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Switzerland report
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Executive Summary

In this executive summary, we would like to focus on what has changed in the period under review as compared with the last report. The first overall impression derived from this stock-taking is one of a considerable amount of stability. In certain respects little has changed. That applies to the overall quality of democracy, the policy-specific performance and the management structures. By implication not only the advantages, but also the disadvantages have been preserved. For example, with regard to quality of democracy Switzerland is undoubtedly a stable and successful democracy, based on the broad support of citizens who in comparative perspective are extremely satisfied with their democracy. On the other hand, as with every other modern Western society, Switzerland is plagued by right-wing populism and a certain amount of xenophobia. With regard to policy performance, Switzerland’s competitiveness must be regarded as high. Unemployment is low, public finances are in extremely good shape, the welfare state is still sustainable and the system of education is excellent. However, some preconditions of these successes are eroding – for example, the ability to affect labor supply through the flexible control of worker in- and outmigration rates, or the presence of sufficient growth rates to sustain social policies in an aging society. Likewise, the formal and informal coordination and cooperation of most of the political and socioeconomic elites has allowed for the successful functioning of a negotiation democracy; this in turn works for the benefit of the citizens by maintaining a lean state and federal administration. Professionalization of the political and administrative elite is somewhat limited, as the part-time political mandate is widespread, although the militia system features a professional administration at all levels. Coordination is in fact frequently negative – a process of successful muddling-through without active involvement on the part of other players – rather than positive. Very recently, a commission issued a report detailing the deplorable performance of the federal government when coping with challenges such as the U.S. demand for cooperation in fighting tax fraud. Rather than developing a common strategy, federal government ministries did not behave in an active and coordinated manner, the report argued. Apart from the remarkable degree of continuity, there also were a number of path-dependent changes:

(1) Switzerland’s policy decisions led to increased tension with the international human rights regime. One of the changes prompting considerable attention outside Switzerland was the decision by
citizens to ban the building of new minarets. This was not the first popular vote decision conflicting with human rights standards. Nor is it the first popular vote won by a right-wing populist advocacy coalition. However, it may lead to a decision by the European Court of Human Rights forcing Switzerland to abandon the minaret ban. This could create major tensions between Swiss citizens insisting on the sovereignty of the Swiss people through popular votes and the commitments Switzerland has accepted in the course of its international integration. The problem with this issue is twofold. On the one hand, it is an institutional problem with regard to the structure of popular initiatives. There is an old liberal tradition in Switzerland that avoids declaring popular initiatives to be unconstitutional or incompatible with international law, relying instead on the “common sense” of the people. This time it did not work out in the way the elite might have wished. Parliament is now focused on the issue, and has discussed two potential options in response: first, instituting a process of heightened legal review for popular initiatives, and second, being more careful in offering counterproposals that would reduce the chances of success of controversial popular initiatives. On the other hand, there is a problem of substance: The unexpected success of the minaret initiative was a symbolic expression of uneasiness with some of the problems related to the multicultural aspects of Swiss society.

(2) Changing patterns of immigration have led to increasing conflict. For decades, Switzerland has been dependent on a flexible inflow both of highly qualified and low-skilled employees. Hence, the recruitment pattern for foreign labor was always bimodal, showing strong overrepresentation of foreigners at the bottom and top of the job hierarchy. According to a Berner Zeitung report on June 1, 2010, about 45% of leading management positions and about 45% of university chairs were staffed with foreigners, with a disproportionate share of Germans. Similar figures may be found in the health care sector (medical doctors and skilled nursing personnel). These labor inflows relieved Switzerland from the burden of paying for the training and education of a large segment of its highly skilled labor force. In addition, with regard to all foreign workers, this flexibility helped to alleviate pressure on the welfare state, since the nation’s demographic profile was shifted toward a younger population and a population with high employment participation rate. This said, recent decisions to recruit new, high-skilled immigrants from EU countries has further increased the share of highly qualified foreign employees, and has helped to create a new protectionist coalition. In the past, opposition to immigration came largely from lower-class Swiss
Switzerland citizens, who felt themselves to be in competition with foreign workers in the arenas of employment, housing and education. The new immigration patterns have increased competition felt by middle-class Swiss citizens, who have hitherto enjoyed almost unchallenged status and employment opportunities. In this regard, it comes as no surprise that one of the leading figures in the recent anti-German movement is a left-libertarian leading Social Democrat.

(3) Banking secrecy has become increasingly problematic. During the past two years, under pressure by the OECD, European Union and the United States, Switzerland has had to substantially relax its rules on banking secrecy, which had helped foreigners hide money in Switzerland in order to avoid home-country taxation. Given that banking secrecy constitutes a core element of Swiss identity and pride, this was a dramatic change. The decline of banking secrecy offered a stark contrast to the dominant national discourse, which argues that Switzerland can pursue autonomous and smart strategies in a globalized world by occupying policy niches left open by the great powers. The traditional discourse of sovereignty through intelligence increasingly conflicts with the realities of an integrated Europe, in which neighboring countries increasingly sanction Swiss free-riding.

(4) The crisis of 2008 – 2009 was successfully weathered, by muddling through. When the worst economic crisis since the 1930s hit Switzerland, it hit a country that was in a good shape with regard to employment, competitiveness, taxes, welfare state sustainability and public finances.

In the field of finance, Switzerland reacted to the crisis by providing market-oriented support to its major bank – UBS – via loans given by the Swiss National Bank and the federal government. This deal was based on public money, and any losses would have had to be borne by the Swiss National Bank and federal government. Fortunately, losses did not emerge. Here again, a pattern of pragmatic, statist and successful public intervention into the economy can be observed, as described as long as 50 years ago by Erich Gruner (1964). This stands in stark contrast to the liberal self-description of the Swiss government and its formerly leading liberal party (the Radical Free Democratic Party, FDP).

With respect to economic stimulus, the Swiss government developed a very modest fiscal package, one of the smallest in the OECD world. No political majorities emerged to advocate expansion of the package in such a way that it could trigger a substantial increase in domestic
demand. Rather, the hope was that nations such as the United States, which were forced to extend expenditure substantially due to their sheer size, would offer the European countries an opportunity for free riding.

(5) In the period under review, Switzerland normalized further with regard to two of its basic institutional characteristics (for the notion of normalization rather than erosion see Vatter 2008), namely consociational democracy and corporatism. The extent of consociational democracy was mainly reduced through the deliberate strategies of the right-wing populist Swiss People’s Party (SVP), which shaped its profile by populist attacks on the other major parties. These parties had honored rules of decent behavior and mutual respect, without which any negotiation democracy is doomed to fail. In the field of corporatism, there was substantial stability with some stabilizing and some destabilizing elements (see Oesch 2010 in Trampusch/Mach 2010). However, the findings of the research on Europeanization still apply: With increasing integration, policy design and decision-making shifts from the pre-parliamentarian and parliamentarian level to the level of administration and government. By implication, associations lose some of their previous competences.

(6) Strong tensions in the federal government were reduced, but replaced by negative coordination. When the right-wing populist member of the government, Christoph Blocher, failed to win reelection in December 2007, a period of strong continuous tensions within the federal government came to an end. However, this does not mean that the federal government afterward found a mode of cooperation in which each member coordinated his or her strategies in the sense of optimal contribution to a common goal. Rather, the style of cooperation might be better said to exhibit “negative cooperation” – that is, in which every minister designs his or her strategies in such a way that they are not vulnerable to opposition by other members of the government. During the period under review, there were two instances in which this type of coordination became obvious. The first instance was the 2008 election of a new chief of the army, who had to step down half a year later due to private misconduct prior to assuming office. The responsible minister did not disclose all relevant information to the other members of the federal government when they elected this army chief. More importantly, in fighting the financial crisis and in responding to the pressure from the OECD, European Union and the United States, the federal government did not act as a cooperative collegial body, but rather as
insulated ministers each with his or her particular strategy. More broadly, the coordination and negotiation requirements of the Swiss political system hold considerable advantages, such as the avoidance of overreactions and the development of well thought out policies. However, there are substantial time costs to negotiation and coordination in coming to a solution. Very often, this time is not available and the system is not able to respond effectively within short time constraints.

