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## SWITZERLAND'S SERIOUS FINANCIAL POSITION.

By Dr. H. BÜCHI (Translation)

It is astonishing what a small part financial problems play in war-time public discussions. One reads about military, economic, spiritual and lately even about psychological defence. Is this a good or a bad sign? It seems permissible to draw the conclusion that the general confidence in the country's government, with regard hereto, is so great that discussions on this question seem superfluous. Or is there a certain ostrich-like attitude in face of the sinister figures of finance which since the outbreak of war characterize the published budgets. Are we concerned here with anxieties which people believe can and must be deferred in view of the more burning questions of the day?

It would not be easy to give the correct answers to these queries. What is more certain is that the Swiss public occasionally only takes notice of the financial situation and prospects when these come under an especially strong light. This is the case at the present moment and in two ways: in the appearance of the Federal budget for the year 1942 and the coming into force of the purchase tax since October 1st.

The Federal budget for 1942 may certainly occasion alarm on account of the figures given, yet more so because of what is not given. At first glance the budget might have a soothing effect on seeing that the appeal made a long time ago to economize and to reduce the figures on both sides of the account has evidently been heeded. Thus, comparable with the 528.5 million francs expenditure and the 444.9 million revenue for 1941 we now find 479.7 and 371 millions respectively. Reflections arise when the record deficit of nearly 109 million francs is realized, a considerably higher amount than the 84 millions computed in the 1941 estimate. More bewildering is the admission that this huge deficit is attributable less to an increase in expenditure — which in view of the many unavoidable war-time allocations and subsidies could hardly suffer a notable reduction — than to the anticipated decline in the most important sources of revenue above all in the customs receipts which form the backbone of the fiscal policy of the Confederation.

These figures represent the debit and credit items only within the ordinary or normal framework of our administration; side by side with this "household account" are the extraordinary expenses imposing a somewhat alarming contemplation. The total of this extraordinary expenditure (credits for the up-keep of the army, national defence, war establishment, provision of work, etc.) amounts to 1,340 million francs gross or 1,010 million nett if the expected revenue from defence contributions, war profit tax, purchase tax, etc., is deducted. This of course, presupposes that the present strength of mobilization is maintained throughout the year.

In order to illustrate and stress the need for the strictest economy and restraint a statement is issued showing the heavy obligations contracted by the Confederation. By the end of 1942 we shall have spent for defence and active service 4,631 million francs. The ordinary indebtedness is 1,539 million and when the total war expenditure to end 1942 (3,101 million) is added the total debts of the Confederation reach something like 4,640 million francs and this does not in-

clude about 3,000 million owing by the Federal Railways. To complete the picture the steadily increasing indebtedness of the cantons, towns and communes cannot be left out of the reckoning.

In view of the seriousness of the situation an early abatement may be expected of the storm which has been raised by the socialists about the purchase or turn-over tax. This unpopular and unheard-of levy has come into force at a time when the minds were already agitated and perturbed over the steady rise in prices. The turn-over tax by which primarily 3% are charged to the wholesaler is expected to increase retail prices by 2% only. The proceeds of the tax are earmarked to gradually write off the extra-ordinary war expenses for which latter purpose the military exemption duty (*Militärsteuer*) has already been doubled and a higher rate of the war profits tax is still under consideration. Wealth and higher income have so far carried and brunt of the taxation but the purchase tax distributes the burden evenly the more so as vital articles of daily requirements (bread, milk, cheese, butter, etc.) are exempted. Switzerland is the last country which has enacted this tax; it is calculated at an exceedingly low rate and its collection requires no complicated administrative machinery. In spite of protests the Federal Council can hardly contemplate dropping this tax as the redemption of the extraordinary expenditure will necessitate a prolonged amortization period, moreover fresh war expenditure during the coming year may call for further financial measures.

## THE BICENTENARY OF DANIEL JEANRICHARD.

(*"Swiss Industry and Trade,"* August-Sept. 1941.)

During the beautiful mid-summer days of June, the Jura region and the town of Le Locle celebrated the bicentenary of the death in 1741 of Daniel Jeanrichard, founder of the Swiss watch industry.

Jeanrichard was a creator and a pioneer, who never dreamed of the historical and economic consequences of his work. How surprised he would be — even though during his life he was never apt to be surprised at anything — if he could return to earth now, in 1941, and see the technical perfection and elegance of the Swiss-made watch, the great factories which have been built in the places he knew and where he founded his small family workshop. How he would rejoice to know the reputation and ever-growing importance of Swiss watches on world markets.

Daniel Jeanrichard was a creator... a pioneer...

His story which is also that of the origin of Swiss watchcraft, is well-known; a portrait by the Swiss painter Bachelin, recalls him constantly to our memory, and a monument commemorating his work has been raised in Le Locle, centre of the industry he founded.

It is true that in the second half of the XVIIth century, watches were already being manufactured in various parts of Europe: at Blois in France, in Southern Germany. But, together with Peter Henlein, Daniel Jeanrichard's chief merit lies in having made of the watch an object of universal utility, in vulgarizing its use. In the middle of the XVIIth century, the population of the Jura region — soon to become a population of watch craftsmen thanks to Jeanrichard — consisted of small land owners living on the produce