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# The Swiss Observer

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FOUNDED IN 1919 BY PAUL F. BOEHRINGER.

## The Official Organ of the Swiss Colony in Great Britain

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## FEDERAL FINANCE AND PARLIAMENTARY RESPONSIBILITY

### Deteriorating Finances

Much has been written about the "helvetic malaise". But opinions as to its cause vary from the dissatisfaction of man living in an affluent society to the impaired image of Switzerland in the world and the inability to master the tasks of the future with limited manpower and empty State coffers.

Swiss private economy and the State were surprised by the tremendous development due to the industrial/technical revolution. Industry managed to adapt itself more quickly than the State whose rising means were first, and perhaps unwisely, used to further the welfare schemes and for increased subsidies.

Since 1953, all annual federal accounts have been on the right side. Even the missing 8.5 milliard francs due to active service of the Swiss Army during the war could be reduced to 3.8 milliards by the end of 1965. It was in 1961 when the construction of national roads began, that the pendulum started to swing back. Since then, expenditure has mounted more quickly than revenue. The red light was seen, and the Federal Government appointed two Commissions, one under Prof. Joehr on long-term financial planning and the other under Prof. Stocker regarding the policy of subsidies.

An alarming picture was painted of deficits in the federal accounts amounting to milliards of francs. It was estimated that by 1974, revenue would reach 9,151 and expenditure 11,054 milliards. The Stocker Commission proposed immediate subsidy reductions of 140m. francs. The Federal Council announced, perhaps rather prematurely, that they would accept the Stocker Report *tel-quel*, but later they had second thoughts. The report was given a mixed reception by the public. As was to be expected, the bodies which would have been directly affected by the proposed cuts, protested most volubly. The general feeling was that whilst there was no need for alarm, it was vital that the reports should be followed by action on the political plane. It was a test for the financial-political responsibility of the authorities at all levels. Federal Council and Parliament should find ways to produce immediate substantial contributions to re-establish financial equilibrium. Before more taxes could be expected, a drastic reduction in public spending would have to be effected.

### Immediate Measures

The Federal Council worked out an emergency programme (so-called *Sofort-Programm*) to come into force at the latest on 1st July 1967. Additional revenue was to be found by increasing the turnover tax on goods from 3.6 and 5.4 to 4 and 6% respectively, by putting back on the

turnover tax list drugs, books and soaps, by eliminating the rebate on the defence tax (*Wehrsteuer*) and by increasing ceilings on higher incomes. The Confederation should thus receive additional revenue of 70m. francs. Proposals in the Stocker Report regarding cuts in subsidies, i.e. 60 out of 140m. francs were to be accepted.

The emergency programme was to procure an additional 390m. francs within two years. But it was pointed out that further ways and means would have to be found to cover the expected national deficit for the coming years.

The Federal Council's draft of the emergency programme was published on 13th October. The next day it was announced that the Government had decided to cancel the investment restrictions on foreign capital, which were put into force in April 1964. At the end of the year, the agreement between the National Bank and the Swiss banks regarding credit limits was also cancelled.

### Alarming Budget

In October, too, the federal budget for 1967 was published. Parliament had already been informed at the end of September that the expected deficit would amount to several million francs inspite of severe cuts (originally budgeted deficiency 1,128m.). The budget estimated a shortage of 432m. as against 238m. in 1966. Expected revenue was put at 5,395m. and expenditure at 5,827m. francs. The total State budget, including accounts and changes in investments, etc., visualised a profit of 86m.

In its message accompanying the budget, the Federal Council announced that a one-time cost-of-living grant of 5.5% would be given to federal employees, which was already shown in the budget with 104m. francs. (It may be interesting to compare here the pay rates with those in private economy; the latter is ahead by some 6%.) In addition, all dairy produce subsidies were to be cut and passed on to the consumer. This decision was already within the Government's competence and came into force on 1st November. Even with the proposed cuts in subsidies, federal contribution per head of the population would still amount to 245 francs as against 86 ten years ago. The budget for national road construction cost had been reduced from 700 to 650m. and military expenditure from 1880 to 1,702m. francs.

It should be stated here, that, inspite of the high figures involved, it has been possible for the first time to halt the annual increase of approximately 20% which during the last number of years was the hallmark of every budget. Within the past five years, the increase in expenditure amounted to 225%. It must be admitted that the Federal Council has pulled the emergency brake, and it is

deplorable that opposition immediately reared its head.

The seriousness of the position was well brought home when Parliament debated the budget in their winter session. The debate showed that the trend during years of affluence when the Left usually increased the Federal Council's contribution proposals by some 10%, was changing, and that their cry reverted again to "the rich shall pay". As soon as their efforts failed to keep subsidies affecting their own interests (against the Government's proposals), the Socialists declared they had to abstain in the final vote. This, as National Councillor Peter Duerrenmatt stated in the "Basler Nachrichten", could hardly be called sharing parliamentary responsibility.