(7) The end of the “magic formula.” Between 1959 and 2007, the Swiss government was composed of members of the Social Democratic Party, the Christian Democratic People’s Party, the liberal Radical Free Democratic Party and the Swiss People’s Party. This was the first dimension of the formula determining the composition of the Swiss government. A second dimension was the distribution of seats, with one seat for the People’s Party and two seats for each of the other parties. This second dimension was changed in 2003 (when the People’s Party got two seats and the Christian Democrats only one). In 2007, use of the magic formula came (for the present) to an end. A fifth party, a conservative splinter party of the right-populist People’s Party joined the government, taking one seat from the People’s Party. Nonetheless, it is likely that the formula will persist, in the sense that seats in the government are distributed according to each party’s relative electoral strength (arithmetic concordance). The arithmetic concordance will be normalized soon and continued because oversized coalitions will continue to be necessary, both in order to avoid defeat in referenda and because arithmetic concordance is the only “formula” which allows for cooperation in an oversized coalition government lacking any common political program.

Strategic Outlook

According to our analysis, Switzerland faces three major challenges. It would probably be helpful if the government had a convincing strategy with regard to each of these issues:

(1) The country’s relationship with the EU remains on a provisional basis. The bilateral agreements are the only feasible solutions – neither “Alleingang” (going it alone) nor membership is a feasible strategy. However, the bilateral solution will be difficult to continue. One of the major problems is the increasing heterogeneity and size of the European Union, which will make common offers from the 27 EU governments less likely. The Swiss political system needs an EU strategy beyond the bilateral path, provided the government does not
want to rely on the further disintegration of the EU. Such a strategy would allow for depoliticized and microsectoral agreements with a huge trading state that demands relatively little coherence from its sub-units, and hence will not have to sacrifice major common achievements in deals with small Switzerland.

(2) Switzerland has no viable strategy with regard to integration of immigrants. Muddling through prevails, and the country has not found innovative solutions with regard to the political rights and social recognition of foreigners, or to the tensions and xenophobia related to immigration. Though the lack of a convincing federal policy is partly compensated for by initiatives from cantonal or local governments and civil society, Switzerland certainly needs a coherent, national immigration policy serving not only the short-term interests of some industries but also the long-term interest of the economy. This policy must avoid socializing the costs of integration. These problems can no longer be neglected in a country with a very high foreign population, in which an extraordinarily high proportion of elite positions in the economy and the higher education system are staffed by foreigners.

(3) The political discourse in Switzerland emphasizes the country’s sovereignty. There are hardly any politicians who publicly question this assumption to any great extent. On the other hand, Switzerland has signed international treaties, is dependent on the European Union (which in turn is not dependent on Switzerland) and has limited practical room to maneuver. Myths do not fit realities well. Swiss citizens will in all likelihood have to deal increasingly with the observation that external pressures lead to policies incompatible with the assumption of sovereignty. If political elites fail to make national discourses correspond to reality, they risk driving a large share of citizens to seek populist solutions to these tensions.
Status Index

I. Status of democracy

Electoral process

There are no doubts that Switzerland’s formal procedures correspond closely to the democratic ideal. However, some problems have emerged due to the country’s small size, its strong dependence on other countries, the opportunities to free ride in the international and particularly European communities, and the extremely large share of immigrant workers.

With regard to active and passive voting rights, there is the obvious problem that more than a fifth of the total Swiss population and a quarter of the country’s civilian workforce hold foreign citizenship, a much higher share than in other countries. Furthermore, the rules on naturalization are rather strict, making the acquisition of Swiss citizenship costly, time-consuming and frequently even insulting for applicants. For example, citizenship can be claimed only after 12 years of residence, while the administrative process of naturalization takes about one to three years, including interviews and a considerable cost of about €2000 for a family with two small children.

Thus, according to some commentators, the strict rules governing naturalization and the sheer size of the foreign population transform the “quantitative” problem of every modern democracy (some adult inhabitants face discrimination on grounds of their nationality) into a qualitative problem: If a quarter of the social product is produced by foreigners, and if more than a fifth of the voting-age population is not entitled to run for public office, the legitimacy of parliament and government and the legitimacy to rule on behalf of the total population (which is hugely more than the citizen base) is arguably called into question. Others argue, however, that while the economy is globalised, democracy functions only on the basis of a national society which identifies itself in terms of citizenship. This includes the (constitutional) right to define who is eligible for citizenship. According to this view, migration certainly creates new problems, in that the “demos” and the resident population do not coincide. Yet, without any restrictions on immigration or the acquisition of citizenship, small democracies would soon disappear from the map.

To date, Switzerland has dealt with these problems somewhat slowly
and hesitantly. For example, some notable liberalizing changes were adopted with regard to naturalization (e.g., costs have been substantially reduced) and with regard to passive voting rights in some cantons and local communities. In contrast, driven by strong right-populist movements, the public discourse has shifted to an emphasis on the “us-them” dichotomy.

Candidates and parties may purchase political advertising in the print media. The only restriction to the equal access by candidates and parties to these media outlets concerns the availability of resources. In contrast, political advertising on television or other broadcast mediums is unlawful. In that regard, all candidates and parties are equal in access, in the sense that none has a chance to buy political advertising on broadcast media.

Media organizations give a fair and balanced opportunity to political actors to present their views and programs, insofar as this is not simple advertisement. Right-wing politicians sometimes complain that journalists give center-left politicians better access. But there is little hard evidence that such a bias exists to any substantial extent.

Once again, formal procedures and rules fully correspond to a model democracy. However, there are at least two problems. The first relates to the extremely large share of foreigners who are confronted with the rather strict rules governing naturalization.

Second, given the decentralized and federal structure of Switzerland as a multicultural country, there are minority and electoral rules which give some citizens more electoral influence than others. This applies first and foremost to representation in the Council of States (which is modeled after the U.S. Senate). Each canton is entitled to two representatives. Since the Council of States (Ständerat) has the same power as the House of Representatives (Nationalrat), and the size of cantons varies by a factor of 36 – the canton of Zurich has 36 times more inhabitants than the canton of Uri – a citizen of Uri has considerably more political power than one of Zurich. Historically, these minority rights are traceable to the denominational conflicts of the 19th century. However, one can argue that this denominational definition of minority status no longer holds importance. This would meant that there is no further ground for this unequal distribution of political resources, beyond the legacies of the past and the smaller cantons’ institutional interest in retaining their power. Nonetheless, one has to recognize that federalism and democracy function on different principles (one person-one vote for democracy, one subnational unit-one vote for federalism). Thus, the unequal weighting of the citizens’ votes is a consequence inherent in every democratic federation.
Switzerland does not finance parties with public money on the federal level. In return there are no constraints applied. It is a case of “une législation absente” (Gunziger 2008: 2-4). There is some financing of parties on the cantonal level in Geneva and Fribourg (Gunzinger 2008: 40). A considerable part of the political parties’ revenues come from the subsidies to party factions in the national parliament or reimbursement of parties for services, amounting in some cases to 30% of total party income (Brändle 2002: 123). Another important source of income is the attendance fee granted to members of parliament, which can be considered as a form of party financing. In general, parties won constitutional status only through the constitutional revision of 1999, and there is deep-seated aversion to any public financing of political parties. In return, there is little to no public scrutiny of party activities, since no public money is at stake (see also Z’graggen 2009 and Z’graggen/Linder 2004).

**Access to information**

Public and private media corporations are free from government influence. This is enshrined in the Swiss constitution. Although the federal government chooses the chairperson and some board members of the quasi-public nonprofit radio and television organization, it is not able to exercise any influence over the organization’s daily reporting or journalistic work (Marcinkowski 2007).

