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# Lessons the Swiss can teach

A recent publication of the Club of Rome, *Road Maps to the Future*, states: The Swiss 'system is unexciting, lacking in glamour, unattractive to the young, and not very newsworthy ...'

However, the author goes on to present Switzerland as a paradigm, claiming that the system works and has been working for quite a while. It is clearly one of the key causes of the country's prosperity.

After this quotation I might be tempted to proceed to the conclusion that others should emulate our example. Unfortunately, however, no such easy option exists, since my country's institutions are tailor-made for a small nation with the historical peculiarities of Switzerland. Therefore, in my opinion, they are neither readily exportable nor easily imitable.

A few specific remarks, however, on the nature of the relationship that we have forged between government and business may be of general interest. After all, to take the USA and Switzerland, both of these countries are anchored in the tradition of freedom and have repeatedly influenced each other. And both have risen – on a path of unparalleled success – from poverty to being the wealthiest nations on earth.

It is often alleged today that this phenomenal growth took place at the expense of the weak and powerless in an atmosphere of unbridled capitalism. This

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observation is true of neither of the two countries.

In Switzerland, in any case, consideration has constantly been given to our fellow citizens, our confederates – as we always call and regard them.

The state has never been considered an enemy, not even a necessary evil, but rather an indispensable instrument of order. This is still the case today.

But by this 'state' not the confederation, i.e. the central government, was or is meant, but rather the regional authorities – the Swiss cantons, which still fulfill genuine state functions.

They are, for example, responsible – together with the local communities – for education, relief and care of the poor, road construction, building regulations, a large part of the electricity supply, and for Switzerland's only state banks, the cantonal banks.

This vigorous and decentralised governmental activity helps to train the citizen in practical politics. It promotes sobriety and common sense in public life. Slogans and popularistic promises are dashed upon the wall of visible reality.

This Swiss experience with decentralised government may contain a lesson that is applicable to the USA, too.

Two world wars and the resulting upheavals in the social structure have led in Switzerland – as in other countries – to a considerable concentration of power in the federal government.

The share of taxes, including social insurance contributions, has risen in Switzerland from 19.3 per cent in 1950 to 34 per cent, thus reaching a level that, according to the Australian economist Colin G. Clark, begins to be dangerous in market-oriented economies.

In point of fact, since the end of the Second World War, old age and disability insurance has become a federal matter. The same applies to unemployment rate of 0.1 per cent, this latter is of little account.

The Swiss Constitution's so-called Economic Articles, which commit the federal government to maintaining reasonable

employment levels contributed to greatly strengthening the central government's influence on economic and social life.

Similarly, the famous Swiss institution of popular initiatives, often successfully exploited by demagogues, has operated in a like direction, and an additional tendency to favour state intervention has emanated from the Swiss system of permanent coalition governments with their constant bargaining for compromises.

It seems to me that these two instruments of Swiss political life – at least as they are being applied today – do not constitute good export products, and are particularly unsuitable for large countries with more complex structures than ours.

\*From a talk given at the International Industrial Congress in San Francisco.

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