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is a question now taxing the ability of Switzerland's governmental planners.

Outwardly, the controls which the Swiss Government has been obliged to impose upon its people seem not unlike those decreed by their Axis neighbours. The courageous complacency with which they are borne by the Swiss folk is tempered by an understanding that sustains all free peoples. However rigorous they may seem, the Swiss realize that these restrictions are only temporary. Under dictatorship, they become the everyday policy of ruthless overlords. One senses that in the large extent to which she has submitted temporarily to strong centralized economic control is Switzerland seeking to do her part in strengthening democracy's hand everywhere.

As an industrial nation, Switzerland naturally is aware of the ruthless obstacle a victorious Germany would present in the quest for postwar markets. Switzerland's willingness to bear these wartime restrictions unflinchingly is the national expression of a collective will to help hasten the day of freedom toward which the democracies are striving.

SWITZERLAND ENCIRCLED.

(*"Economist,"* 12th July, 1941.)

Landlocked Switzerland is rapidly losing the measure of economic independence the country still enjoyed, in spite of the war, before the collapse of France. Outwardly, there is hardly any change in the "war economy" that was organised in Switzerland at the beginning of the war. Then, large stocks of foodstuffs and raw materials prevented serious difficulties; but now these stocks are disappearing, and industrial self-sufficiency is not possible in a mountainous country without coal, iron or metal resources. In order to be self-sufficient in cereals alone, Switzerland would need to double the area at present under cultivation, which would take five years at least. Lack of feeding-stuffs has resulted already in a reduction of the cattle and pig population, and the fat content of margarine has had to be reduced from 84 per cent. to 75 per cent. In general, Swiss industry is caught between two fears. On the one hand, the elaborate organisation of the "war economy" is thought to be a menace to private industry; on the other hand, without it, German economic penetration would find no obstacle. So far, the interdependence of Swiss and German capital and industry has prevented direct German economic penetration. There are a number of Swiss holding and manufacturing concerns which have large capital interests in German and other European concerns. Because of the country's strong capital position, Swiss reinsurance companies have played an important part in Europe's insurance industry. The war, however, has ended the valuable tourist industry. Tourist arrivals from foreign countries fell from 1,000,536 in 1939 to 130,397 in 1940. Swiss income from capital investments in foreign countries is also decreasing, and a good many companies operating in German occupied countries are paying no dividends.

Formally, Switzerland's economy remains independent. But the domination of Swiss foreign trade

by Germany and Italy make this independence precarious. The value of foreign trade has moved as follows:—

(Millions of Swiss Francs)			
1938.....	1,607	1,317	
1939.....	1,889	1,298	
1940.....	1,854	1,316	
1940 First Quarter	614	331*	
1941 " "	448	326	

* The heavy increase in world prices following the outbreak of war is of course omitted from these figures. (Ed. S.O.)

From July to October, 1940, exports exceeded imports, and the import difficulties are clearly shown by the further fall in the first quarter of 1941.

The most significant changes, however, have been in the direction of foreign trade. The shares of European and overseas countries in the first quarters of the years from 1939 to 1941 are shown in the following table as percentages of total trade:—

	Imports from		Exports to	
	Continent	Overseas	Continent	Overseas
First Quarter 1939	76.8	23.2	76.4	23.6
" " 1940	64.5	35.5	70.2	29.8
" " 1941	90.0	10.0	80.9	19.1

Before the collapse of France, Germany's share in Switzerland's foreign trade actually fell. Since July 1940, British and French commodities have practically disappeared from the Swiss market, and American goods have become very scarce. Swiss exports to overseas countries, however, are still substantial. Since the Axis occupation of Yugoslavia and Greece, shipping difficulties have increased, however — Switzerland chartered Yugoslav and Greek ships — and the creation of a Swiss merchant navy has made little headway.

There is no competition to German goods in Switzerland; only Italy and Sweden are also still offering goods in quantities comparable to pre-war imports. If Germany decided to end Swiss industrial activity or to put pressure on the country, the suspension of sales of coal and iron and steel manufactures would be sufficient. Germany and Italy easily succeeded in securing autonomy for their transit traffic through Switzerland. The principle of the Central Clearing through Berlin has been accepted for Switzerland's foreign trade with Belgium, Holland and Norway. Swiss objections to German agents trying to negotiate trade transactions between Switzerland and German occupied countries have not been successful.

Acute shortages of feeding-stuffs, fats, coal, petrol, metals and textile materials have to be met by rationing and by the creation of substitute industries. Plants for the sugarisation of wood for feeding-stuffs have been in operation since 1940. Electric power plants are rapidly being expanded, and wood-gas generators are extensively used in motor-cars. Disused mines in the Jura mountains have been reopened. The production of cellulose has been increased, and factories for the manufacture of cellwool after the German model are under construction. In the textile industry, Germany has used her position as the leading producer of cellwool to obtain a reduction in import duties, whereas before the war Switzerland persistently resisted this demand.

