Zeitschrift: Swiss review : the magazine for the Swiss abroad

Herausgeber: Organisation of the Swiss Abroad

Band: 22 (1995)

Heft: 2

Artikel: Facing up to the federal budget deficit : financial policy in the whirl of election year

Autor: Schläpfer, Martin

DOI: https://doi.org/10.5169/seals-906943

Facing up to the federal budget deficit

Financial policy in the whirl of el

Budget cuts are even more painful than usual in the run-up to elections. The Federal Council's third austerity package has been badly mauled in parliament. The centre-right parties refused practically all revenue increases. In the same way structural austerity measures which cut to the bone have been put off until the next legislature. For no one wants to upset backers in advance of the National Council elections on October 22.

Peter Bodenmann, chairman of the Social Democrats, is following in the footsteps of German Chancellor Helmut Kohl. He is convinced that the present gentle economic recovery will change into powerful growth. This

Martin Schläpfer

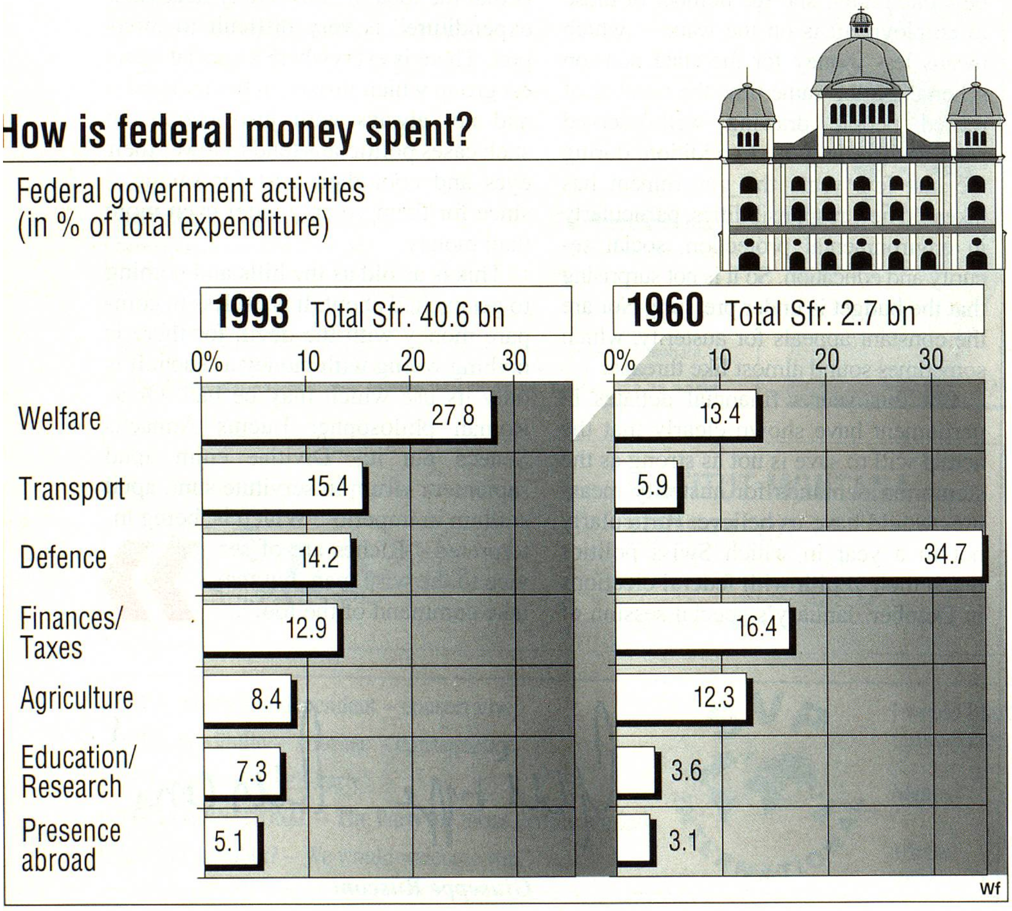
will give the state the opportunity for "targeted saving" and "even reducing the debt burden". These forecasts are bold indeed when we think of the problems facing the Federal Council and parliament in taking any savings measures at all. The unanimous opinion of centre-right financial experts that the 1995 deficit could be pushed below the Sfr. 6 billion mark turned out to be false: the actual figure was nearer Sfr. 6.1 billion. The final 1994 deficit is to be a yawning Sfr. 5.1 billion.