#### Generous Subsidies nevertheless

The *Sofort-Programm* (*Bundesbeschluss über die Anpassung der Finanzordnung des Bundes an den gesteigerten Finanzbedarf*) was debated for practically a week, and tough opposition was voiced. But it was accepted by the National Council by 115:38. With the changes Parliament made in the budget, the estimated figures now show revenue of 5.42 and expenditure of 5.83 milliards. The budget includes subsidies of 1,475 million francs (1964: 1,066m., 1965: 1,228m., budget 1966: 1,392m.). For the first time, contributions of 45m. to the Cantonal Universities and 1.5m. to *Natur- und Heimat-schutz* appear. An item which is estimated as reduced by 225m. francs is customs revenue due to the EFTA tariff reductions. The increased subsidy to the Swiss National Tourist Office from 5.5 to 8m. francs and a grant of 2.9m. for their new office in Paris was left in by Parliament, too.

On 23rd January, another message regarding the cut in subsidies was published by the Federal Council. The plan for a further saving of 55 to 60m. francs was outlined on 85 pages of explanatory text and 65 pages of detailed proposals and sixteen changes in the Constitution. The draft bill visualised cuts of 110m. as against the 140m. proposed in the Stocker Report. Cuts would include 20m. in communications, 5m. in agriculture, 2m. in industry and trade, 30m. in social welfare including insurance, 5m. in civil defence, 0.35m. in education and health.

#### Improved Accounts and Rejection

The seriousness of the situation, however, was weakened when the federal accounts for 1966 were published early in March: Revenue 5,688m. francs (budget 5,629m.), expenditure 5,683m. (budget 5,867m.), an excess of 5 m. francs. The favourable figures were the result mainly due to an increase in *Wehrsteuer*, anticipated tax (*Verrechnungssteuer*), turnover tax and customs receipts on fuel. Together with the changes in the balance sheet, the total excess of income over expenditure was 287m.

In the spring session, the second Federal Chamber had to decide on the emergency programme of the Government. The Council of States was suddenly the centre of interest, something which does not often happen. Half the National Council, too, followed the interesting and lively debate which ended in acceptance (22:8) of the proposals as already passed by the National Council in their winter session.

The final vote was to be taken in the National Council. By then, the programme's fate was in the balance, the Social Democrats and the "Landesring" being definitely opposed; the Conservatives, Farmers, Democrats and Evangelicals in favour, with the Liberals holding the casting vote as it were. When they announced on the eve of the poll, that they had also decided against it, a defeat was a foregone conclusion. The final vote in Parliament

was 87 against to 73 for. With this result, the citizens who were to have voted on it on 28th May, will not now have to go to the poll. They would almost certainly have rejected it; the defeat in Parliament has saved an expensive procedure.

#### What of the Future?

Would the result have been the same if the 1966 accounts had not been better than expected? If the accounts of the Postal, Telegraph and Telephone Services had not shown an improvement of 77.2m. francs as compared with the budget (profit of 23.4m. instead of an estimated deficit of 53.8m.)? Whatever the reasons, Federal Finance Minister Bonvin will have to do without the 400m. of additional revenue. As he himself said "everybody demands and nobody wants to pay". There is now no other possibility than to work out new proposals, not only as to savings, but also as to new sources of income. As long as such sources remain untapped, and remembering that so far there has not yet been an actual deficit in the federal accounts, one cannot talk about a financial crisis. Officially, it is stated that additional means must be found in order to carry out the tasks necessary to ensure a healthy development of Swiss national economy; the situation and the reasons which led to the rejection of the emergency programme must be analysed and examined, whilst the already started savings measures are to be intensified and newly proposed expenditure treated with reserve; the whole basic principle of subsidy policy has to be studied. (Prof. Stocker's Commission of ten is to be increased to twelve and its mandate is to review the whole question.)

The *Aktion für freie Meinungsbildung* in Basle, which regularly publishes comments under "Trumpf Buur" in the "Basler Nachrichten", made two suggestions, one was to send a popular version of the Stocker Report free of charge to every household in order to better inform the citizen. The other proposal is that construction schemes (roads, buildings, etc.), which involve federal funds, should be examined with the same magnifying glass recently used in connection with the Berne Cantonal *Heil- und Pflegeanstalt*; the project was to cost 8m. francs, and the same architect, when pressed, found that the scheme could be realised adequately at half the cost!

The emergency programme was a valiant effort on the part of the Government. But it was badly timed. So soon before general elections to Parliament (in the autumn), the people's representatives like to prove their oppositional spirit. The tax payer will be glad, for local taxes are being increased in most Cantons. Those who, rightly or wrongly, will now have their appeals for federal help rejected on account of shortage of funds may, above all blame the Socialists for their obstructionism. As Mr. Duerrenmatt aptly says, whatever one's opinion of the *Sofort-Programm*, the whole episode has once more shown up the weakness of the present system: the unanswered question of long-term responsibility.

(Compiled by the Editor from information received by courtesy of Agency Télégraphique Suisse and "Basler Nachrichten".)

#### THE SWISS, AN INVENTIVE PEOPLE

According to a survey carried out recently by the French Institute for Intellectual Property, Switzerland has the highest number of patents registered per head of the population. Similarly, Switzerland also registers the largest number of patents abroad. In Europe, again proportional to the size of her population, Switzerland receives the largest sum for manufacturing licences granted abroad, coming directly after the United States. [o.s.e.c.]