It is not surprising that industrial construction during the first months of 1941 was above the level of the first quarter of 1940. Residential building, however, declined by 50 per cent. The engineering and metal industries are working on orders from Germany and German occupied countries, and attempts are being made to keep up exports of textile goods. In April, unemployment amounted to 7,853 fully unemployed against 9,582 in April 1940. Yet 9,500 workers are employed in emergency public works, in the labour service or in training centres — the majority are employed in building roads.

At the end of May, 1941, the index of wholesale prices had increased by 62.9 per cent. from the level of August, 1939, and the index of the cost of living had risen by 23 per cent. The wages of roughly three-quarters of the workers have been increased since the beginning of the war — by some 6 per cent. on the average. This compares unfavourably with the general increase in prices and the wartime increase in income tax of 16.5 per cent. The real wages of the workers have thus fallen considerably.

Switzerland's financial situation shows the familiar signs of "war economy." The Budget deficit in 1940 was 845.5 million francs. Emergency expenditure was 1,165 million francs; national defence required 175.5 million francs and mobilisation 864.8 million francs. Additional wartime taxation yielded only 304.6 million francs. Since the start of the war, total notes in circulation have increased from 1,723 million francs to 2,095 million francs. The hoarding of notes, which was widespread at the beginning of the war, has diminished gradually. Average interest rates showed a tendency to rise, and official policy tried to counteract it by a reduction in the bank rate from 1.5 per cent. to 1.25 per cent. Price increases and great financial liquidity have created a widespread fear of inflation.

ENGLISH NEWS IN SWITZERLAND.

The following correspondence appeared in "The Times," July 22nd. It seems a pity that no steps are being undertaken to remedy this state of affairs.

We have heard a good deal recently about the Ministry of Information: the criticisms passed upon its competence have not always been complimentary. Perhaps with some reason. The following extracts from a letter received lately from a Swiss friend of mine may be worth attention. He writes:—

English news is very scarce; more strictly speaking, news about England is scarce, being limited to official bulletins, while English news is non-existent. English newspapers are unobtainable; and the wireless which we used to get splendidly at 9 p.m. till this spring, does not come through since the wavelength was altered. All English stations seem to be systematically blocked by German concerts, which we prefer to do without. The R.A.F. would be usefully employed in dropping newspapers (not leaflets). Our (Swiss) newspapers are flooded with German and Italian *communiqués*; what we pine for is something convincingly true. Anyhow, there is nothing certain to go upon, only propaganda — proper for geese!

ONLY NEUTRAL CITY IN THE WORLD.

(Under this heading "Everybody's Weekly," of July 19th, publishes the following data about Bern's colourful history; attractive illustrations accompany the article.)

On a sunny April morning in 1191 Berchtold, fifth Duke of Zähringen, marked with his sword point a large cross upon the mountainside.

"Here," he said, "I will build a stronghold that shall for ever stem the hordes of envious bandits."

That very day the work was started. Men dug a huge moat about the site, and others toiled up the steep pass with hewn slabs of stone. Before many months had passed, a giant castle stood proudly against the sky — and it stands to-day, as sturdy as ever, but now it is called the Nydeck Palace, and its site is the Square of Justice in Berne, capital of Switzerland.

Prince Bismarck called Berne the "only neutral city in the world." And Laval himself, speaking in 1939, confessed that "Switzerland is the only nation of which it may be said here is neutrality undefiled."

But before we consider modern Berne, with all its fascinating byeways, trades, and privileges, it is as well to take one more peep into the past — into a wintry evening when the castle was still in its 'teens, when the aged Duke was haunted by tales of a terrible bear that ravaged the countryside.

Berchtold, despite his years donned armour, buckled on his sword, and rode away on his charger to slay the ravager. They met, near the castle walls, and after a terrible struggle the monster was slain.

From that day until this the town has been known as Berne (the Swiss word for bear) and it is impossible to walk through its streets and parks without seeing some monument to the Duke's victim.

For the past seven hundred years, a bear pit has been kept in the city, at the public expense, in memory of the ducal exploit. The first seal of the city, in 1224, bore a bear's head. And, since the fourteenth century, two mechanical bears have together tapped out the hours in the old clock tower.

Most of the city's printing presses bear the imprint of a bear, and the art shops are even to-day crammed with brass bears, tin bears, silver bears and golden bears. Bears look down at you from the cinema walls, and bears look down at you from the niches of the ancient Gothic cathedral.

Berne has always been the stronghold of Freedom. It became a free imperial city in 1218, and from 1288 until 1339 it waged unceasing war against the dictator Rudolph of Hapsburg.

In 1528 it took the side of the free churches against the autocracy of the Papacy, and it was not until 1798 that fifth columnists opened the gates to Napoleon, and thereby lost half their possessions.

How did Switzerland come to be the home of neutrality, the great stronghold of non-intervention which even Nazi Germany has so far respected?

Actually it was England that gave Switzerland her historic neutrality, for in 1815, at the Congress of Vienna, Napoleon having been defeated, Prince Metternich proposed that part of Switzerland be given to Austria.

The English foreign secretary protested and counter-claimed that Swiss soil should be forever