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Autor: [s.n.]
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Swiss Boom and Foreign Labour

AT THE BEGINNING of 1964, Switzerland was forced to introduce an economic stabilisation programme. The inflationary impulses of the economic boom had become so strong that the Government took special measures. The three basic sectors were: the money and capital market (blocking foreign money, limiting the growth of credit; controlling capital issues); the building sector (limitation of building by the introduction of building licences); and the labour market (stabilisation of the number of foreign workers at a level of about 700,000). The aim—as the “Annual Financial and Commercial Review” put it—Stability.

On 28th February last, the Swiss electorate was asked whether the restrictions imposed by the Government to stop the rising cost of living, inflation and the stabilisation of the labour market, should be continued for another year. An atmosphere of tension and confusion reigned because the experts themselves disagreed publicly on economic issues too complex for the average man to understand. The “sovereign,” i.e. the citizens, supported the Government in this nation-wide Referendum and accepted proposals which, for the purpose of voting, were grouped in two categories. The first, credits, was accepted by 526,616 to 385,750, and the second, restriction on building, by 507,728 to 406,299 voters.

The confusion by no means lessened after polling. The “*Neue Zürcher Zeitung*” which had been wholeheartedly behind the Government, said that the electorate had stood the test and had given the measures the necessary moral authority. The “*Volksrecht*” called the result of the plebiscite a victory of reason. The “*Ostschweiz*” of St Gall called it a victory of the quiet in the country and praised the confidence shown in the Government, though warning of what might happen if this confidence were disappointed. The “*Neue Berner Zeitung*” considered the result proof of maturity, but urged further action. The “*Basler Nachrichten*” called the outcome of the plebiscite a victory of sober considerations and a proof of the readiness to make sacrifices. The “*Luzerner Neueste Nachrichten*” wrote about confidence in the Federal Council. The “*Tages Anzeiger*” said that the hammer did not hit the rising cost of living and asked what would have happened if the foreign labour question had not been introduced into the campaign.

The “*Tat*” called the result a Pyrrhus Victory and was of the opinion that the one thing which would not be achieved is a successful fight against increased cost of living. The “*National Zeitung*” of Basle which had opposed the restrictions energetically all along the line, believed that slogans had won and predicted great disappointment once the storm of the artificially curbed price increase would break loose in the framework of the restricted economy. The “*Schaffhauser Nachrichten*” had also opposed the Government’s programme. It judged the result as creating

a provisorium and that the electorate had obviously agreed in the hope that the economic policy of the State would be successful.

The "Gewerkschaftskorrespondenz" believed the Swiss people had expressed their unmistakable will that the fight against the rising cost of living was dearer to them than a visionary ideology of growth. The "Trumpf Buur" (Aktion für freie Meinungsbildung), described the greatness of the Swiss voting democracy that the people themselves have to bear the consequences of their own decisions. Every group sees in the restrictions their own instrument for improvement. But why have such an instrument at all? In all other countries of Europe where such instruments have been used, the cost of living has gone up from between 26% in Germany and 40% in Great Britain, to 60% in Italy, whilst in Switzerland, the increase has "only" been 24% in the same period.

A member of the Swiss committee against the restrictions, Regierungsrat Dr Albert Scherrer, St Gall, expressed disappointment but called to mind the saying that one can lose a battle and yet win the war.

In many quarters it was maintained that every Swiss who had taken the liberty of saying "no" was a speculator, a representative of vested interests or—as was stated by a speaker on the radio—"an overeating Swiss who needs a slimming diet."

Responsible voices go on criticising the restrictions. Amongst them are several professors of economics, Prof. Kueng (Berne), Prof. Salin (Basle) and Prof. Kneschaurek (St Gall). The credit measures, they maintain, will harm the reputation of the country as an international centre of finance and will have serious repercussions on commerce and trade. At the meeting of the Swiss insurance companies, the Chairman of the General Management of the Swiss Credit Bank, Dr E. Reinhardt, referred to the barrier of growing discrimination Swiss industry has to fight on important foreign markets. He considered that "Boom political instruments" are unnecessary and should only be used in times of real vital danger.

Economy is an organism which carries its own regulating powers. Many opponents refer to experiences all over the world which speak in favour of a liberalised economy and the limiting of state intervention for national emergencies. They also point out that the Federal Council, as late as 1962 (Federal Councillor Schaffner at the opening of the MUBA) was opposed to State measures of the very kind which have now been taken.

