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Reasons Why Switzerland Should Not Devalue Her Currency.

Before I state my case against a devaluation of the Swiss franc, I will briefly summarise the theories put forward by the inflationists. They either advocate or hope to see Switzerland "go off" the Gold standard and partake in the ups and downs of the £ sterling block for an undetermined period or they maintain an adjustment in the gold content of the Swiss franc will have to take place when Sterling is stabilised, because their contention is that:

Gold standard is millstone round neck of export industry and spells ruination to Hotel industry,

whilst its abandonment would bring relief to agricultural class and Swiss Federal Railways, both of which are overburdened with debts.

To complete the ideal picture these advocates would refer us to the case of countries which by choice or force of circumstances have taken the decisive step and are thereby overcoming the crisis with no apparent ill effects.

My reply to this consists of the following arguments:—

- 1) A depreciation would not solve the troubles of our Export industry,
- 2) and our Hotel industry,
- 3) of our Agricultural classes, nor relieve the indebtedness of the Swiss Federal Railways,
- 4) Experience of other countries cannot be applied as a criterion to Switzerland, as conditions and circumstances are radically different.

My arguments are based on the following irrefutable facts:—

1) Swiss manufacturers depend almost entirely on imported raw materials.

As will be seen from the following figures Swiss exports compare favourably with those of any country with depreciated currency.

Evolution of World Trade since 1929.

	Exports (millions of gold-dollars)		Diminution %
	1929	1933	
a) World trade	33,040	11,699	65
b) Gold bloc countries:—			
France	1,966	724	63
Italy	801	315	61
Belgium	884	391	56
Holland	800	292	63
Switzerland	401	158	61
Poland	316	108	66
Average diminution in gold bloc countries			62
c) Countries with depreciated currencies:—			
United States	5,157	1,280	75
England	3,549	1,213	66
India	1,207	360	70
Canada	1,225	422	66
Japan	970	366	62
Average diminution in countries with depreciated currencies			70

During the current year the further reaction which has taken place in the textile, foodstuff and straw industries in Switzerland has been almost compensated by increased exports of the metal, chemical and boot industries. We have therefore maintained our position and if we take into account the considerable reduction of 90 millions in imports during the same period the position of our Foreign Trade is not so desperate as some people would make it out to be. If Sulzer, Brown Boverie, etc., are not making any headway with their exports the real fault lies with the muddled state of international finance, due to currency restrictions which have made the financing of any big scheme practically impossible. Meanwhile depreciation of plant and machinery is going on and sooner or later replacements have to be effected. Once currencies are more stable, Swiss Export Industries will quickly adjust themselves in order to be again on a competitive level. An example of this may be found in the adjustment that took place after the postwar stabilisations.

2. The tourist traffic is affected in many ways by the conditions prevailing in those countries whose nationals are in the habit of visiting Switzerland. Political changes and currency fluctuations have a marked influence. During the first years of Fascism the absentees from the tourist trade were Italians, during the period of inflation they were Germans, Austrians and French; after the devaluation of the pound they were the English, and at present they are Americans. The level of prices in Switzerland appears to be an

important, but not a decisive factor. For example, the English tourist traffic has considerably increased in the course of the last two years.

It is perhaps not sufficiently borne in mind that the Swiss Hotelier is to a great extent dependent on Swiss visitors and not only on the seasonal influx of foreigners. An abandonment of the Goldstandard and inevitable rise in cost of living would materially restrict the spending power of his best customers, whilst because of the same reasons his own costs would mount.

The depression in the tourist trade is foremost the result of a fundamental change which has taken place since the war. The well to do classes which filled our hotels before the war have mostly been ruined by currency devaluations. The new clientèle which, if well to do come by car instead of settling down for a lengthy stay will probably remain for one or two nights only and leave for the next place after having seen the "sights." Places like Vevey, Montreux, Thun, Interlaken which used to be patronised in pre-war days have gone out of fashion, because visitors find now equal comforts at even the highest altitudes. It is also a fact that the Swiss guest will on the whole spend more on extras, such as wine, liqueurs, etc., than foreign visitors who arrive on the "all in basis."

3. *Agricultural indebtedness.* A devaluation of the Swiss franc would inevitably entail an upward movement of the interest payable on the mortgaged property of the farmer, because if such an event took place, foreign holders of Swiss bonds would throw them on an unwilling market with disastrous results. Instead of enjoying the cheapest borrowing viz. 4-4½% as compared to about 8% in France and 5-6% in England his burden would be increased. In this respect I would also refer to Mr. Golay's, General Manager of Swiss Bank Corporation, recent speech at the Banker's meeting in which he touched this point in the following words:—

"Si l'on peut se dire que la procédure d'assainissement agricole est presque indispensable dans les régions montagneuses, on peut aussi penser que cette procédure prête, dans les régions fertiles, à des nombreux abus et un Directeur de banque cantonale qui est en contact journalier avec la population paysanne, me disait encore récemment: Il y a long temps qu'on ne voit plus se constituer des épargnes par la population industrielle ou commerciale, alors que les bons de caisse et les nouveaux livrets de dépôts sont encore souscrits actuellement en presque totalité par la population paysanne.

