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A REPLY TO DR. SCHINDLER.

The Editor of the Swiss Observer.

Dear Sir,

I am glad that you have published a translation of the articles which recently appeared in the "Neue Zürcher Zeitung." I am sure that the Swiss Colony over here as a whole will resent and condemn this untenable attack of anti-British propaganda. No doubt the "Kriseninitiative" is engendering a lot of heat, but that is no reason why any responsible person should run down England and English policy. It is, of course, obvious that Mr. Schindler is not at all well informed of things British, but let us assume that he has at least no personal grudge against this country.

"Grey is all theory" is the title of the first article; never has a slogan characterized better the author's own arguments than in this case. It is just that antiquated economic theories are belied by the results of the British financial policy. His assertion that the English press "is not allowed" to express fears as to the future of Sterling, is grossly incorrect. He would even have found that the "Times" had some correspondence on this matter, and any other paper is at liberty to make such comments as it likes; but Mr. Schindler may take what he calls "silence" as a striking proof that our investors and the press as a whole have every faith in the policy pursued by our financial authorities, i.e., to keep the value of Sterling steady in relation to goods and services and bring about some improvement in value of primary produce which has fallen to too low a level to allow producers a decent margin. Being above practical, the British policy does not wish to hook the entire price system any longer on to the one commodity which has failed to be a stable measure of value, viz. gold.

To talk of inflation in Britain is really nonsense. The average note circulation has increased in the last four years by about £20,000,000 or 5%, but even now the *per capita* circulation is only about £9 against frs.360 about (£25) in Switzerland. Taking the gold held by the Bank at today's price the actual gold cover is about 78%.

No responsible British statesman has even stated that by the mere fact of going off the gold standard unemployment would be cured. What they did assert was that a rapid continuation of deflation would certainly throw more people out of employment. What does Mr. Schindler say to the fact that there are now 900,000 more people employed in Britain than in 1931. In the meantime the total unemployment in Switzerland has increased from 5.9% to 10.3%: a result no doubt of deflation *ad absurdum*.

His argument that people in England should now spend £10,000,000 Pound Pounds daily because in 1931 they apparently spent daily £6,000,000 Gold Pounds is really not very intelligent. As we can buy to-day for £6,000,000 just as much if not more than we could four years ago it is certainly unreasonable to argue that because we went off gold our purchasing power should be increased by 66%!!

Mr. Schindler gives an example of demand and supply in the copper market, and being apparently a member of the most ruthless section of the *laissez-faire* school he suggests that all the more expensive producers should close down, throwing all their staff out of work and whistle for their capital investments. Fortunately the weight of his school is nowadays altogether negligible. Even where his tenets should be applied first, i.e. in cutting down the still very high price of agricultural produce in Switzerland, the results would be disastrous.

Again his arguments in the second article, sniffing at people who prefer a stable Pound whether it happens to buy 15 or 25 Swiss francs is not sound. As it happens the discount on forward Swiss francs indicates well enough that people have more faith in Sterling than in our home currency of which unfortunately so much is black capital belonging to foreign holders. We in England are not concerned whether we get a larger or a smaller lump of gold for a given amount, we are much happier if that same amount buys the same quantity of goods or services over a long period.

As he says himself, statistics can prove the most ridiculous statements and he certainly tries to fit them for that very purpose. Because the tonnage of British overseas shipping has declined from the boom year 1929 to the lean year 1934 by something like 20% he proves that Britain's trade is declining. Considering that there was a considerable shrinkage in world trade, that many almost bankrupt states still contrive to subsidize their own shipping and that many others too put serious difficulties in the way of foreign shipping, the reduction is not unnatural. Let Mr. Schindler have a look at the "Times" of 9th April 1935, giving key statistics: in 1931 for instance, the British Empire had a 26.7% share in world trade, in 1934 it had risen again to 30%, surely quite a satisfactory result?