The most important electronic media organizations in Switzerland – in terms of coverage and intensity of use by citizens – are publicly owned. Private television stations play only a small role in the country’s media landscape. These are largely regional stations, such as Tele Bärn (mainly for the cantons of Bern, Solothurn and Fribourg) and Tele Züri (for the canton of Zurich). A number of foreign radio and television stations can be received in Switzerland, contributing to the country’s media plurality. The country has a high number of private newspapers, with a highly decentralized system of regional concentration. However, a strong tendency toward centralization has weakened the regional newspaper market. This has been amplified by the strong growth of free papers for commuters such as 20 Minuten in the morning and Blick am Abend in the evening (similar publications exist in the French-speaking part of Switzerland). These have tended to crowd out readership of classic newspapers, which have suffered from a decline in readership of 14% between 1998 and 2009. In addition, a trend toward concentration has affected formerly independent newspapers such as Bund and Berner Zeitung. As with other small nations, Switzerland enjoys a relatively diversified
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ownership structure, but over time there has been a very strong process of centralization and concentration (Meier & Perrin 2006; Trappel & Perrin 2006).

Swiss authorities pursue very open strategies of information release. For example, the website of the federal administration (www.admin.ch) offers access to major sources of political information.

Article 16 of the constitution, on the issue of freedom of opinion and information, states that: “(1) The freedom of opinion and information is guaranteed; (2) Every person has the right to form, express and disseminate opinions freely; (3) Every person has the right to receive information freely, to gather it from generally accessible sources and to disseminate it.”

The Federal Law on the Principle of Administrative Transparency (Loi sur la Transparence, LTrans) was approved in December 2004 and took force in July 2006. The law gives any person the right to consult official documents and obtain information from authorities. The authorities must respond within 20 days. If a request is refused, a citizen can seek redress from the Federal Delegate for Data Protection. However, this law’s applicability is partially limited. The law applies to federal public bodies, other organizations and persons who make decisions under the Administrative Procedures Act, and Parliamentary Services. The Suisse National Bank and the Federal Commission on Banks are exempted. The law also does not apply to official documents concerning civil or criminal law processes, documents relating to foreign policy, or political party dossiers relating to administrative disputes.

Given these qualifications, it is noteworthy that this law has gained some influence, since the Federal Supreme Court interprets it in a liberal way (see Decision 1C_522/2009, of May 19, 2010).

Civil rights

Civil rights are guaranteed by the constitution. However, the country does not have a classic constitutional court able to monitor the conformity of federal law with the constitution. The Federal Supreme Court in Lausanne monitors the constitutional conformity of federal regulations and cantonal laws. In relation to basic civil rights, the European Court of Human Rights serves as a kind of Swiss constitutional court.

In international comparison, the country’s record of guaranteeing human rights is outstanding. However, conflicts between human rights and direct democracy have emerged, particularly recently. One such case is represented by the successful popular initiative for the
imprisonment of particularly dangerous criminal offenders without any chance of reexamination (2004). This conflicts with the European Convention for the Protection of Human Rights and Fundamental Freedoms. This convention guarantees periodic reviews in which the necessity for continued imprisonment can be evaluated.

Likewise, there have been conflicts between popular votes on the naturalization of individuals and the call by these individuals for fair and transparent treatment, with the possibility to appeal decisions. It is doubtful whether the naturalization procedure conforms to the standard of human rights set out in the constitution. The Federal Court decided in 2003 that naturalization procedures previously established by popular vote were unconstitutional, since they violated the constitutional norms of nondiscrimination and the right to a lawful legal procedure.

A particularly problematic decision has been the ban on the construction of minarets, accepted in a popular vote in 2009. The basic claim is that minarets signify the power claims and potential aggression of Islam, which need to be suppressed as a strategy for keeping the peace. However, it is evident that the popular initiative was clearly aimed against Islam and the Islamization of Europe (see Hirter/Vatter). Legal scholars tend to argue that the decision violates the freedom of worship and the non-discrimination rule. It is expected that a case against the initiative will be brought to the European Court of Human Rights, and that it will in all likelihood be declared null and void. But the legal process will take several years before the decision can be repealed.

The major underlying problem is the claim of many political actors for the unrestricted right of the people to decide any matter through popular vote, and the way this conflicts with the basic rule of any liberal democracy that there are limitations to the will of the majority, such as human rights standards and protections for minorities. The public debate on the limits to majority rule (through popular vote) shows little cognizance of these traditional limitations to majoritarian rule. This has become very obvious in recent debates about the conflicts between international law and Swiss citizens’ decision rights in popular votes. Although anxiety over the ebbing away of popular sovereignty extends beyond conservatives, this group in particular feels uneasy with the internationalization of law and some recent interpretations of human rights, made by a professional elite with little democratic legitimation and imposed in a top-down manner. In their view, the internationalization of law and international court decisions against the results of Swiss referendums contradict Switzerland’s legislative culture, which is characterized by the principle of subsidiarity and guided by the idea that the people’s decisions have
the highest degree of legitimacy.

Switzerland is in many ways a role model for the exercise and protection of political liberties. However, with the adoption of the ban on construction of new minarets represents a severe violation of the right to worship, even if this in practice means little for the free practice of any religion. Before the November 2009 decision, there were only four minarets in Switzerland.

In Switzerland, constitutional law and a consociational political system ensure the autonomy, freedom from discrimination, and rights to political participation of Swiss linguistic, ethnic and religious minorities. Article 8 of the country’s constitution states: “Nobody shall suffer discrimination, particularly on grounds of origin, race, sex, age, language, social position, lifestyle, philosophical or political convictions, or because of a corporal or mental disability… Men and women have equal rights.” Nonetheless, a number of problems with regard to discrimination exist. As already mentioned (see also Candidacy Procedures), the sheer size of the foreign population and its contribution to the wealth of the nation brings up the question as to whether withholding political rights such as voting can be regarded as an indefensible variety of discrimination. Nonetheless, Switzerland’s conception of non-citizens’ voting rights is similar to that of other Western democracies, and undoubtedly protects the civil and human rights of foreigners without any discrimination. The Swiss People’s Party, the strongest party in the country, and one represented in the government, has repeatedly resorted to openly xenophobic or even racist discourse. Finally, there is still considerable discrimination against women with regard to labor market entry opportunities (lack of adequate family policies), wage equality and equal career opportunities.

Rule of law

Switzerland’s federal government and administration act predictably. This predictability is partially reduced by the very pragmatic administrative culture at the cantonal and local levels. The country’s division into small administrative districts, the tradition of decentralized local government and a partial “militia administration” system provide for a substantial amount of leeway in Switzerland’s public administration activity. The pragmatic administrative culture ensures flexibility and efficiency on the one hand, but reduces legal certainty on the other.
The Swiss judicial system is guided by professional norms without political interference. The judicial system is based on professional training, though a mixture of lay and professionally trained judges serve at the local level in many cantons. Decisions by these judges are subject to review by higher professional courts, however. The Swiss judicial system varies substantially between cantons. This is due to Swiss federalism, which gives cantons great leeway in cantonal lawmaking and hence also in cantonal administration of justice. This also includes variations in the rules and examinations with regard to lawyers’ admission to the bar.

The judges of the Federal Supreme Court are elected for a period of six years in a joint session of both chambers of parliament, requiring a majority of those voting. A parliamentary commission prepares the elections by screening the candidates. Unwritten rules stipulate a nearly proportional representation of the political parties then in parliament. Another unwritten rule demands representation of the various linguistic regions. There is no special majority requirement.

Corruption in Switzerland is rare according to international rankings. Indeed, Switzerland is consistently rated among the most successful countries with respect to corruption prevention. It is governed by the rule of law, offers high wages to public officials and is based on a decentralized democracy with parties that efficiently control and audit public officials.