No revenue increases

The Federal Council hoped that its third austerity package since 1992 would bring the annual deficit for 1996 to 1998 down by Sfr. 1.9 billion to the Sfr. 4 billion level. But this would need a new and sharp turn of the fiscal screw. Sfr. 1.3 billion in revenue increases was requested. But this was stuff that dreams are made on. The three centre-right parties, the FDP, the CVP and the SVP, torpedoed a further petrol duty rise of 15 centimes a litre and adjustment of the heating oil and gas duties, as well as transition to proportional rates in direct federal taxation. With the latter, Finance Minister Stich wanted to ensure that capital-intensive branches like banks and insurance would contribute more. The only tax that pipe-smoker Stich in fact succeeded in raising was on tobacco. But the Sfr. 75 million which this will bring in is a drop in the ocean.

Why are the centre-right parties so reluctant to increase revenue? They are afraid of pushing voters into the arms of the right-wing opposition. Also, a new rise in the petrol and heating oil taxes would have no chance with voters if a referendum demand were successful. At present broad sections of public opinion are up in arms about the introduction of value added tax. The Federal Finance Administration has dealt with the system change efficiently, but the Federal Council has refused to clear up inconsistencies in the executive ordinance. This tax-motivated obstinacy could concentrate the latent outrage against politicians in general – which would be expressed by voters in any referendum on a tax measure.

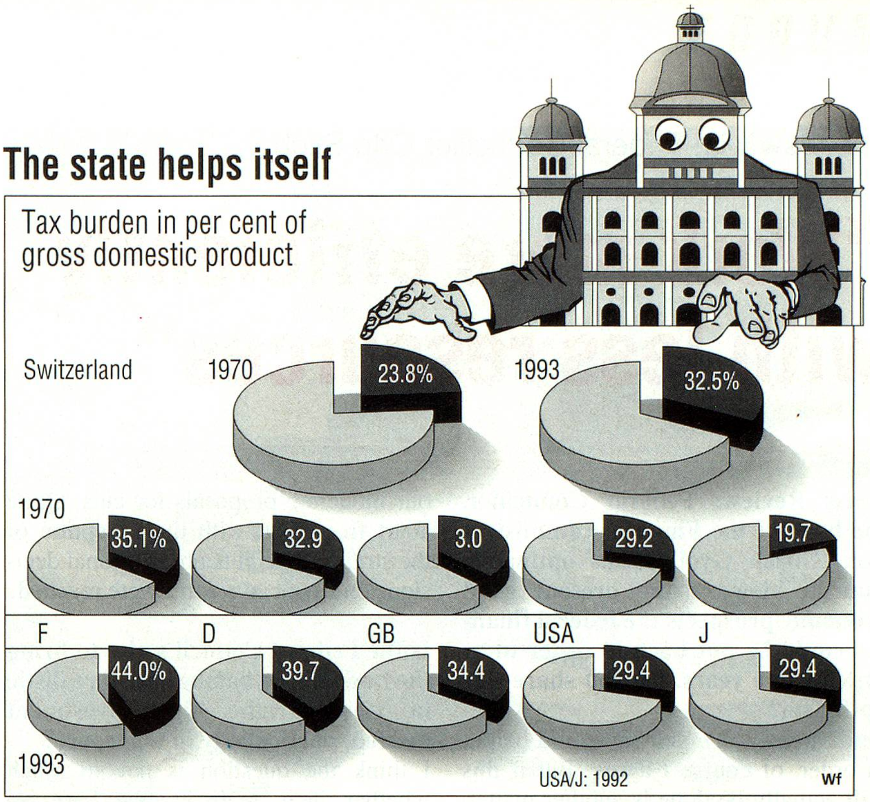
The wait-and-see tactic of the centre-right also has a finance policy element. No one is yet able to predict exactly how much additional revenue VAT will bring in. Otto Stich's opinion that the structural deficit is around Sfr. 4 billion is also controversial. The reference is to that part of the deficit which is not conditioned by economic growth, i.e. not covered by secure tax revenue. Both SPS National Councillor Rudolf Strahm and FDP National Councillor Gerold Bührer put the figure much lower, with the implication that when the economy starts growing powerfully the deficit will quickly fall.



ection year

The Federal Council and parliament have not yet proved that they can save. Parliament is still busy cutting spending growth dating from the last boom. According to the OECD, Switzerland's tax quota has risen more sharply than elsewhere. Calculated on the government's share in GDP, the figures for the USA and Japan are much lower. But the relatively favourable tax climate is one of the last real advantages of Switzerland as a business location in the brutal competitive struggle with other countries.

