Strain on Swiss economy

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he was undergoing a cure. He carried on the work left to him by a celebrated father and as editor and publisher of the "Thurgauer Zeitung" enhanced its reputation; the publishing house bearing his name is identified with most of the modern Swiss authors, notably J. V. Widmann. Dr. Huber was a member of the cantonal Grosse Rat.

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Prof. Otto von Greyerz died in Berne at the age of 76. He lectured at the local university on German (Swiss) literature and was the author of a large number of stage-plays in Bernerdütsch.

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Frau Julie Herzog-Zobel, the widow of our General during the Franco-German war of 1870/71, died at the age of 92 at St. Gall where she has been living for a good many years with the family of a married daughter. At the beginning of October last General Guisan made a personal visit to pay her his respects.

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Abundant snow has fallen in all parts of the country but the winter sports centres which in normal times employ a staff of 10,000 are practically lifeless. The cold is intense and in most parts the lowest temperatures have been recorded since 1932. The worst sufferers are those army units stationed in the mountain regions. On the other hand, skating is in full swing everywhere. In the Jura on the lake Les Brenets a curious situation has arisen; skaters from both sides crossed the frontier and the soldiers on guard were unable to separate them. After some time the mid-lake frontier was marked off with barrels and armed skating patrols kept the civilians on their respective side and broke up all attempts at conversation with the other side.

ERRATUM.

We regret that a printers' error has made its appearance in the last verse of the "Auslandschweizer" published in last week's issue, the second line having mysteriously disappeared. The first three lines of the verse should therefore read:

Drum kennen wir als unsere Pflicht,
Vergiss die alte Heimat nicht.
Und jeder mag an seinem Ort,

STRAIN ON SWISS ECONOMY.

("*Economist*," 13.1.40.)

The Government has forwarded to Parliament the Budget of the Confederation for 1940. It shows an estimated deficit of 73 million francs; expenditure is estimated at 596 millions and receipts at 523 millions. The Budget does not include the cost of the mobilisation and upkeep of the Army. The general opinion is that big cuts might have been made in ordinary expenditure, which is 17 million francs higher than in 1939. The view is expressed in financial quarters that certain Government activities should have been reduced because of the war. It might have thus been possible to reduce the estimated deficit for the current year, which is expected to exceed 20 millions, as well as to lessen next year's deficit. Strict economy in all spheres is needed if only because the maintenance of the Army on a war footing will absorb about 1,500 million francs (£83 millions) next year.

Extraordinary military expenditure, which was 5 million francs a day at the beginning of the war, has now been slightly reduced. The Federal Government has accepted an offer made by the Swiss banks to take over 200 million francs of Treasury bonds, 30 per cent. of which are repayable within a year at $2\frac{1}{2}$ per cent., 40 per cent. in two years at $3\frac{1}{4}$ per cent., and the remaining 30 per cent. in three years at $3\frac{1}{2}$ per cent. Thus the Government is supplied with funds on satisfactory terms, while the banks have found a means of investing the money at their disposal, and will therefore be able to pay small interest on sight deposits. The result of the arrangement has been a reduction in the hoarding of banknotes and a rise in bank deposits.

This loan is not sufficient, and the Government is contemplating an increase in taxation. It has decided to double the military tax — paid by men who are unfit for military service — which yielded 4,825,000 francs in 1938. It intends to put before Parliament a series of financial measures likely to produce about 1,000 million francs — including between 500 and 700 million francs from a non-recurrent levy on capital, and another 50 millions from the doubling of the "Crisis Tax," which already yields about 50 millions a year. The institution of a tax of 2 per cent. on the gross receipts of retail trade concerns, to bring in 100 millions, is suggested; and 250 millions will be had from the profit made by the Swiss National Bank on the devaluation of the franc. Until these measures have been passed by Parliament, which will hold an extraordinary session in January, the Government intends to launch a mobilisation loan to meet current expenses.

On December 3rd, the Swiss electorate rejected by 477,500 votes against 289,650 a Government proposal to reconstitute the pension fund for State officials. The scheme provided for a yearly instalment of about 20 million francs for sixty years, but the Government did not suggest any method of covering this extra expense. Though the number of officials has been reduced to about 30,000 in recent years, the capital possessed by the pension fund does not make it possible to pay out of interest the old-age, sickness and other pensions due. This is the consequence of faulty calculations when the funds were created, of the fact that the higher pensions were later raised, and of the further fact that the State did not always pay into the funds its promised instalments.

