

Swiss banks in 1936

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Mercedes, will be at the start with no less than 4 machines. It is to be noted that this year's "Grand-Prix Suisse" will afford the ultimate opportunity to witness a start of the aforementioned racing bolides, they having been built under the norms still to rule in 1937. The formula to enter into force in 1938 will limit cylinder measurements in such a manner as to make it questionable whether makers will succeed in constructing machines from which speeds, equalling those seen up to now, can be obtained.

ROMANSCHE AS FOURTH SWISS LANGUAGE.

The Swiss Parliament has decided to make Romansch the fourth national language. As the Constitution, which provides for three official languages in Parliamentary and legal matters, is not affected by this decision, there will be no referendum on the question.

The decision has been received with great joy in the Engadine, in the principal villages processions formed of groups in Engadine costumes paraded in the decorated streets, while all the bells were ringing.

Romansch, an offshoot of Latin, is spoken by some 50,000 people in the greater part of the Engadine, the Oberhalbstein, and the Grisons Oberland.

LOCAL.

ZURICH.

The court of arbitration, appointed to study the wages question of the Engineering works Gebr. Sulzer, in Winterthur, consists of the following members: Dr. K. Gessner, Judge at the Superior Court in Zurich, President, Dr. H. Widmer, Mayor of the town of Winterthur and Dr. Paul Keller, Professor of the Commercial University of St. Gall, members.

The death is reported from Zurich of M. Paul Balmer, since 1918 Pastor at the "Enge" church, at the age of 55.

BERNE.

The 19 year old glider pilot, Rudolf Bieri, from Heimberg, was killed when his machine fell from a height of 50 meters.

M. M. Pochon, a partner in one of the best-known jewellery firms in Berne, was attacked by a man, who had asked him to accompany him in his private car, in order to show some jewellery to an intending buyer.

As the man, whose car was driven by a chauffeur in livery, would not disclose the place of his destination, M. Pochon, becoming suspicious, requested him to stop the car, instead the car accelerated and drove with great speed into the "Bremgarten" woods, where, whilst the car was still travelling at full speed, the stranger suddenly attacked M. Pochon. The latter, although badly hurt, defended himself vigorously and managed, after he had delivered a blow at the chauffeur to stop the car.

Whilst alighting, profusely bleeding from a scalp wound, the car disappeared with great speed. The police have the full descriptions and it is hoped that the attackers will be found.

(On going to press we hear that the two assailants have been arrested in France).

BASLE.

Dr. Gustav Ryhiner, Librarian at the University of Basle, has celebrated his 70th birthday anniversary.

On July 9th Professor D. R. Handmann has celebrated his 75th birthday anniversary, he was for 45 years Pastor at the St. Jakob church and since 1899 Professor at the University in Basle.

Doctor C. Henschen, since 1926 Professor of surgery at the University of Basle, has celebrated his 60th birthday anniversary.

SCHAFFHAUSEN.

The well-known industrialist and inventor, M. Alfred J. Amsler, has celebrated his 80th birthday anniversary, he is the head of the firm J. Amsler-Laffon. M. Amsler is a *doctor honoris causa* of the Technical University of Zurich.

TICINO.

In Bellinzona, died at the age of 73, M. Giovanni Odoni, who for many years played a leading rôle in the political sphere of the canton of Ticino.

LETTER FROM SWITZERLAND.

The economic situation at the half-year in 1937. Recovery in External Commerce and Stability of the Swiss Franc.

If one compares the results of Swiss external commerce for the first five months of 1937 with those for the corresponding period of 1936 it is shown that importations have increased from 448.5 million francs to 774.9 million, constituting an improvement of 326.4 millions. Exportations have increased from 329.9 million to 471.8 million francs, representing 141.9 millions. The excess of importations over exportations has thus increased from 118.6 to 303.1 million francs, showing an increase of 184.5 millions.