Of all things he then goes on to quote the value of new shipping which England sold

abroad: 390 million francs' worth in 1929, 34 millions in 1934! Has it ever occurred to him that this reduction is due to the intense crisis in other countries which therefore do not buy new foreign ships and to the unending foreign exchange restrictions now existing. I believe in 67 countries? Are the same statistics perhaps better for France? I doubt it. As a matter of fact, 502,500 tons of shipping were launched in Britain in 1931 and after two very lean years (1933: 133,000) the figure has attained again 460,000 in 1934: a sign of returning prosperity and a proof that ship-owners have faith in Britain's future.

It is easy to talk about England selling below "real" cost price, but Mr. Schindler's argument must appear to us merely as hot air. What does it concern us whether the amount we get in exchange buys a smaller or larger lump of gold as long as it has a very stable value compared with all other commodities and services?

His third article he calls "Internal boom as a result of devaluation," insinuating that the greater trade activity is due to a rush to buy things before they go up in price à la Germany in 1923/4!! Nothing could be farther from the truth. Trade activity is greater because the British policy has resulted in a stable measure of value since Sterling has been unchained from the vagaries of unstable gold. Has anybody ever heard of people here buying things in anticipation of higher prices? No, once more people have faith in Sterling and in their financial authorities.

Mr. Schindler then goes on to prove that people rush to buy houses and cars, yes, cars!, because they are frightened Sterling may lose in value!! Really and truly if the articles had not appeared in the N.Z.Z. as one of our foremost papers, no serious person would waste his time in discussing such statements.

Mr. Schindler is particularly badly informed with regard to the housing position. When before the really marvellous success of the War Loan conversion operations Government securities were on a 5% level mortgage loans were on a 6-6½% level, the policy of cheap money has brought about a 4½% level for housing. Naturally it takes some time for a new position to gather in *momentum* and this is partly why it is only in 1934 that the building activity shows such a tremendous increase. Then we have the really enormous expansion of our Building Societies which cater essentially for owner-occupied houses: they get their funds from the small thrifty people who would hardly deposit their savings if they feared a falling in value of Sterling. There is still a very great shortage of houses for working-class people and this together with the plans for slum-clearance could only be attacked in times of permanent cheap money conditions: so the authorities have for the last year or two made special efforts to bring about a larger supply of the small house type specially in demand. Does Mr. Schindler really believe that all this is self-deception, and running away from the Pound? Has he never read that very large amounts of capital are being invested in housing, not because of the fear of falling Sterling (the owners would be at perfect liberty to buy foreign currencies) but simply because the yield from houses is higher than from other investments? His argument that people buy cars because they are afraid of the future of Sterling is really too ridiculous.

Another entirely false allegation is Mr. Schindler's statement that the people in England tend to save less also on account of the "devalued Sterling." Has he ever troubled to look up the League of Nations statistics? He would have found that the Savings Banks *alone* (leaving out the building societies with their millions and millions of deposits and the far more general habit of paying life insurance premiums) show an increase from £432,000,000 on 31.12.1931, to £528,000,000 at the end of 1934: an increase of fully 22%. The same figures for Switzerland: from 2,386 millions to 2,687 million francs, 12½%. Neither amusement nor luxury industries thrive better than the general position would warrant: as a large part of the population lives in big towns there is a natural increase in cinema attendance.

Any ordinary observer would explain that the increase in tobacco consumption it due to the more general habit of women smoking nowadays. Does Mr. Schindler seriously contend that the ladies prefer to smoke rather than see a little of their pocket money lose in value on account of his bogey, currency "devaluation"??

Mr. Schindler is apparently of the opinion that England has deliberately "devalued" her currency and is still doing so. This was and is not the case. Considering that the Sterling bloc covers a far more important area than the 3 to 4 countries which are really still on gold (those with currency restrictions do not count here) and that world prices are and remain Sterling prices, Great Britain is not so vitally affected by fluctuations of foreign currencies and I should think that we hold only a fraction in foreign currencies of the amount held by foreigners in Sterling. If

even a small section of the public thought that our financial authorities deliberately "devalued" our unmuzzled press would soon write about it.