As it is impossible to reduce the pensions, many of which are comparatively small, the only solution seemed to be to increase the capital of the fund. This was not the opinion of the electorate. The objection of taxpayers to any new increase in taxation; the opposition of peasants, middle-class people and retail traders — who get no pensions — to State officials whom they consider as a privileged class; the belief that other means might have been devised for refloating the pension fund — all these factors go to explain the unexpectedly heavy adverse vote.

The Government will have to reconsider the question and make new proposals to the electorate. In the meantime the financial situation of the pension fund — which altogether has a capital of 175 millions francs to meet due claims — will grow worse, and later rehabilitation will be made correspondingly more difficult.

All in all, the Swiss Confederation is faced with serious financial problems. One cannot clearly see how they will be solved. One thing only seems sure: that is that the taxpayer will see his income dwindle more and more.

Apart from a difficult financial position, it is now becoming clear that the European war will bring changes in the Swiss economic structure that go beyond the more or less temporary arrangement of finance. A number of these changes are likely to affect Swiss agriculture; and an examination of the position may therefore be worth while.

The Federal Government has just issued a decree empowering the Department of Public Economy to take the necessary measures for the cultivation of more land. Although this is really a result of the agricultural policy initiated in 1932, the strain of war has an important contributory effect.

Geography narrowly limits Swiss agricultural production, for 28.4 per cent. of the total area, or about 4,500 square miles, are wholly unproductive. Only 11,400 square miles are left to agriculture. Arable land for crops and gardens is estimated by the official survey at 1,167,360 acres; another 2,560,000 acres are under grass and meadows, 2,115,840 acres under forest, and 1,363,840 acres under fruit. According to the new decree, from 49,400 to 62,000 acres will be added next spring to the productive area, and this will then reach about 7,370,000 acres. It is expected to grow more oats and potatoes, and an effort is to be made to increase the production of beet sugar, now yielding about 930,000 quintals a year.

The system of small-holding prevails. The peasants own their land in their own right; and it is estimated that there are nearly 300,000 agricultural holdings averaging less than 20 acres, and supporting over half of the population, or about 2 million persons.

The income derived from agriculture is comparatively high. It reached 740 million francs in 1906, 2,000 millions in 1920 and 1,274 millions in 1938. The surface under cereals was nearly 124,600 acres in 1926, but was increased to 195,000 acres in 1938. The Government has fostered cereal growing by purchasing at enhanced prices the total home production, which in 1938 amounted to 1,950,000 quintals. Fruit cultivation yielded 205 million francs in 1918, 84 millions in 1937, and 66 millions in 1938. It is particularly developed in Central and Western Switzerland. Apricots and apples from Valais are now exported to many countries.

Vine cultivation, handicapped by diseases and frost, has steadily fallen away during the past 50 years; it now covers about 34,000 acres. Grapes are mainly cultivated in the Cantons of Geneva, Vaud, Neuchâtel, Valais, Zurich, St. Gallen, Grisons and Ticino; altogether they produce about 10 million gallons per year, worth on the average about 30 million francs.

Stock farming is the most important branch of Swiss agriculture, for its value represents about three-quarters of the total value of the agricultural production. In 1939 there was a record number of 926,400 cows, and altogether 1,711,000 head of cattle. The value of milk and milk products averages 472 million francs per year, or 28,600,000 quintals of milk. Of this total, 13,888,000 quintals are used by industry for making cheese and condensed milk and chocolate.

To meet foreign competition the Government initiated a protective tariff policy 30 years ago, coupling with it the granting of State subsidies. The latter were given for soil improvement, agricultural insurance, cattle breeding, maintenance of milk prices and for other activities. Their value rose from 9 million francs in 1925 to 37 million francs in 1937.

After a long period of prosperity Swiss agriculture was faced with a crisis after the last war. There was, too, an intense competition in land purchase; but, when bad years came, the peasants raised mortgages on the inflated value of land. The Government is now considering the means to help peasants to pay their mortgage interests, and to repay at least a part of the mortgages from State funds. This is estimated to involve an expenditure of 125 million francs, distributed over a period of 20 years; and a scheme to this end has just been approved by the First Chamber of Parliament.

The new scheme comes at the right moment. Under war conditions home production will be far more important than before, and prices are likely to rise. It seems very probable that the war and attendant trade difficulties will foster the sale of home products, encourage agriculture as a whole, and improve the condition of the Swiss peasant.