Since the plebiscite four months have passed, and what are the changes -- if any? The follow-on programme of the Federal Council has still not been published (on going to press at the end of June), and a certain uneasiness exists. The Federal Councillor asked for patience through Federal Councillor Schaffner at a meeting of the Geneva Chamber of Commerce. It is speculated that the programme will be used as a gentle retrenchment in the

the measures taken, in other words to camouflage retreat. A sign that the Federal Council is aware of the difficult situation is that two federal loans which should have been converted by the end of June will be converted gradually in order to spare the tightened capital market.

As regard the building restrictions, it must be said that they are decisively dependent on the credit measures. Thus what building has been stopped is mainly due to lack of capital, and this will result in all the greater building activities the moment the restrictions are lifted. Shortly after they came into being, measures had to be taken already by the federal authorities to artificially stimulate housing construction.

On 28th April, a conference took place in Berne at which the Federal Council discussed the boom problems with the cantonal Governments. Federal Councillor Schaffner talked on the economic situation with special reference to the plebiscite, and Federal Councillor Bonvin dealt with finance and present and future obligations by the Confederation. A smaller conference is to study the question of forming a special commission of cantonal representatives to deal with boom policy questions. Federal Councillor von Moos talked about land speculation and Federal Councillor Wahlen opened the discussion on the relation between foreign diplomatic mission and the cantonal Governments.

The terms of reference of the "Commission for Boom Observation" have been extended, and some more scientists have been included. The name has been altered to "Commission for Boom Questions."

This commission reported on 10th June that the rise in the economic boom had definitely been slowed down. Building projects had been cut and import values had been reduced more than export values. The consumer price index has fallen from 3 to 2.2%. The growth of credit has been arrested. On the other hand, the Bank Council of the Swiss National Bank stated that the Swiss boom, generally speaking was still on the same high level, and that export, production and consumption had further increased.

The Federation of the Swiss Import Trade questioned 165 selected firms whether the restrictions had affected them. 31% said yes, 64% answered no, and 5% abstained. Smaller turnovers are reported from the office furniture and machine trade, from steel and iron, machinery and tool trades as well as building materials. Personnel restrictions caused more difficulties.

The two restrictions regarding building and credits concern constitutional law and had to be submitted to the electorate. Incidentally, amongst others, the Basle Chamber of Commerce warned of the danger of having them permanently anchored in Federal Law or even the Constitution. The third measure concerning foreign labour falls under the sole competence of the Federal Council. These regulations came into force on 1st March. Accord-

ing to them, undertakings employing fewer than eleven foreigners had to reduce their foreign contingent by 5% by the end of June. A further reduction of 5% will be made in 1966, which, however, will be more elastic and include commuting workers from near the Swiss border, seasonal workers and workers on alpine building sites. Cantonal and local authorities and private firms have complained, and at the Trade Union Congress in May it was pointed out that considerable hardship had been caused in many firms. In the long run the restrictions would lead to complete paralysis in the labour market.

(To be concluded in the next issue)

(News contained in this article apart from sources already mentioned, was received by courtesy of Agence Telegraphique Suisse)

News of the Colony

Auckland Swiss Club

Who is still riding on the joke, "Switzerland has no Navy?"

Yet another vessel of our Swiss Merchantile Fleet of about 25 ships, the "Cruzeiro Do Sol" 13 TDW, chartered from the Shaw Savill Line and sailing at present under the Liberian flag, arrived in Auckland on 22nd August, and unloaded cargo from all ports of the seven seas.

Of the crew and officers about 20 were Swiss Nationals. On boarding the ship, we met the same friendly welcome as on the "Allobrogia" just over a year ago, bringing back gay memories of the great party we landlubbers had with the Swiss Navy!

The ship later sailed to Wellington on 8th September to take on further cargo. From there on it will sail again, under the Swiss flag and with a new name "Castasegna," towards Australia and Japan.

Good sailing and best wishes!

—H.B.M.

HAMILTON SWISS CLUB

Mr Walter Risi of Ngaruawahia has left for Australia where he was once again asked to judge the pig section at the Royal Show in Melbourne—a great honour indeed.

Miss Marianne Oettli, daughter of Mr and Mrs H. Oettli, Rukuhia, was judged the best first year practical nurse.

Congratulations — we are very proud of our members.

News from the Embassy

Mr J. P. Weber, Charge d'Affaires of Switzerland and Mrs Weber have returned to the Embassy after their sojourn in Switzerland.