However, there are opportunities and incentives for political and societal elites to abuse their position for private interests. This is due to the country’s small size, and correspondingly small number of persons interacting in elite positions; to the culture of amicable agreements; and to the very pragmatic problem-solving culture. In addition, holders of elite positions know that they are highly likely to meet again in the future (and probably in different roles). This creates opportunities for the creation of broad informal networks, a reluctance to engage in close mutual surveillance and incentives for the nonobservance of formal rules.
II. Policy-specific performance

A Economy

Economy

The Swiss economic policy regime combines various elements, including the following.

1. It is a very liberal and depoliticized regime with regard to regulation of the labor market, in particular to hiring and firing. The rules in this area are very close to those of the United States.

2. It used to be a very liberal and politicized regime with regard to the in- and outflow of foreign labor.

3. The economic policy regime is based on the integration of employers and trade unions into the policy-making process, with employers having the largest amount of influence (“liberal corporatism”) and trade unions serving as junior partners. For trade unions, this corporatism has made sense, since it resulted in a regime of full employment (at least for Swiss citizens), high wages and generous private social policy on the firm level. In addition, the public social policy has been expanded in terms of programs and – in particular – expenditure levels.

4. Switzerland used to maintain a very protectionist policy regime, allowing for cartels and the exclusion of competition. The main beneficiaries were farmers, who were protected from world market competition by high tariffs, as well as small and medium-sized businesses and service providers producing for the domestic market. In addition to high tariffs and strict non-tariff barriers to foreign competitors, business was protected by the acceptance of high tariffs from abroad. Furthermore, collusive pricing was tolerated, and competition between providers/ producers limited by the variance in cantonal regulations. This latter aspect made it very difficult for businesses to make competitive offers and win bids outside their home cantons.

5. It is an economy open to the world market, with domestic rules that facilitate the internationally competitive nature of large enterprises such as chemical producers and banks.

6. It is an economy policy regime based on low taxes both for labor and capital, and relatively low tax wedges. In return, this liberal state does not intervene massively into the business cycle. Rather, it used to pursue a prudent and basically pro-cyclical fiscal policy. In times of
major economic problems – such as in 2008 and 2009 – fiscal packages have been implemented. However, due to institutional and political reasons, these fiscal packages have typically been very limited in size. 

(7) The economic policy regime always placed particular emphasis on a prudent fiscal policy (low deficits and debts) and on price stability. Prudent fiscal policy resulted from institutional factors, in particular the fiscal weakness of the federal state compared to the cantons, rules on limitations of excessive deficits and debts (for example, a so-called debt brake or “Schuldenbremse”), and the effects of direct democracy. Citizens were usually reluctant to accept any policy changes which led to increases in taxation. These institutional factors were further reinforced by the distribution of political power, in particular a weak left, and a strong party (the Free Democrats, which are in this respect liberal) supporting a constrained-tax state. Price stability was left to the independent National Bank, which is tasked with a primary goal of price stability, and has the tools of monetary and interest rate policy at its disposal.

This policy regime, which was both liberal and protectionist, has come under pressure due to various changes:

(1) Deindustrialization and a marked shift to a service economy has meant a change in qualifications for labor. The industrial sector offered a large number of jobs with low skill requirements. These jobs were staffed to a disproportional extent by foreign labor. Due to the rules of the work permit systems, many foreign workers gained access to unlimited work permits between the mid-1970s and the mid-1990s. Given their low skills, there is not enough demand for these employees in the modern high-skills service sector. Hence, the unemployment curve has shifted upwards, and is characterized by high unemployment among the foreign workers.

At the same time, employers recruit increasingly highly skilled labor for the service sector. It is true that Switzerland has depended on the inflow of highly skilled employees for the last century, but this process has further intensified during the last 15 years. One implication has been a pronounced increase in social tension. Historically, the highly educated Swiss middle classes have been very much in favor of a pro-foreigner policy, as long as these foreigners did not offer major competition for this social sector’s jobs and housing opportunities. With the increasing inflow of highly skilled German labor, this tolerance has changed, as one can see in recent developments. For example, significant populist opposition to the hire of professors from Germany at the universities of Zürich and Berne was led both by right- and left-wing politicians. Hence, one of the pillars of Swiss economic success will arguably be politically less sustainable than in the past.
This creates problems, since Switzerland has long acted as a free rider on the education expenditures of neighboring countries, by employing foreign workers that have been trained in their home countries.

(2) Globalization has led to the increasing importance of international organizations such as the WTO. Given its reliance on sectors such as chemical or machine production, banking and tourism, Switzerland has had no option but to accept the liberalization of trade and services. Otherwise the retaliation by other nations would be economically extremely expensive. However, this has implied that sectors once strongly shielded by protectionist policies have become liberalized. Agriculture offers a major case in point. Through this liberalization from outside, the previous fit between protected domestic industries and a world-market-oriented industry – the core of Switzerland's post-war economic success story – became strained.

(3) Switzerland has not solved the question of whether it should belong to the European Union or not in a sustainable way. The provisional solutions have been bilateral agreements between the European Union and Switzerland, which have major implications for further liberalization of the service and agriculture sectors. In addition, immigration policy has changed substantially. Switzerland has abstained from any further recruitment of foreign labor from non-EU countries (for which there is little demand anyway), and has liberalized the immigration regime with EU countries. Essentially, this has meant free movement of labor between Switzerland and the European Union, intensifying the new problems and cleavages associated with the recruiting of highly skilled employees from abroad.

(4) Switzerland was a laggard in the development of the welfare state, though it caught up in the post-war period. Today it is a mature and generous liberal-conservative welfare state. In times of demographic change, this welfare state is only sustainable through high rates of economic growth. However, the protectionist elements of the policy regime inhibit strong growth. Therefore, the benefits offered by the welfare state are endangered, prompting opposition by trade unions and the political left.

**Labor market**

The major problems and achievements of Switzerland’s labor market policies have been described above (see also Economic Policy). Although the “golden age” of unemployment containment is past, the achievements of Swiss labor market policy are still remarkable. In the last quarter of 2009 (Source: OECD website), the harmonized unemployment rate remained half or even less of the unemployment
rates of neighboring Germany, France and Italy. The one percentage point increase in the unemployment rate between 2007 (before the recent global crisis) and the last quarter of 2009 was much less than that seen in France and Italy. Even in comparison with Austria, Switzerland performs well: Austria’s unemployment rate in late 2009 was higher than Switzerland’s, although the increase during the crisis period was more pronounced in Switzerland than in Austria, as the latter showed only a 0.5 percentage point increase.

**Enterprises**

Switzerland scores high in terms of competitiveness. Tax policy is very employer-friendly, with a corporate tax rate that at 21.2% is significantly below the OECD average of 26.8%. During the past 15 years, the government has reduced the level of protectionism, a trend arguably triggered or facilitated by changes in the international environment. Still, the old traditions of collusive pricing and the expectations of state protectionism remain discernable in the agricultural and small and medium-sized business sectors. However, it is difficult to argue that current public policy is innovation-averse. This said, it is unclear to what extent public policy itself has contributed to the formation of strong levels of innovation and entrepreneurship, combined with strong competitiveness and a medium level of private corporate investment.

**Taxes**

The Swiss tax rate is significantly below the OECD average and tax rates, particularly for business, are moderate. Taxation policies are competitive and generate sufficient public revenues. As a lean state with relatively low levels of public sector employment, the federal and cantonal states have less need for high tax revenue than do more ambitious states. Nonetheless, it is important to note that due to the principle of federalism, tax rates can differ substantially between regions, as individual cantons and local communities have the power to set regional tax levels.

**Budgets**

Budgetary policy in Switzerland is fiscally sustainable. Gross public debt (general government) started to increase in the mid-1990s from a low level of 38% of GDP to reach a peak of 58% in 2004, but receded to 44% in 2009. Structurally adjusted budgets were balanced
even during the crisis of 2008 – 2009. This fiscal sustainability is mainly due to the political decisions to have a low tax load and a lean state. In addition, keeping the public deficit and debt low has been a major concern of politicians at all levels of the political system. Various rules and means have been developed in order to avoid the dynamics of expanding budgets. For example, on the federal level, there is the constitutional “debt brake” (Article 126, Article 159): “The maximum of the total expenditures which may be budgeted shall be determined by the expected receipts, taking into account the economic situation.” Direct democracy offers another effective means of keeping the budget within limits. In popular votes, the people have proven reluctant (compared in particular to members of parliaments when elections are drawing near) to support expansion in state tasks, and a corresponding rise in taxes and/or public debt (Kirchgässner et al. 2002).

