tons; in 1931 it was still 58.3 millions and in 1934 it was 56.1 million tons. The English shipbuilding industry has learnt with dire results to itself, how little the depreciation of the pound could help exports. In 1929, new ships to the value of 390 million Francs were built in English yards for customers abroad; in 1931, the corresponding figure was still 217 million Francs, but in 1934 it was only 27 million Francs

In the case of most of the other principal English exports, things have not been quite so bad, though they have been bad enough. In 1929, England derived a revenue of 1,215 million Francs from coal exports; in 1931, the figure was 807 million Francs, and in 1934 497 million Swiss Francs. The value of exports of cotton goods reached, in 1929 about 3,400 million Francs, in 1931 about 1,320 million Francs and in 1934, only 920 million Francs. The English exports of machinery amounted to 1,350 million Francs in 1929, to about 770 million Francs in 1931 and to about 510 million Swiss Francs in 1934. It is often contended that the English prices should be expressed in a currency that has not changed in value, and this may be true insofar as the inland trade is concerned, as the purchasing power of the pound sterling in England is much higher than abroad. In foreign countries, however, the Englishman receives, as a rule, not more for his money than it is worth and it would be deceiving oneself, if one took the pound sterling of trade statistics as hard cash. How immensely rich Germany should have been, if the millions she received for her exports in the years of inflation had been genuine money, while, on the contrary, that country has been weakened financially still more by these exports below actual cost. A country is not enriched by the exports, but by the value it obtains in return for the exports. When this counter-value does not cover actual costs, exports mean the plundering of the national wealth and are still plundering even when this is covered by a depreciation of the currency and shifted on to the creditor and the saving public, throughout the country.

Probably England sells at the present very many of its most important exports below their actual cost. During the last weeks preceding the abandonment of the gold standard the price of coal at Newcastle was 17/7d. at pithead, thus about 22 Swiss Francs per ton; at the present day, it is only 11 Swiss Francs per ton. Seeing that even with the former price of coal the English coal industry was not being worked very profitably, how is it possible that coal can at the present day be supplied at half the price? Before the abandonment of the gold standard, English iron was quoted for at about 72-73 Francs per ton, while it is now supplied for 50-51 Francs per ton. There are no known technical improvements that could account for such a huge price reduction. In the case of the very important export article, namely, white cotton cloth, which in 1929 England was still exporting to the value of 750 million Francs, the average price obtained was 375 Francs per cwt. in 1929, 264 Francs in 1931 and only 170 Francs in 1934. England was still exporting in 1929, raw cotton thread to the value of 463 million Francs and the average price obtained was Frs. 3.16 per pound; in 1931, the value of exports was still 231 million Francs, with an average price of Frs. 1.90 and in 1934, 135 million Francs, with an average price of Fr. 1.15 per pound. No doubt in many cases, there has been a change in consumption to inferior qualities; it seems, however, unlikely that the price of staple articles, in the case of which it is not so easy to effect savings on manufacturing costs, could have been lowered to such a very great degree. It is more than probable that these prices expressed in a currency that has not changed in value, would be found to be prices, involving a loss.

With a currency changing in value, it is unfortunately impossible to ascertain definitely what prices are necessary to cover actual costs, as such a currency enables the exporter to shift the losses on prices involving a loss on to other classes of people, such as creditors, shareholders, suppliers, workers and staff, who have to pay higher prices for goods, credit and labour, than they are worth on the World market. Thus, the exporter, who buys and sells at the same time may be in pocket, but his export business is a loss for the industry of the country as a whole. On the other hand, England has undoubtedly forced down the prices of its foreign suppliers through the depreciation of the pound and even to-day the prices are still being forced down very considerably. How greatly this forcing down of prices has been felt by our watch industry which even now carries on a large trade with England is shown by the fall in prices in the case of the most important item of its exports, namely, nickel wrist watches, from Frs. 4.77 each in 1931 to Frs. 2.64 in January 1935. The nickel pocket watches intended for the English market have in fact dropped from what was even in 1931 the

incredibly low price of Frs. 2.30 each to Frs. 1.19 in January of this year. Those Swiss people, who would wish to bring about in their country a depreciation of currency, in order to prevent a forcing down of prices, can thus see that the depreciation of currency would precisely lead to the worst depression of prices.

* Translation of an article in the "Nouvelle Zürcher Zeitung" of the 20th and 21st March, 1935, Nos. 481, 485 and 488.

A LECTURE BY MR. MITTELHOLZER.

We have pleasure in announcing that Mr. Walter Mittelholzer, the famous Swiss airman, has kindly offered to deliver a lecture at King George's Hall, Caroline Street, Tottenham Court Road, on Monday, April the 15th, at 8.15 p.m.

Mr. Mittelholzer will describe his flights to Spitzbergen, Persia and Africa, illustrating his lecture by numerous lantern slides. He will also speak on the development of civil aviation in Switzerland, with particular reference to the new "Swissair" Line operating between Swiss air ports and London. The lecture will be in English.

Our Minister, Mr. C. R. Paravicini, has kindly consented to be present and to introduce the lecturer to the audience. Admission is free to all Swiss, but the lecture is too technical to be of interest to children.

City Swiss Club,
Swiss Mercantile Society,
Nouvelle Société Helvétique,

EDITOR'S POSTBAG.

To the Editor of the Swiss Observer.

27th March, 1935.

Dear Sir,

We acknowledge receipt of your letter of the 25th inst. enclosing a letter of one of your readers to which we beg to reply as follows:

The question of smoking in our Douglas planes was carefully studied before making the allowance. However, basing upon experience made by other Air Companies using the same type of aircraft (in the U.S. for example) and considering that the cabins are fitted throughout with non-inflammable materials, it was considered safe to allow smoking.

The petrol tanks are lodged in the wings, excluding the possibility of fuel fumes drawing into the cabin, as was the case with earlier types of machines. The cabin is excellently ventilated, each passenger has his own ventilation.

We may add that for instance on board of Junkers planes operated by the Deutsche Luft Hansa smoking is also permitted since about two years, with good experience.

We trust by these explanations to dissipate your reader's doubts in this matter.

Yours faithfully,

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