Il faut donc croire que si, d'un côté, l'agriculture doit aux banques cantonales et aux banques locales environ 5 milliards de francs d'hypothèques, elle détient par contre des montants très importants de bons de caisse, livret d'épargne et certificats de dépôts des banques suisses, cantonales ou autres.

Cela montre que la situation hypothécaire de l'agriculture est loin d'être aussi mauvaise que pourrait le laisser croire des chiffres froids et trompeurs. Je crois utile en outre d'appuyer sur les conséquences morales de l'action de désendettement, qui contribue à affaiblir le sens du droit, base de la civilisation.

Railways. In common with all other countries the Swiss Railways are hit by road competition, both passengers and goods. The decrease since 1929 in traffic is relatively less than in any other country, although the transit of reparation coal to Italy has practically ceased. It will therefore not be a question of currency manipulation to put the S.F.R. back on a profitable basis, but the work of the legislator to come to a working agreement between the two vested interests. Steps in this direction have by the way already been taken.

4) By drawing a comparison between England, representing the ideal in devaluation, on the one hand, and Switzerland on the other, we may arrive on a basis which may be considered fair to both sides. When England devalued, world commodity prices were sinking rapidly and consequently any rise which would have otherwise taken place here was more than offset by this phenomenon, in other words England was forced to her decision in the most favourable moment. If Switzerland, on the other hand, devalued now when commodity prices are on the upgrade, exactly the opposite would take place. It can rightly be argued that the margin between wholesale prices and the cost of living indices would be large enough to take up any advance in wholesale prices as it happened partly in England. The reason why in Switzerland the cost of living index still stands at 130% compared with 90% for the wholesale prices, is to be found in the fact

that rents are practically on the same high level which they reached during the high price period.

A devaluation of the currency would far from bringing down the rents tend to increase them for the reasons which we have already stated in the paragraph on agriculture.

There are definite signs to show that a general advance in the home retail price level is inevitably on the way in this country. The reasons why certain trade unions have recently managed to secure a general wage increase for their members may be found to be in anticipation of this rise.

The argument that British trade has expanded since devaluation took place is only true in so far as the home market is concerned and this must not be totally construed as being due to an increase in the spending power of the population but also to a rigorous tariff policy thus shutting out the foreign competitor. It is quite true that certain industries have undoubtedly benefited by this devaluation but it is only an infinitesimal asset in the profit and loss account of devaluation, when one considers the enormous loss which the whole British economy sustained by reducing by 40% her claims on her foreign debtors. Another comparison between the two countries showing the advantageous position of Switzerland lies in the unemployment problem. Whilst only 2% of the active population of Switzerland are unemployed, England, in spite of her recovery still shows the high figure of 10%.

Conclusions. From the foregoing arguments it will be clearly seen, that Switzerland has nothing to gain but a lot to lose by devaluation. It will bring her none of the advantages which the partisans of devaluation would make her believe.

I conclude with a few extracts from an exposé by M. R. P. Duchemin, President de la Confédération Générale de la Production Française. —

"La dévaluation serait immorale parce qu'en consommant la rupture volontaire des engagements de l'Etat vis-à-vis des rentiers, des fonctionnaires, des porteurs de billets de banque et de tous ceux qui, a un titre quelconque, sont appelés a recevoir des francs, elle porterait une grave atteinte a la loyauté, a respect des contrats et découragerait la probité et l'épargne.

Elle fausserait ainsi un peu plus la notion des valeurs morales qui n'est déjà que trop ébranlée, et elle compromettrait d'avance le succès des efforts d'assainissement déjà entrepris, mais qu'il est nécessaire de mener jusqu'à leur achèvement.

Notre gouvernement entend respecter scrupuleusement les engagements de l'Etat.

Son attitude est celle de la sagesse, non seulement parce qu'elle s'inspire des principes de moralité et de loyauté qui doivent toujours guider l'action des pouvoirs publics, mais aussi parce qu'elle est la seule conforme aux véritables intérêts du pays.

XYZ.

MONSIEUR JAKUES-DALCROZE

Lecture-Demonstration of Eurhythmic at the Scala Theatre.

Pupils of the London School of Dalcroze Eurhythmics gave a demonstration last Friday at the Scala Theatre which was superintended by M. Jaques-Dalcroze.

As a curtain raiser, the eminent teacher of his world-wide method, gave a most interesting exposé of his system, and in turn explained the different exercises executed by the pupils.

Those who expected to witness a performance of ball-room dancing or a "Ballet Russe" display must have been sadly disappointed.

What struck one most was the clever improvising movements to music they had never previously heard, it was certainly a remarkable feat.

The exercises in aural training were equally striking from the musical point of view both vocal and pianistic. The singing, through the series of minor scales, with but little deviation from pitch at the end, is an accomplishment which deserves the highest praise.

The performance ranged from group movements through more complex contrapuntal movements to interpretations in dance of a fugue by Bach.

The rhythmic interpretations sometimes made one miss a certain gracefulness, but as a whole it was an efficient display of a method which is a most valued factor to musical education.

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