The index of wholesale prices for Switzerland which was 97 at the end of September 1936, the period of the devaluation of the franc (July 1914 — 100), was checked at 113 in March, 1937, and has not increased since then; there even appears to be a tendency for a decrease. The Swiss index for cost of living after having increased from 130 in September 1936 to 137 last April descended again to 136 at the end of May, 1937.

One sees therefore, that the policy adopted by the Swiss Government to extract the maximum benefit from the devaluation of the franc has borne fruit. In short, Switzerland recognised in good time the importance for her export and tourist traffic of avoiding a too great increase of prices and took the necessary measures.

From another angle, the Swiss money market continues to give proof of great liquidity, and the Swiss franc has shown great stability during the last few weeks. Since the disturbances on the gold market which caused a passing demand in dollars during April, the rates fluctuate between relatively narrow limits. This stability clearly demonstrates that the Swiss franc is to-day completely independent of all other currencies.

Switzerland has in addition renounced all restriction of the dealing in gold, and has thus diminished hoarding and strongly increased the influx of foreign capital. In addition she is striving to balance her budget. This task has been greatly facilitated by the liquidity of the money market, which permits, by the conversion of loans, to diminish the expenses caused by the payment of interest.

The situation of the Swiss labour market has continued to improve very noticeably. From January to May, 1937, the number of requests for employment has fallen from at least 110,750 to 58,000 constituting a decrease of more than 52,000. By comparison with May, 1936, the decrease is 22,000.

In the tourist world Swiss hotels have recorded, from 1st December, 1936, to 31st March, 1937, 132,000 arrivals and 922,000 night-lodgers more than for the same period of the preceding year. This increase of arrivals represents 21%, and of night-lodgers 27%.

The improvement in railway traffic is also strongly noticeable. For the first 4 months of 1937, the excess of receipts of exploitation for the Federal Railways has undergone an increase of 15 millions, having increased from 17.3 millions to 32.7 millions.

One may therefore state in conclusion that the economic improvement following on the devaluation is being maintained.

1st OF AUGUST CELEBRATION AT THE MYLLET ARMS.

We have much pleasure to inform our readers that a Dinner and Dance will take place at the Myllet Arms, Western Avenue, Perivale, on Saturday, July 31st, to celebrate our National Day. (August 1st).

Our compatriots, Messrs Widmer and Rhy have been fortunate enough to engage our old "yodling" friend Mr. von Bergen and his companion to make this evening a real "Swiss Evening." In addition a band, including some accordion players will play many of our folk tunes, and we understand that several surprises will be in store for those who attend this gathering.

Owing to limited accommodation it is advisable to book already now. (See advert.).

We feel sure that this evening will be an enjoyable one, and we heartily recommend our compatriots to spend a few happy hours at the Myllet Arms in congenial company.

SWISS BANKS IN 1936.

Salutary Effects of Devaluation.

The Swiss banking system, like other branches of economic activity, did not escape the harmful effects of the years of depression, but was affected in very different ways. Until 1935 the cantonal banks regularly recorded advances in their balance-sheet totals. The 27 cantonal banks affiliated to the Union of Swiss Cantonal Banks, though as a rule limited in their activities to their own territory, are still, as a whole, playing a preponderant part in Switzerland's banking system.

The large commercial banks, on the other hand, were more quickly and seriously affected. Transfer restrictions, even transfer prohibitions, especially those introduced by Germany, as well as similar measures set up by other countries, proved very prejudicial to the big commercial banks and a few local banks too. Under such conditions it was not surprising that some of these banks experienced delay in obtaining payment in respect of matured foreign loans; several hundred million francs were in this way blocked. Some distrust of credit institutions, which took the concrete form of capital withdrawals, was the result.

In addition to the losses sustained in Switzerland through the general economic depression, the difficulties of the banks were augmented by the diminution in the formation of new capital and the reduced possibilities for remunerative investment. The banks on their side endeavoured to liquidate, as far as possible, such of their foreign investments as were subject to exchange restrictions. This retrograde movement is clearly revealed in the aggregate amount of the balance-sheet totals of all the Swiss banks, which dropped from 21,780 million francs in 1930 to 17,750 million in 1935. With few exceptions, however, the banks managed easily to meet these difficulties — a gratifying fact revealed by the small number of failures.