Even taking into account the fact that some individual cantonal and municipal governments do pursue unsustainable budgetary policies, the total (i.e., general government) budgetary policy achievement arguably puts Switzerland in the OECD’s top group in terms of fiscally sustainable national policies.

B Social affairs

Health care

Health policy in Switzerland is said to be qualitatively excellent, to include the total population due to mandatory health insurance policy, and to be expensive. There are serious doubts about cost efficiency, in particular with regard to the organization of hospitals. Life expectancy is very high, with male life expectancy at birth 79.4 years and female life expectancy at birth 84.2 years (2008, Bundesamt für Statistik). This is about two years more than in Germany or Austria. Obviously, the health care system is important in this respect but is not the only explanatory variable; differences may also be due to the socioeconomic resources of the country, the quality of its natural environment, or other variables.

Health insurance is managed according to a very liberal formula: Premiums for health insurance do not depend on income, and premiums do not take into account the number of family members. Hence, insurance must be bought for each member of the family, but there are reduced levels of premiums for children. In the past years, however, this liberal model has been modified by subsidies for low-wage earners and their families. Therefore, there is now some limited
progressivity and family-friendliness at the lower end of the income distribution. Nonetheless, health care reforms have not been particularly successful in terms of improving efficiency and controlling the structural rise in health expenditures.

**Social inclusion**

Switzerland prevents poverty to a large extent. On the one hand, this is due to an effective system of social assistance, in particular with regard to older generations. It is rare to fall into poverty after retirement. On the other hand, Switzerland is one of the least redistributive countries (if post-tax/post-benefit income is compared to pre-tax/pre-benefit income), thereby limiting socioeconomic disparities only to a very limited extent. Income inequalities created on the labor market are ameliorated only marginally by public policies and the tax system. This stands in stark contrast to most other developed democracies, in which the Gini index of pre-tax income inequality is substantially higher than the Gini index of post-tax income (cf. Pontusson 2005: 154, 171).

The major social insurance programs regulated on the federal level (sickness, unemployment, accident, age) work effectively and are comparatively sustainable. The benefits are generous. Social assistance is means tested and carries some stigma. Life satisfaction is very high, income inequality is moderate, the share of working poor in the population is small and gender inequality has been reduced substantially in recent years.

**Families**

In international comparison, Swiss family policy offers relatively little benefit to women. In a recent analysis on the ability to reconcile work and family, Switzerland scored lowest among 21 OECD nations for 2005 (Thoenen 2010). The new federal law on family subsidies, which took effect in January 2009, is unlikely to change much in international comparison; nor will it change the substantial cantonal variation, one of the most salient characteristics of Swiss family policy. The new federal law defines minimum child and education benefits, and cantons may add a variable amount to this basic federal benefit level.

Swiss family policy has a clearly conservative outlook with a strong liberal undertone. Basically Swiss family policy is mildly supportive to the traditional family; there are some tax deductions and a period of parental leave offered to mothers (but not to fathers), as well as a very limited amount of child care facilities. As is virtually always true in
Switzerland, there are substantial cantonal variations. The canton of Ticino has a very generous family policy, which helps mothers to reconcile work and family; other cantons (and their municipalities) fail to offer any substantial help such as child care facilities on a broad scale. Likewise, tax disincentives to stay at home or to reenter the labor market vary from canton to canton. However, taking the median canton and municipality, the portrait of a liberal-conservative family policy applies. These policies create incentives for young mothers to stay at home during the first years of their children’s lives. Afterwards, mothers have a reasonable opportunity to get a job; however, these are in most cases part-time jobs. This allows mothers to care for their children, but also to take up some limited employment. Taking part-time jobs usually reduces the chance to have a career, as compared to the opportunities offered by full-time jobs. Hence, the system works in the sense that it mobilizes women within the labor market, but without giving them fair and equal chances for income and career advancement as compared to men.

Pensions

The Swiss pension system is based on three pillars, each with its own logic of financing and redistribution. The basic idea is that pension income should not be below the subsistence level, and should provide 60% of average preretirement income. The first pillar guarantees a basic income. The minimum benefit level for a couple is CHF 26,880 (about €18,500) per year, while the maximum benefit is CHF 41,040 (about €28,300). Employers and employees finance it via contributions. It is a pay-as-you-go-system, and is highly redistributive since the maximum benefit level (for high-income groups and couples) is just 1.5 times that of the minimum benefit level, whereas contributions are proportional to income, making the maximum contribution level thus much higher than 1.5 times the minimum contribution level.

The second pillar is a funded system financed through contributions by employers and employees. Contributions and benefits are proportional to income. Employees whose income from the first pillar already covers about 60% of their wage income are not entitled to this system. Many pension schemes – particularly in the public sector – are very generous, and provide pension incomes (first and second pillars combined) above 60% of previous income.

The third pillar is tax-deductible savings up to about CHF 6,566 per year (about €4,500). This system benefits high-income groups, since they can afford to put aside these sums and have the highest returns on these savings given the tax advantages.
Demographic changes represent major challenges to the first pillar. Provided there is no major change in economic growth rates, the sustainability of this first pillar is in question unless the average age of retirement (currently 65 for men and 64 for women) is increased or benefit levels fall.

**Integration**

Given the very high share of migrants in the population (about a fifth of the country’s residents), integration policy is hardly a success. There have been many attempts to integrate foreigners starting at the age of kindergarten. But while the lack of a coherent federal integration policy is undisputable, this does not mean that integration policy is failing as a whole. Many local authorities are doing a good and sometimes innovative job of integration, especially for the young. Even more important in this respect are the activities of civil society organizations such as sports clubs.

However, both the success of the right-wing populist Swiss People’s Party and indicators of integration suggest moderate achievements at best. For example, in 2009 – 2010, about 6% of all Swiss students at universities (either Swiss citizens or foreign students who were living in the country before studying) were foreigners. In contrast, 51% of all convicted persons in Switzerland in 2008 were foreigners (calculated from data available on the Federal Office of Statistics website). This has to be judged against the 22% share of foreigners in the population as a whole (2008). One has to add that 12% of all convictions are due to violations of the law for foreigners (e.g., illegal migrants) and that when controlling for other variables such as social status, income and education, status as foreigner alone shows very little independent effect in criminal statistics. Having said this, it is clear that foreigners have a disproportional likelihood to display criminal behavior, and do not attain university degrees in a proportion matching their population share. This latter finding might not be due to individuals’ status as foreigners per se, but rather due to their low social status. Education is still a privilege of the upper and middle class in Switzerland, a major failure of Swiss educational policies at all federal levels. As immigrants until recently belonged to the lower social strata, they are discriminated against not because they are foreigners but because their family background is of the lower classes. Since the immigration pattern is about to change, with the share of highly skilled foreigners increasing, this latter problem could disappear in the long run.
C Security

External security

Swiss security policy is still in the process of redefinition. The original idea was one of “armed neutrality” and the prevention of war through defense readiness. After the Cold War, there was a shift to a concept of security through international cooperation. Today, the goals of Swiss security policy are: (1) to contribute to peace and stability through international cooperation; (2) to be capable of defending Switzerland against any military threat by other countries; and (3) to create a civil protection system capable of responding in case of natural disaster (floods, avalanches, etc.). While goals (1) and (3) may be achievable, goal (2) is questionable given the plausibly available military power and military technologies, and the Swiss army’s dependence on (technical) support by NATO. The country’s external security policy is characterized by a substantial level of polarization. A gentle movement toward reform of the army and its functions has met with major opposition by conservative and right-wing politicians, in particular by the Swiss People’s Party. This opposition seeks a return to the basic idea of neutrality and the possibility of defending Switzerland against any aggressor through its own resources. The practical nature of these goals runs counter to the empirical evidence available; however, they remain very convincing claims for a very large share of Swiss citizens. The lack of realism among citizens and politicians, criticized in the SGI 2009 report, seems only to have increased rather than decreased.