What does Mr. Schindler say to the fact that there are at present more people employed in Britain than at any other time during the last 10 years? that our budget is balanced, taxation is being reduced and would have been reduced considerably more if we had not to take heed of the foul political position on the Continent? If the gold countries had fared better he would certainly have given us a good many figures on these subjects; I am afraid that the devotion to the golden calf — which has lately run amok — has not been a paying proposition.

I do not know Mr. Schindler but as a guest in a country where there is much to admire, I do feel that responsible people should first of all inform themselves properly and then comment fairly upon a people which contributes so liberally to the livelihood of a large section of Swiss people at home.

Theo. H. Weber,

Cert. Associate of the Institute of Bankers.

EDITOR'S POSTBAG.

To the Editor of the Swiss Observer.

Sir,

You have sent me Mr. Weber's reply to the articles in the "N.Z.Z." by Dr. D. Schindler-Huber presumably with the intention that I should send same forward to Dr. Schindler; anyhow, I will do so. I would not presume to endeavour to answer for him, and I do not know whether an answer will be forthcoming; the style adopted by your correspondent is too much that of a Swiss who, enjoying the hospitality of this Country, assumes, as is so common in such cases and so amusing to real Britishers, the wrath and other characteristics of a super-Britisher.

Mr. Weber overlooks the fact that Dr. Schindler's articles constitute really a rejoinder to the sometimes open, frequently insinuating, but invariably contentious attacks on the Swiss Franc and upon Swiss credit, by the British press, and it makes one sad that a Swiss, I beg your pardon a super-Britisher, should find himself the chosen spokesman of Englishmen, not hesitating even to sneer, as he does in the second last paragraph of his letter, at the Swiss Franc. He has become so Anglicised that he quite obviously is not any more able to appreciate the essential difference in the British and Swiss economic structures. He should realise that Switzerland, without any raw material of its own, forced to purchase almost everything abroad, would find the effect of devaluation of the Swiss Franc catastrophic; an individual, whether he be British or Swiss, who fosters this idea should in my opinion anyhow, be considered as honestly mistaken or as an enemy of the Country. In the latter case he is probably a man in debt anxious to pay his creditor with a scrap of paper, or a man without a penny to his name. There may also be Banks here and there which profit by the nefarious activities of the Exchange Trafficker.

I am glad to be able to record that Englishmen of high standing and integrity have expressed themselves to the effect that the articles of Dr. Schindler are provocative of thought, without taking virulent exception to points, in connection with which it is conceded one might entertain different opinions.

Yours faithfully,

(Sig.) G. WUTHRICH.

FOOTBALL.

10th to 22nd April, 1935.

NATIONAL LEAGUE.

Grasshoppers	.....1	Locarno	.....1
Locarno	.....1	Basel	.....0
Nordstern	.....3	Concordia	.....2
Servette	.....0	Lugano	.....0
Chaux-de-Fonds	.....3	Young Fellows	.....0

The leaders in the National League continue to be: Servette, played 22, 34 points; Lausanne, played 22, 33 points; Lugano, played 23, 32 points. As Servette has yet to travel to Lugano, anything might happen and the interest in the championship remains at fever heat. Concordia, by losing to Nordstern are now 3 points behind Young Boys with three games to go. I am afraid they are doomed.

SWISS CUP SEMI-FINALS.

Bern	.....1	Lausanne	.....2
Nordstern	.....3	Basel	.....2

Of the two favourites only Lausanne succeeded, Basel losing to their local rivals; both games were decided in the first half, when Lausanne led by 2 goals to nil and Nordstern by 3:1. Lausanne have a chance to pull off the double, League championship and Cup, but will they?

INTERNATIONALS.

SWITZERLAND	.....6	HUNGARY	.....2
Franche Comté	.....2	Switzerland B	.....1