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WHY THE SWISS SUCCEED.

By WILLIAM CLARK.

(The following article is reprinted from the January 8th issue, 1950, of "THE OBSERVER", by courtesy of the Editor.)

The first impression of any British traveller who collects enough hard currency to visit Switzerland must be one of wealth and well-distributed prosperity. The narrow streets are over-filled with 1949 models of American cars, together with a few of the more expensive British types; the shop windows display an enormous variety of goods which, to judge from the crowds in the shops, are within the means of the ordinary man. There are other more technical signs of solid prosperity. Alone amongst the West European nations, the Swiss did not devalue at all last summer. Indeed the Swiss franc cannot merely look the dollar in the face — it can outstare it, for the dollar often sells at a discount on the free market in Zürich.

Inevitably the envious question arises: What have the Swiss got that we do not have in Britain? The answer is not obvious: Unlike the United States — their rivals in success — the Swiss have no mass home market and few natural resources. Like ourselves, they have to import most of their food and almost all their raw materials. Less fortunate than we, they have no outlet to the sea, and so no cheap methods of transport.

Tourists.

The British visitor is inclined to believe that he is essential, and that Switzerland will be ruined if devaluation stops the flow of visitors. But in fact the tourist industry employs only 4 per cent. of the population, and provides less than 18 per cent. of the national earnings of foreign currency, thus falling below the machine industry, banking and insurance. The big luxury hotels have been on the rocks since the 1930's, but they are a tiny fraction of the whole hotel industry — fewer than 30 hotels can be described as real luxury establishments, catering for more than 200 people each.

Part of their prosperity the Swiss attribute frankly to avoiding two world wars, but they are quick to point out that this was done at considerable cost. As you drive through Switzerland to-day you can see let into every bridge iron plates, which at an hour's notice can be fitted with a charge to blow up the road. There has long been universal military service in Switzerland, and from 1940 to 1945 practically the whole adult male population was called up for military service for periods. Plans were laid, had Germany invaded, to abandon all the main cities of Switzerland — Zürich, Berne, Geneva — and to withdraw fighting into the mountains.

A few thoughtful Swiss will tell you that their national well-being is bound up with the very smallness of their country. They are proud of it, pointing out that Switzerland's very existence depends on the historical refusal of the cantons to be absorbed into the big nation-States which took shape on her borders.

An important key to Switzerland's prosperous efficiency is certainly the smallness of her home market. Throughout our period of industrial supremacy, Britain manufactured for the home market and exported the surplus; Switzerland, on the other hand, manufactured for the world market and con-

sumed the surplus at home. For instance, in the watch trade the Swiss have long exported over 90 per cent. of their total product. They were, therefore, kept constantly aware of world prices, and were never able by protection of restriction to shelter their industries from competition.

Watches.

At the same time the absence of raw materials and of cheap bulk transport have strictly limited the type of goods in which Switzerland could be competitive. They have to be light goods, in which the cost of raw materials is relatively small and the cost of labour high. Thus a ton of steel costs only a few pounds to import, but the export of a ton of watches made from it would bring in several hundred thousand pounds.

The importance to Swiss industry of this highly skilled labour has made the labour force surprisingly conscious of its responsibilities. Every effort is made by technical education to maintain and improve these skills, and the worker takes a great pride in his work. Wages are about comparable with those paid in England, but the 48-hour week is universal throughout industry. Civil Servants' hours are 7.30 a.m.-6 p.m. in summer and 8 a.m.-6 p.m. in winter.

Factory and Farm.

But the most striking feature of Swiss industry is the absence of a proletariat. The Swiss worker feels himself to be of the middle-class. His wages are one reason; another is that to a considerable extent Switzerland is a property-owning democracy. Since the seventeenth century, Swiss industry has been powered by water (now hydro-electric), so that factories have grown up scattered along narrow valleys, not in vast agglomerations of smoky cities. Hence the industrial worker, even to-day, is very often part small-holder; he may live with his family in the country on a farm, and at most a mile from his factory. Being a property-owner has not prevented him from voting Socialist — but it has prevented the Socialist Party (the largest party in Switzerland) from attacking private enterprise as such, or indeed from taking a line much further to the Left than that of British Liberals before 1914.

There is certainly much that we in Britain could learn from Swiss methods; they are an almost perfect example of adaptation to the demands of an exporting nation. Any Swiss executive expects to spend several months abroad studying the markets and methods in foreign countries. As a result, capital equipment — largely produced in Switzerland — is constantly being renewed and brought up to date, and prices adjusted to suit changed markets. In fact, the Swiss domestic economy is so closely geared to the world market that most Swiss workers are aware of the relation between their industry's competitive prices and their personal prosperity.

Even a brief view of the export arrangements in Swiss industry raises the question whether we in Britain are right to concentrate on studying American methods so exclusively that no official study at all has been made of Swiss industry. It is true that United States industry is wonderfully productive, but so is Swiss industry, and its concern, like ours, is primarily with the export market. It might be worth our while to send a few fact-finding committees less far afield than New York and Chicago, to study the methods of firms in Basle, Zürich, and Geneva.