Internal security

Switzerland has improved its internal security by integration into the Schengen/Dublin regime.

D Resources

Environment

Switzerland has made considerable investments in effective environmental protection. For example, it now has about 8,000 jobs related to protection of the environment at the federal level (500), the
Switzerland has 25 cantons (1,500) and the municipalities (6,000) combined. Public spending on environmental protection totals 2.5% of total public expenditure (2002). A new article (Article 84.2) was added to the constitution in 1994, stating: “Transalpine freight in border-to-border transit shall be transported by rail. The federal government shall take the necessary measures. Exceptions shall be permitted only if they are inevitable. They shall be specified by statute.” This article has not yet been effectively implemented, but there have been enormous investments in improved railway infrastructure, particularly with regard to transalpine freight. In certain regards the ecological challenges to Swiss policymakers have been much less demanding than in other countries. Switzerland never had smokestack industries, and industrialization took place as a decentralized process; hence, Switzerland has no regions where industries with large emissions are concentrated.

The country’s record is mixed when looking across the broader environmental policy field, as the following items show (Knoepfel/Nahrath 2007: 706-708):

- Switzerland heads the international league in terms of water pollution control;
- Air quality has improved over the past 25 years, but limit values (of ozone or other substances) in various fields are frequently exceeded;
- Considerable success has been achieved in the area of waste policy. For example, Switzerland’s recycling rate is very high in international comparison;
- Noise pollution control has made little progress, with 25% to 30% of the population exposed to high levels of noise from road and rail traffic;
- Soil protection has improved;
- Average to high levels of success have been achieved in the area of chemical policy;
- The policy for the prevention of hazardous incidents has been very successful; and
- There has been little success in terms of nature conservation and landscape protection. The number of animal and plant species that have become extinct or are at the risk of extinction continues to increase.
Research and innovation

In the field of research policy, two peculiarities of the Swiss political system have a strong impact: First, it is a liberal country with considerable reluctance to engage in economic or social-policy interventions. Therefore, research funding is mainly done by private actors. Second, as a federal and decentralized country, university research is done by universities that are financed and regulated by cantons. This does not apply to the two Federal Schools of Technology, though.

The output of the research system is impressive, as the following points demonstrate (Braun 2007: 757):

- Switzerland is at the top of the OECD in terms of per capita publications;
- Switzerland’s share of global publications rose between 1981 and 2001;
- Swiss research is among the most-cited in the world;
- Switzerland is among the world’s leading nations in terms of patent registration;
- The Federal Institute of Technology Zurich (Eidgenössische Technische Hochschule Zürich) is one of the best universities in the world;
- Swiss products enjoy strong demand in the foreign market, while a similar amount of foreign technology products are imported; and
- Swiss companies allocate a significant portion of their assets to research.

However, there are several problems, including:

- a decrease in innovation in recent years (although Switzerland is still one of the most innovative countries in the world);
- the need to improve cooperation between universities and companies;
- weaknesses in social science and humanities research relative to that conducted in the natural sciences or technological fields;
- growing skepticism among the population as to the value of cutting-edge research;
- an unclear relationship between the recently created polytechnics and established universities;
• structural friction in coordinating Swiss research programs with EU research policy; and
• very low levels public spending on research as compared to other countries. As a share of total research expenditures, public spending has declined from 28.4% in 1992 to 23.9% in 2004. This may not be a problem, however, as total research expenditure is probably a better indicator of sustainable growth in developing countries.

Education

Switzerland's education system is strongly influenced by the federal and decentralized structure of the country, as education policy falls under the jurisdiction of the cantons and municipalities. The system provides a high-quality education. The university system performs very well, as is the case in many other small and open European countries. Vocational training is very solid, and seems to be one of the most important factors in the low levels of unemployment, particularly among younger people. The permeability of vocational and tertiary education has improved as compared to other countries. The tertiary education system continues to discriminate against students from families with low social status and – probably as a related effect (see also Integration Policy) – foreigners born in the country.

The Bologna reforms are now well under way in Switzerland. However, some experts claim that this process is detrimental to the quality of the technical colleges (Fachhochschulen), and that with academization, vocational training loses its high reputation.
Management Index

I. Executive Capacity

A Steering capability

Strategic capacity

Strategic planning is not important in Switzerland, because most decisions are made on an ad-hoc basis. Strategic planning is made difficult by the fact that the country has a quasi-presidential political system, with a collegial government, a strong militia element, a consociational decision-making structure, a strong corporatist relationship between a weak federal state and outside interest organizations, and uncertainty due to the system of direct democracy.

The Swiss government is not a parliamentary government and does not have a policy agenda comparable to a “normal” parliamentary government. Furthermore, all seven members of the government have equal rights and powers; there is no prime minister. The president of the government is primus inter pares. He or she is not leader of the government in the sense of a prime minister.

As already indicated, the Swiss political system is a corporatist system. In particular, the drafting of bills is done in extraparliamentary and parliamentary committees. Academics, representatives of interest groups and parties, individuals with particular expertise and other such experts are elected to about 140 extraparliamentary committees by the federal government. There are multiple criteria for selecting a member, in order to ensure the balanced representation of language groups, political parties and ideologies, and other societal interests. Academics are selected on the basis of academic profile, but their allegiance to political parties or other societal interests may also be taken into account. Expert commissions and their members have a dominant influence on governmental decision-making. However, many academics in these commissions are selected not only because of their academic reputation but also because of their political profile. Hence, the influence of academics per se is much more limited than the influence of expert groups. In addition, the share of academics on
these commissions is rather limited, amounting to about 11% of all seats. However, in combination with the higher civil servants of the federal state and cantons (who usually have academic training), they account for 53% of all commission seats (Sciarini 2007: 471)

**Inter-ministerial coordination**

The Swiss political system does not have a prime minister or a prime minister's office. The government is a collegial body. However, there are several instruments of interministerial coordination and mechanisms to evaluate ministerial draft bills. Departments engage in a formal process of consultation when drafting proposals, the Ministry of Justice provides legal evaluations of draft bills, and the Federal Chancellery and Federal Council provide political coordination.

There is no prime minister. The Federal Chancellery manages and prepares the agenda of the Federal Council, and can return items and postpone political issues due to lack of coherence with other policies.

The government consists of only seven ministries. These span a large number of competency areas, and are responsible for a large variety of issues. There are no line ministries. But there are federal offices and institutions connected to the various ministries. These work closely with their superior minister, and since the minister has to win a large majority on the Federal Council for his or her proposal, there is strong coordination between offices. Indeed, political coordination among the high ranks of the administration can be rather intense, while the limited capacity and time of the Federal Council members, as well as their diverging interests, serve as practical bottlenecks.

Not surprisingly, given the small number of ministries, there are no cabinet committees. But there is much coordination, delegation and communication at the lower level of the federal government. Every minister is in a sense already a “ministerial committee,” representing the coordination of a large number of cooperating departmental units.

The federal government deliberates behind closed doors, and minutes of these meetings are not public. A leading expert on government decision processes has estimated that “(i)n most of the 3,000 decision-making processes, either the preliminary procedure or the co-reporting procedure leads to an agreement” (Klöti 2007: 161). The preliminary procedure consists of interministerial consultations at the level of the federal departments. After the departments have been consulted, the co-reporting procedure begins. “The Federal
Chancellery takes the first step by submitting the proposal of the ministry in charge to all other ministries. Ministries that are particularly concerned are invited to submit a report, while all other ministries may express opinions as well” (Klöti 2007: 161). A process of discussion and coordination ensues, designed to eliminate all or most differences before the Federal Council meets.