Influx of Capital.

The beginning of 1936 brought no change in the situation. During the opening months the strain on the money market continued as in the preceding year, and the banks had to meet further withdrawals of capital. Owing to moratoria.

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which had then to be granted to certain banks — notably in the cantons of Berne and Lucerne — and the fear of further similar measures, withdrawals of funds became more extensive. But in spite of this fact the shrinkage of the balance-sheet totals of the big commercial banks, after continuing for several years, came to an end as early as the first quarter of 1936. Since the early summer of the year under review greater easiness in the money market has been noticeable. The repatriation of capital on the one hand, and the inflow of foreign capital looking for shelter on the other hand, accounted chiefly for this amelioration. With a view to improving their liquidity and to off-setting capital withdrawals, the Swiss banks refrained from renewing various foreign loans. Funds available were also increased by the proceeds of the redemption of Federal loans.

The money market had consequently regained its liquidity before the Swiss currency was devalued, and this step on September 27th, 1936, accentuated the movement which had started at the beginning of the summer. Transfers of funds at once rose to extraordinary proportions. The repatriation of Swiss capital and the influx of foreign capital more than doubled the deposits with the Central Bank, which were considerable even before devaluation. On September 9th, a short time before the alignment of the Swiss franc, the Swiss National Bank had reduced its bank rate from $2\frac{1}{2}$ to 2 per cent, and the rate for advances against securities from $3\frac{1}{2}$ to 3 per cent.; on November 26th it lowered these rates to $1\frac{1}{2}$ and $2\frac{1}{2}$ per cent. respectively.

In contradistinction to what took place before devaluation, the capital market then grew easier too. On the stock exchanges there were large increases in turnover and sharp rises in stock and security prices, which entailed a marked decline in yields. Long-term lending also was actively resumed and debtors were quickly able to come to advantageous arrangements. Public corporations, some credit institutions, and one of the central issuing offices of mortgage bonds (Centrale de lettres de gage) availed themselves of these favoured circumstances.

Improved Liquidity.

The banks generally have taken advantage of this situation. The figures published up to date

show that their liquidity has improved noticeably since devaluation. The balance-sheets of the big commercial banks record in particular large increases in their items, due chiefly to the enormous influx of capital. A large part of these funds, mainly so-called "hot money," is ready to leave as soon as better investment possibilities attract it to some other country. Such funds cannot therefore, be treated as long-term investments in Switzerland, and must be kept highly liquid. For this reason the sight items in the balance-sheets of the big commercial banks have expanded greatly. These huge fluctuating sums of capital, liable to be suddenly withdrawn, weighed upon the money market. The Swiss National Bank, by reducing its rates in November last primarily with a view to lowering the general interest level, hoped by the same measure to interrupt somewhat this flow of capital from abroad. On the other hand, thanks to the general economic revival, the condition of debtors so improved as to enable them to reduce their debit balances with their bankers. The banks consequently experienced a rather substantial decrease of the debit balances on current account, which however was also largely due to the decline in frozen credit balances abroad.

The cantonal banks were not affected in the same way by the easiness of the money market. In particular this group recorded notable advances in bonds of short maturity (*bons de caisse*) — namely, from three to five years. This peculiar type of bond is regularly issued by the Swiss banks in order to get more-floating capital. As these bonds are not listed on the stock exchanges they escape price fluctuations, and are therefore highly appreciated by the investing public. The amounts on savings accounts, on the contrary, have on the whole continued to decrease slightly since devaluation. They have probably been withdrawn in connexion with the National Defence Loan, issued in the second half of September, or for investment in higher yielding bonds of short maturity. This retrograde movement is not very surprising, because little new capital accumulated during the economic depression preceding devaluation, and the subsequent improvement has not yet been sufficient to influence saving. Since December last, however, savings deposits with the cantonal banks, as can be seen

from the monthly balance-sheets, have again begun to advance.

