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Autor: Tschanz, Pierre-André / Chisholm, N.
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Government's debt control proposal

PIERRE-ANDRÉ TSCHANZ

The people and cantons are being asked to vote on five proposals on 2 December 2001: four popular initiatives and a constitutional article to reduce the federal deficit.

SINCE ALL FIVE PROPOSALS INVOLVE a revision of the constitution, each requires the double majority of voters and cantons. The government and parliament recommend that the four initiatives be rejected.

Debt control

The Federal Council and parliament are jointly proposing a financial mechanism which will balance the federal income and expenditure over an entire economic cycle and prevent any increase in budget deficit. The aim of this debt control mechanism is to refine and supplement the tools required to achieve a balanced budget.

Even now the government has a debt-reducing instrument at its disposal: the rule whereby the deficit must amount to no more than two percent of income. However, this rule is impractical as a long-term solution. In the government's opinion, the ideal mechanism should not only limit deficits but also define the time frame within which a surplus is to be achieved. Hence the aim is to define not only the budget deficit threshold, but also the conditions under which budget surpluses can be generated. The government and parliament favour an anticyclical policy whereby funds accumulated during periods of growth can be used to stimulate the economy during recessions.

The federal debt rose from CHF 40 billion to 100 billion between 1988 and 1999. Had the proposed debt control mechanism been applied, they would have risen until 1999 but only to CHF 68 billion, according to a simulation model analysed by one of the government services.

Energy tax

Launched by the Green Party of Switzerland, the popular initiative "For a secure

AHV – tax energy, not work!" was submitted to the Federal Chancellery in 1996 with more than 113 000 signatures. It calls for a fiscal system based on ecological and social principles.

The initiative proposes a new constitutional article whereby "for the purposes of partially or fully financing social security costs, the government should charge a tax on non-renewable energy sources and on electricity generated by hydroelectric plants with more than one megawatt output". The tax would be introduced gradually and used to finance a reduction in the retirement age and in social security contributions.

The Federal Council and government recognise that financing social security costs represents a major challenge in view of current demographic changes. "After decades of continual expansion, the focus is now on consolidating social mechanisms," commented the Federal Council in its message to parliament. Given the triple thumbs-down given by Swiss voters to the energy taxes on 24 September 2000, it is hardly realistic to contemplate a new energy tax project. In the Federal Council's opinion, secure funding of the AHV depends on the one hand on a reduction in expenditure (which also entails an adjustment to the voluntary AHV/IV), and on the other hand an increase in income by raising VAT.

Switzerland without an army...

Two years ago, with 110 000 signatures submitted by the "Group for a Switzerland without an Army", the popular initiative "For a credible security policy and a Switzerland without an Army" was launched in favour of the disbandment of the army and a security policy "aimed at reducing conflict-related injustices at home and abroad".

While this initiative is no less radical than the one rejected by voters in 1989, it would leave a door open to the possibility of armed international peace missions. As far as Swiss security policy is concerned, it would require a complete reformulation. "By bringing issues such as equal opportunity, environment, social justice etc. into play, it has been given a social policy dimension. A security policy of this type is aimed at a



"For a credible security policy and a Switzerland without an army": opponents of the army collected 110 000 signatures for their popular initiative.

Utopian society and, as such, appears somewhat idealistic," states the Federal Council in its message to parliament.

... and civil peace service

At the same time as the initiative "For a credible security policy and a Switzerland without an army", the Group for a Switzerland without an Army has submitted another initiative entitled "Solidarity creates security: for a voluntary civil peace service (ZFD)". This "will contribute to reducing violence at home and abroad and prevent new conflicts arising".

Government and parliament point out that Switzerland is already active in this respect in the field of international co-operation and peace promotion, that concrete peace work is becoming increasingly professional, that conscientious objectors already have the option of doing civil defence service, and finally that a vote in favour of the initiative would result in the government having to take over tasks which are currently being performed effectively by non-governmental organisations. Those in favour of the initiative claim that the current civil defence service is only a substitute for conscientious objectors and its further development as a result of the initiative would be beneficial. It would take the form of a voluntary service whose task would be to collaborate with local organisations to reduce violent conflict in Switzerland and abroad. Volunteers would be trained in conjunction with state

institutions, non-governmental and private organisations, and tours of duty would count as part of the civil defence service. It is also worth noting that, unlike the initiative "For a Switzerland without an army", this initiative does not call for a disbandment of military conscription.

Capital gains tax

Finally, the popular initiative "For a capital gains tax" was launched by the Swiss Trades Union Association (SGB) and submitted two years ago with 104 000 valid signatures. It calls for capital gains to be taxed at a universal proportional rate of 20 to 25 percent. It also envisages an option of offsetting capital losses in the fiscal year and for a further two years through capital gains taxes. The SGB finds it no longer acceptable that private individuals' capital gains are kept from the tax authorities through equity trading. Capital gains are currently tax-free, and the SGB estimates that the proposed tax would generate annual revenues between

The Federal Council has decided to postpone the referendum on the new electricity market law until next year since it wants voters to be able to make an informed decision once they are in possession of all the facts on the liberalised electricity market. However, these will not be published before December.

Federal Referendums


2 December 2001

- Federal decree on debt control
- Popular initiative "for a secure AHV – tax energy, not work"
- Popular initiative "for a credible security policy and a Switzerland without an army"
- Popular initiative "Solidarity creates security: For a voluntary civil peace service (CPS)"
- Popular initiative "for a capital gains tax"

**Forthcoming referendum dates
2002**

3 March / 2 June / 22 Sep. / 24. Nov.

CHF 400 million and CHF 1 billion (CHF 100 to 400 million according to the Federal Council).

In terms of fair taxation the government and parliament feels this tax would be justifiable, but it would compete with the wealth tax and would be less profitable and administratively more complex. 

Translated from the German by N. Chisholm.

Bookmarks

<http://www.admin.ch/>

Not quite watertight?

FOCUS, UN 03/2001



If "Switzerland is open to all", then it must not be quite watertight! The Confederation should not apply this modern, if not downright trendy multicultural metaphor (in the first paragraph) to itself, as

Pablo Crivelli hopes. To be open to all can only mean you have no individual standpoint, and have to juggle a collection of different standpoints. This may also generate a false understanding of tolerance and freedom.

Dr. Theo Brune, Bad Iburg (D)

Thanks for the camp!

This is the third year running that our children have attended the Foundation for Young Swiss Abroad's summer camp, and at a reduced cost due to our meagre funds. Every year

they come home contented and raving about Switzerland and the international circle of contacts they have made. A huge "Merci!" not only to the Foundation but also to the enthusiastic teams ably led by Franz Keller.

Christian Theile (D)

Show the flag!

In late July/early August I spent a fortnight's holiday in Wilderswil with my English wife. From there we took a trip to the Jungfrau-Joch. For me, who emigrated to England in 1957,

this was a wonderful experience. On 1 August we travelled over the Brünig Pass to Lucerne, Zurich and Kloten. We made an interim stop at Lucerne. But what had happened? Are the Swiss no longer patriotic? I was so disappointed I could scarcely credit it: where were the coloured flags in front of the houses? And from Interlaken to Kloten, not a single person in national costume!

René Keusch, Birmingham (GB)