Two instruments, the large and the small co-reporting procedures, are specifically designed to coordinate policy proposals between the ministries. These processes invite the ministries to take positions on political issues. The co-reporting procedure is largely a process of negative coordination, which highlights incompatibilities with other policies but does not systematically scrutinize the potential for synergy.

Given the small size of the federal administration and the tradition of informal coordination, there is reason to assume the presence of strong and effective informal coordination.

**RIA**

There is no formal institution responsible for ex ante impact assessment. Article 170 of the constitution states that “(t)he federal parliament shall ensure that the efficacy of measures taken by the confederation is evaluated.” In some ministries, there may be cases in which units (such as the economics ministry) do ex ante impact assessment. Furthermore, ex ante evaluations by the administration always include checks for consistency with existing law (performed by the Ministry of Justice), compatibility with EU regulations, and if necessary, analyze budget implications, administrative costs and personnel requirements. Ex post evaluations have also been strongly developed, yet as elsewhere, one cannot take for granted that the results of these analyses have any effect on implementation.

Beyond these processes, functional equivalents of impact assessments do exist. First, expert commissions that draft or suggest laws evaluate alternatives to, potential impacts of, benefits of and problems associated with proposed solutions. Second, and probably more important, is the so-called consultation procedure derived from Article 147 of the constitution. This article stipulates that “[t]he cantons, the political parties and the interested circles shall be heard in the course of the preparation of important legislation and other projects of substantial impact, and on important international treaties.” As a consequence, all those who are affected by a planned law may give their opinion as to its pros and cons.
The Swiss political system does not have a formal institution or body responsible for performing needs analyses. However, the extraparliamentary committees and the consultation procedure are functional equivalents, and constitute part of a systematic process of needs analysis.

The commissions and consultation processes are very effective in bringing up alternative options, because various interest groups have different views. This primarily includes a political assessment, looking at the feasibility of a proposal’s success (with reference to majority support in parliament, or the potential challenge posed by popular referendum, for example). Yet expert advice is also used, and practical knowledge about feasibility of implementation plays an important role.

In case of environmental protection, the law requires the ex-post evaluation of pros and cons.

**Societal consultation**

Within Switzerland’s strong corporatist system there are numerous pre-parliamentary procedures and committees designed to involve different societal groups (see also RIA Application). The task of these procedures and structures is to advise the government. These instruments are designed to prevent proposals from failing in parliament or in referenda, and to offer solutions that benefit all parties. However, recent research shows that this corporatist integration has been reduced in recent years, in particular due to more pronounced conflicts between the social partners and due to the influence of EU integration and internationalization. However, if judged from a comparative perspective, the level of corporatist integration is still very high in Switzerland.

**Policy communication**

The government acts as a collegial body. All members of the government have to defend the government’s decisions, irrespective of their own opinion. However, in the 2003 – 2007 period, when the SVP’s Christoph Blocher participated in government, communication was less coherent than before and afterward. The politics of Switzerland moved in a more populist, aggressive and confrontational direction. Although the current government’s communication is much more coherent than in 2003 – 2007, it is questionable whether this coherence has returned to the level reached in the 1970s through the 1990s. This decline in the coherent
communication of government policies can be attributed to the following factors:

- the structure of the collegiate body itself, which makes it difficult to speak with one voice in the age of the all-present mass media;
- the Federal Council’s poor crisis management in issues of international affairs;
- political polarization, even among the members of the all-party government;
- systematic distortion of the Federal Council’s indiscretions on the part of some aggressive media outlets; and
- the Federal Council’s lack of authority or capacity to sanction indiscretions or to manage its communication policy effectively.

B Policy implementation

Effective implementation

In a veto-ridden polity like the Swiss where policies have to be acceptable to many parties that have substantially differing policy positions, to cantons that have veto power in the second chamber, and to all interest groups that might otherwise successfully trigger a referendum, the government has to hammer out compromises carefully when drafting legislation. This is done in the pre-parliamentary stage of legislation. Thus, once a bill is introduced into parliament, many of the necessary compromises have already been reached. For this reason, a substantial number of bills are passed in parliament without being modified (Sciarini 2007: 479).

Government in Switzerland is not (primarily) party government. Ministers are expected to work together as a collegium and to abstain from any politics and policies that benefit their party or themselves as individual politicians. In general this worked quite well as long as all members of government felt bound by the rules of collegiality. In recent years, due to growing political polarization and the attack on consociational politics by the right-populist party and its (informal) leader, Christoph Blocher, there have been some deviations from this course. However, even in periods of polarized politics, the Swiss government and the implementation of its policies are much less driven by the interests of individual politicians or their parties than is the case for parliamentary governments. For the
spring 2008 – spring 2010 period, the level of ministerial compliance might be even higher than in 2003 – 2007.

Switzerland’s government features neither a prime minister’s office nor line ministries, but does offer functional equivalents (see also GO Expertise). Given the rule of collegiality and the consociational decision-making style, as well as the cooperation at lower levels of the federal administration, there is little leeway for strong deviation. Monitoring is built into the cooperative process of policy formulation and implementation. However, there is considerable flexibility in implementing decisions, and it is an open question whether the federal administration is effectively monitored by the Federal Council (Varone 2007).

Switzerland’s central administration is very small. This does not prevent bureaucratic drift (cf. Varone 2007), but in all likelihood the opportunities for such drift are much smaller than in huge administrations. Furthermore, Switzerland is no unitary federalism. Rather, it resembles the federalism of the United States. This implies much power for the cantons, while the federal state has a subsidiary role. Article 3 of the constitution states: “The Cantons are sovereign insofar as their sovereignty is not limited by the federal constitution; they shall exercise all rights which are not transferred to the confederation.” In those cases where the federal state has tasks and powers – such as social insurance, environmental protection or zoning, for example – implementation is carried out by the cantonal and sometimes municipal administrations. These have considerable leeway in their work, and hence federal guidelines are very frequently implemented with substantial variations between cantons. Zoning policy has offered examples in which the same federal regulation has led to opposite outcomes in different cantons (Kissling-Näf & Wälti 2007; Linder 1988).

Much implementation is also carried out through the corporatist channel, by interest organizations that also have some leeway in interpreting policy.

In Switzerland, cantons and municipalities levy most of the tax revenues. They determine local tax rates and the distribution of their tax revenues. Between 2004 and 2007 Switzerland passed a rather successful reform of its financial federalism, which has now taken effect. The basic idea was to establish a clear division of tasks between the federation and the cantons, and transparency with regard to the flow of resources from federal state to cantons. Therefore, the basic principle of “fiscal equivalence” has been strengthened. This means that communes, cantons and the federation each are responsible for the funding of their own tasks and
for the balance of their own budgets. The fiscal equalization scheme is kept because it is necessary for reducing geographical, economic and some social disparities, but the danger of providing badly aligned incentives through earmarked subsidies is eliminated through the use of grants. Finally, financial flows go vertically (from the federal state to the cantons and the reverse) as well as horizontally (between communes and cantons).

Nonetheless, it remains to be seen whether the new fiscal equalization scheme will help cantons that – due to their small size or lack of resources, or for other reasons – have serious problems in fulfilling their tasks or in meeting their goals.

Municipal and cantonal autonomy is very high, while the federation has only a subsidiary role. The central government has little opportunity to counter decisions made by cantonal parliaments or governments. Municipal discretion in policy-making is a constitutional norm. Article 50 states: “(1) The autonomy of the municipalities is guaranteed within the limits fixed by cantonal law. (2) In its activity, the confederation shall take into account the possible consequences for the municipalities. (3) In particular, it shall take into account the special situation of cities, agglomerations and mountainous regions.” The municipalities and cantons make maximum use of their competences.