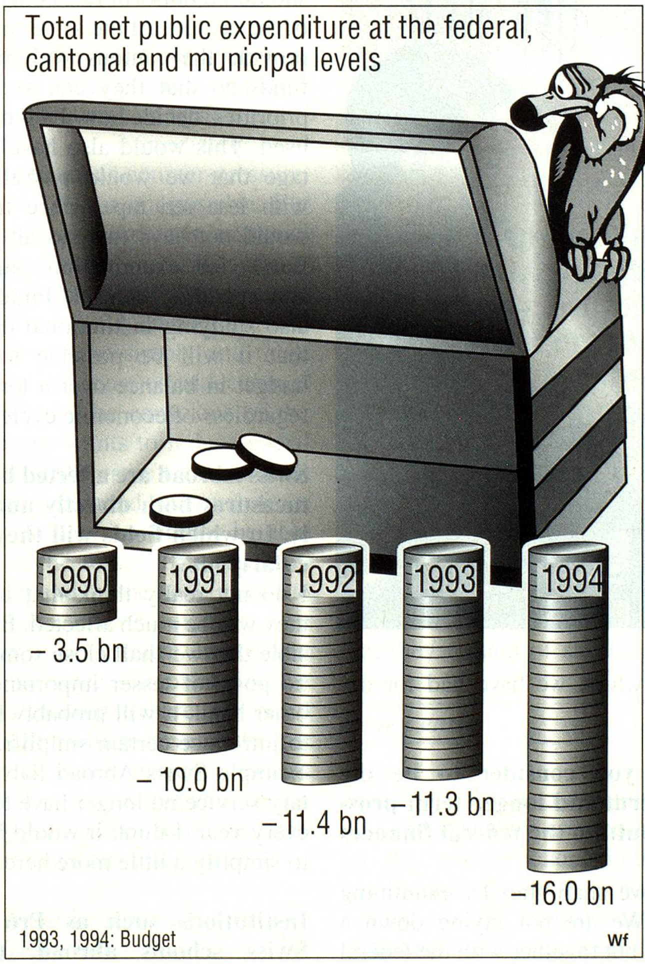
The state helps itself



In Switzerland the so-called tax ratio has risen since the early 1970s much faster than in other countries: the share of taxes and compulsory social security contributions has increased to about one-third of gross domestic product in percentage terms. (Diagrams: Wf)

Diverging interests

With total expenditure at around Sfr. 46 billion the austerity package would have saved only about 5% by 1997. In addition, the finance plan does not show the whole picture. Otto Stich has not included restructuring the Swiss railways and the federal pension scheme nor payment of public interest indemnities to the postal authority.



The embarrassing thing is that the parties represented in the Federal Council all talk about saving, but their aims are no longer the same. The Social Democrats are on the war-path against bureaucracy in agriculture and the army as well as against cartels and tender profiteers, but they are not ready to economise on social security. The Swiss People's Party is demanding huge cuts abroad, in asylum policy and in unemployment assistance, while shielding agriculture. Everyone protects his own.

But after the elections there will have to be talk of structural reforms. Lean administration is the buzz word. The aim will not only be to make the government more decisive and the administration more efficient, but war will be waged on federalist overlapping. Financial equalisation will be reformed. And the Federal Council will have to face up to how the gigantic infrastructure project for new tunnels through the Alps can be afforded. How both base tunnels, the Lötschberg and the Gotthard, can be financed?

This time of empty coffers provides a real chance to carry out overdue reforms and to prune dead wood from the machinery of state. Much as a booming economy is to be desired, all reforming zeal will vanish when the clinking of money once more rings in the ears of politicians. ■