The revival of the money and capital markets had, of course, repercussions upon the interest level. Mainly in order to restrict the influx of fresh funds the banks have successively reduced the interest rate for bonds of short maturity to $3\frac{1}{2}$ and $3\frac{1}{4}$ per cent. Since January 1st, 1937, some banks have also lowered interest rates for savings deposits to 3 and even $2\frac{1}{2}$ per cent. Interest charges, on the contrary, have changed very little, except that rates for first-class mortgages have been reduced by a fair number of concerns which now apply a rate of 4 or $4\frac{1}{2}$ per cent.

It may be added that an improvement also took place in the mortgage market. Owing to persistent withdrawal of funds during the first half of 1936 certain banks had been compelled to foreclose on mortgages.

Thanks to the happy turn the capital market took after devaluation, there was not need to prolong the gentlemen's agreement concluded by the Swiss banks in the autumn of 1935, according to which they promised to observe the greatest possible circumspection in connection with foreclosures. However, the trustee offices created by virtue of this agreement continue their activities.

In conclusion, it may be stated that 1936, as far as the Swiss banks are concerned, ended favourably. Confidence has to a great extent returned and it seems probable that exceptional measures instituted in favour of some banks, such as moratoria, will be repealed in the course of 1937. The total figures of the bank balance-sheets have ceased to decline and have even begun to advance. Furthermore, two large commercial banks have been radically reorganized, for which purpose they have utilized a large part of their own capital. Owing to the economic recovery following devaluation and the rise in stock and security prices, financial results in 1936, as a whole, proved to be better than in 1935. Yet the banks were prudent in distributing dividends; they applied their earnings to writing off and consolidating their financial position. The accounts of the group of big commercial banks show similar results to those in 1935; the receipts on profit and loss account increased slightly and allowed one bank in this group to raise its dividend rate, while all others maintained the same rate as in 1935. T. & E.

A CITADEL OF NEUTRALITY.

The Swiss Citizen Army.
(The Times.)

(Continued.)

The Positive Purpose.

While the troops are raised and to some extent administered by the various cantons, the system is controlled by the central government, the Federal Council acting through the Military Department. The cantons provide the personal equipment for the troops which each supplies, and they form the infantry and cavalry units. The central government is responsible for posting the personnel to the other arms and services, and for providing the corps and army equipment. The Military Department has a Federal Councillor at its head, with his staff. He presides over the National Defence Committee, an advisory organ which consists of the three army corps commanders, the chief of the General Staff branch, and the officer commanding the infantry. The Military Department itself comprises on the one hand the General Staff branch, which has sections dealing with mobilization, operations, intelligence, training, personnel, lines of communication, and rear services in general; and, on the other, the offices of the heads of the infantry, cavalry, artillery, engineers, and of the medical, veterinary, technical, war material, topographical, remount, and judicial services. Only on mobilization is a commander-in-chief appointed, whereupon the National Defence Committee ceases to function.

The organization of the Swiss Army has naturally been influenced by its positive purpose. The military horizon of the Swiss is bounded by the strict defence of their own territory. Here is the third of the distinctive features earlier remarked. The exclusion of the strategic offensive from their thoughts does not rule out the use of, and training for, the tactical offensive; this, indeed, occupies more attention and time than would seem economic in the circumstances. But it has affected the organization and equipment of the Army, with the result that it has hitherto lacked the resources for the tactical offensive on which it spends much of its training time, while also becoming defective under modern conditions for its strategically defensive role. These new conditions have complicated the defence problem of Switzerland. The proper treatment is now a subject of keen discussion.

Theories of Invasion.