The Swiss political system is one of the most decentralized systems in the world. Cantons and municipalities enjoy very substantial autonomy. Within the scope of their (large) competencies, it is up to the cantons and municipalities to decide which public services they want to offer, to what extent and at what level of quality. Therefore, there are no national standards for public services which could be met, except with regard to those parts of the administration that implement federal law. However, all public services have to comply with the rule of the law and the human rights set out in the constitution. In addition, there are some national standards set on the federal level, on issues such as social policies. These federal laws are implemented by cantonal administrations, and in these cases the cantonal administrations have no leeway, and have to follow the national norms.
C Institutional learning

Adaptability

The Swiss government has not adapted to international and supranational developments, in the sense that it did not join the European Union. However, it has tried to adapt by concluding a number of bilateral agreements with the European Union. Likewise, there has been a partial adaptation in the field of security policy, through the cooperation with other nations and the United Nations, while insisting on neutral country status. Whenever Switzerland agrees to cooperate with other countries or international organizations, it tries to meet all the requirements of the agreement, including implementation of the necessary administrative reforms. However, there are serious concerns as to whether this adaptation is sufficient. Switzerland still starts from the assumption of sovereign nation-states negotiating with each other on an equal basis; in particular, leading politicians suggest a balanced power distribution between the European Union and Switzerland, giving Switzerland the free choice between standing alone, bilateral treaties or EU accession. However, the already evident structural problems of the bilateral solutions are increasing with EU enlargement and the decreasing homogeneity within the European Union. Hence, it is very unclear whether Switzerland can continue this “bilateral path” long into the future. Much depends on the internal development of the European Union, and the form taken by new global or European challenges that must be tackled both on the regional (European) and domestic level. In this sense, the most important issue of Switzerland’s future remains unresolved.

Swiss authorities have been somewhat reluctant to participate in the international coordination of joint reform initiatives. The idea that reforms are defined commonly on the international level and then become in some way binding for Switzerland is alien to the Swiss political discourse. In the course of the increasing polarization of Swiss politics during the past 15 years, with the decline of consociational patterns of behavior, there has even been increasing emphasis by right-wing politicians on the notion of a small, neutral and independent nation-state surviving through smart strategies in a potentially hostile environment. Large parts of the population support these ideas. The recent report on “Sicherheit 2010” by Szvircsev et al. (2010) demonstrates the increasing skepticism toward integration that has mounted during the past seven years (p. 93, p. 99).
Nonetheless, it would be wrong to repeat the cliché of Switzerland as a solitary lone wolf, as there have been various attempts to contribute to international cooperation. Switzerland is a fairly active member of the United Nations, the IMF, the OSCE, the Council of Europe and most of the other important international organizations. In order to defend the interests of its export-oriented economy, Swiss foreign economic policy is also quite active (as, for instance, in the WTO). Certainly, the country cannot take the role of a “big player” on the international scene, and it concentrates on fields where it can realistically have some influence, as in economic matters or in “technical” organizations dealing with issues such as transport, ecology or development. And indeed, Swiss diplomats have tried (often successfully) to improve international cooperation in these fields.

**Organizational reform capacity**

Monitoring takes place as a part of the political process, which includes a large number of private and public actors. It is not institutionalized, with the exception of the evaluation of policies (by implication, policy evaluation leads indirectly to the monitoring of the institutional framework of these policies).

While the constitutional and basic structures (federalism, direct democracy) are very robust, and while power-sharing structures and cooperation among political parties are "enforced" by direct democracy, the "lower" structures of government are subject to constant change. Recent examples of this include parliamentary reforms, the reform of fiscal federalism and judicial organization, reforms of the electoral systems in the cantons and the communes, the merging of and organizational reforms of communes, as well as changes in public management. Nevertheless, one of the most important reforms, the reorganization of the Federal Council and its collegiate system, has failed despite several attempts.

The federal government tried to improve the institutional arrangements through the adoption of new administrative techniques (New Public Management) and a number of organizational changes. However, whenever the center has sought to bring about substantial change through institutional reform (e.g., through reorganization of the Federal Council and the collegiate system), it has met with resistance on the part of the public and the cantons, which do not want to have a more powerful national government. In particular, they do not want to see more resources or powers going to the federal level. This severely limits the range of feasible institutional reforms.
II. Executive accountability

D Citizens

Knowledge of government policy

There is some debate as to whether citizens are well informed in Switzerland. One of the first studies on the issue, based on surveys conducted after popular votes, found that only one out of six voters had a high level of knowledge. Studies based on larger data sets and relating to more recent data showed that about 50% of citizens have good knowledge on public policy issues (i.e., they know the issue at hand and can give motives for their decisions). A recent study by Hanspeter Kriesi reached the conclusion that roughly equal shares of the citizenry lack civic competences, has medium competence and has a high level of competence. Of crucial importance is the intensity of the campaign around a given issue, and knowledge of the content of the bill (Trechsel 2007: 441).

Another study found that just 42% of Swiss citizens knew the number of governing parties (which has not changed during the past five decades), 36% knew the number of signatures needed to trigger a referendum, and about 45% knew the number of EU member states (Armingeon/Erlach).

In a comparative study of “Citizenship and Involvement in Europe,” Swiss citizens scored at the same level as their counterparts in the Netherlands, Denmark and Norway with regard to the importance attributed to politics and interest in politics in general (Deth/Martin 2007: 312). These four countries had had the highest scores of the 11 countries under study. In another recent study on political interest and sophistication, Switzerland was ranked in sixth place (behind Denmark, Netherlands, Sweden, Norway and Germany) among the 21 countries included in the European Social Survey (Bühlmann/Kriesi 2007).

In a recent analysis, Kriesi (2005) argued that citizens are relatively well informed and rational when making their decisions in direct democratic votes. Either they consider arguments and counterarguments, or rely on reasonable heuristics.
E Legislature

Legislative accountability

Parliamentary committees, as well as members of parliament, have access to government documents and receive copies of these promptly. Legislators have also electronic access to the majority of government documents.

Parliamentary committees can summon ministers for hearings. Formally, this request is not binding. However, for political reasons, ministers typically respond to these requests, and answer the committees’ question.

Parliamentary committees are free to invite experts and to listen to their opinions.

The Swiss government has only seven ministries, and any attempt to enlarge this number has failed due to political opposition in parliament. Hence, most of the seven ministries have responsibility for many more fields than in other democracies. There are 10 parliamentary committees dealing with legislation and three committees have oversight functions (such as the Finance Committee, which supervises the financial management of the confederation), as well as four other committees that have additional tasks (such as the drafting committee, which checks the wording of bills and legal texts and sets the final version before the final vote). Thus, the task areas of the parliamentary committees do not correspond closely to the task areas of the ministries. Nonetheless, this does not indicate that the committees are not able to monitor the ministries.

The Audit Office is an independent and autonomous body. It has to support the Federal Assembly and the Federal Council through its analyses and reports. The chairman of the Audit Office is elected by the Federal Council; this election has to be confirmed by the Federal Assembly. In administrative terms, the Audit Office falls under the authority of the Finance Ministry.

At the federal level, there is no ombuds office. Some cantonal administrative do have an ombuds office, however.
### F Intermediary organizations

#### Media

Radio and TV programming is of high quality in Switzerland. With very few exceptions, radio reports are reliable and analyses done on an independent basis in a professional way. There is a tendency toward infotainment and personalization of politics on some TV programs.

#### Parties and interest associations

The six largest parties in Switzerland in general produce party programs that are both plausible and coherent. However, some of the parties’ election campaigns have shown a tendency toward polarization, and hence have lost plausibility.

Employers’ organizations and trade unions in Switzerland are pragmatic and avoid ideological undertones. Of course the major interest organizations have their ideologies, but this does not prevent them from entering rational discussions with other organizations and political parties. Furthermore, interest organizations in general have more professional resources, often have a more appropriate view of problems, and despite the defense of their own interests, provide better policy proposals than political parties.

Non-economic interest groups are very heterogeneous in Switzerland. While some offer reasonable suggestions, others promote policies that are rather irresponsible.
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