The development of air power and military mechanization has given a new aspect to the

defence of Switzerland, affecting both its own security and its neighbours'. Its industrial and munition centres are few, and now easily accessible by air. Basle has always been untenable, as the French and German frontiers converge in its suburbs. Zurich, St. Gall, and Winterthur lie close to Germany's Rhine frontier. Berne, the capital, and the munition depôts or factories there and at Biel, Thun, and Interlaken are only a short hop across a low mountain belt. The Swiss railways and roads are canalized by the mountains, while the main rail communications from east to west have been aptly described as of wasp-like figure, with the waist at Olten, less than 20 miles from the Rhine. And the electrification of the railways makes them all the more vulnerable.

Thus hostile air attack, apart from its menace to the general life of the country, might paralyse the mobilization of an army which does not exist until it has been mobilized. By contrast, the mountainous terrain of Switzerland limits her own air development; possible air bases are few, and even these mainly lie in the more exposed districts, while the combination of her mountains and her weather is a handicap to training.

If, by the paralysis of the defending forces, an invasion could make headway, mechanized mobility might nowadays give an invading army the prospect of a much shorter passage through Swiss territory to its ultimate objectives in a land beyond. Under such conditions the Abyssinian war has shown how much even motorization can accelerate the strategic offensive and its exploitation. For the motor-vehicle Switzerland is a much easier country than Abyssinia, especially in its northern part, where any such operations are the most probable. Even if the invading army were checked on the farther frontier by the forces of the great Power which was then the target, the military occupation of Switzerland would enable the attacker's air forces to be moved forward to advanced bases from which they could operate at much shortened range, thus multiplying the frequency and effect of their bombing.

II. — MOUNTAINS AND MOBILITY.

The danger to a country in Switzerland's situation arises less from direct hostility than from the possibility of a clash between her large neighbours, and the attempt by one of them to use her territory as an avenue of approach to the other. In examining a defence problem of this kind it is necessary to take account, if only from a technical point of view, of the countries whose geographical location provides the strategic hypothesis.

Intent on the maintenance of their neutrality, the Swiss are properly concerned with the possibility of a French as well as a German attempt to use their territory for a turning movement. Leaving aside the political doubts, the former is much the less likely on military grounds. The conquest of Switzerland would still leave it faced with the Rhine, and beyond that the Black Forest; no important objectives in German territory would be within reach even when the frontier was gained. There is a better case comparatively for a German attempt, as the penetration of the French frontier would bring an invader into the wide basin of the Saône; it would turn the mountain barrier of the Vosges and the main fortified line; alternatively, it would threaten Lyons and the main communications with Provence and the Mediterranean. The prospects of any such strategic flank move would depend first, however, on its success in overcoming the resistance which the Swiss could offer in defence of their territory. What are the chances?

Three Factors.

Any estimate must take account of three principal factors: the nature of the country to be traversed, the normal superiority of the defensive under modern conditions of warfare, and the readiness of the Swiss forces at the moment such a stroke was delivered. The first is unalterable; the second shows little sign of being modified by recent developments in armament, so that the chances of the attack depend more than ever on the possibility of surprise; the third can be improved, to the reduction of an invader's chances of surprise. I have motored the whole length of the Rhine frontier from Lake Constance to Basle, and over much of the hill country behind it, as well as a large part of the Jura frontier between Basle and Geneva. On the map the former sector may look a lesser obstacle, but closely examined its difficulties become formidable. While the belt of hills south of the Rhine are not high — only at a few points rising more than a thousand feet above the river — they are steep and wooded, and the roads which cross them offer numerous defiles where well-posted anti-tank guns and machine-guns could impose a check, the more prolonged because of the difficulty of turning them by a flank detour. In moving off the roads light tanks would constantly encounter obstacles higher and slopes steeper than they could compass; wheeled motor-vehicles would be still more circumscribed. Powerfully engined tanks of longer track base might be able to carry out a wide-fronted advance, if the area had been carefully reconnoitred in peace time, but few of the machines at present in service in Western Europe would seem to have the necessary capacity.