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# FEDERAL FINANCE

The loss in the federal balance sheet has decreased from 3,751 to 2,766 million francs in the eight years from 1960. In six years alone, it fell to nearly half. Today, the deficit is not quite 4% of the Swiss gross national product, i.e. of the total value of all goods and services produced annually by the Swiss economy; whilst in 1960 it was still 17%, in 1950 32% and in the first year after the war over 50%. Per head of the population, the deficit is not even 490 francs, as against 1,150 in 1960 and 1,656 francs in 1950.

The financial accounts of the Confederation, i.e. the actual revenue and expenditure without taking into account any movements of capital and deductions for reserves, depreciations, etc., have shown surpluses twenty times and deficits only three times since the end of the war. The surpluses totalled 5,194 and the deficits 397 million francs.

The federal accounts for 1968 were commented upon by Federal Councillor Celio, Head of the Federal Department of Finance and Customs at a Press Conference at the end of April, just after publication of the Government's Message to Parliament. In the financial accounts, there is a surplus of nearly 157 million francs and in the total accounts well over 557 million francs. The balance sheet showed a loss of 2,766.6 million francs, as well as a surplus for the PTT (postal and telecommunications service) of 100,428,300 francs. Parliament will also have to take note that the loans for national road construction were increased by 154 million to 2,061 million francs, and that 57.9 million francs for the utilisation of dairy produce was shown in the accounts for 1968.

At the Press Conference, Federal Councillor Celio warned optimists that one single good year was no proof that the dangerous point in federal finances had been passed. The Government assures the citizen in its Message to Parliament that there is no intention of asking more taxes than are necessary to fulfill the tasks demanded of the authorities. If it were possible to open new sources of revenue, the taxpayer would certainly be considered favourably.

Regarding expenditure, the Swiss Minister of Finance explained that 80% went on defence, communications and energy production, social welfare, agriculture as well as education and research. The greatest increase was in social welfare and in education and research. 58.4% of all revenue came from taxes, 37.7% from customs duty.

Under the direction of the Federal Office of Works (*Direktion der Eidgenössischen Bauten*) building and maintenance work was carried out in 1968 to the tune of 298 million francs (259 in the previous year). 1,100 new buildings, alteration and rebuilding projects

were undertaken, and some 10,700 buildings were maintained — insurance value of 1.6 milliard.

A few more figures of interest: in a Message to Parliament, the Federal Council has asked for a new credit enabling Switzerland to make contributions to various institutes, funds and special campaigns of the United Nations Organisations. The sum asked for is 1,250,000 francs for five years from 1970. The budget (July 1969 to end of June 1970) of the Federal Alcohol Administration estimates over 193 million francs in revenue and only 79.38 million francs in expenditure. For the first time, a sum of 100,000 francs is budgeted for Swiss national organisations fighting alcoholism.

The export risk guarantee fund of the Confederation showed a record turnover in 1968. New guarantees taken on totalled 1,603 million francs as against 1,070 in the previous year. In eleven cases (Costa Rica, India, Lebanon, Nigeria and Syria), 1,412,639 million francs was paid out, against less than half a million in 1967. The number of applications, some 3,000, was much the same as before. The fund's accounts ended with a surplus. In the 35 years of its existence, the fund has paid out 18.7m. francs.

The Confederation granted loans to agricultural investment and improvement schemes amounting to 148 million francs last year, 26m. more than in 1967.

The Federal Mint reached a new record in 1968 in their production of coin: 163.5 million coins were minted at a value of over 176m. francs. The highest production so far had been in 1962 with 127 million coins.

And now just one word about the reaction in Switzerland on the decision not to re-value the German Mark. There was general satisfaction everywhere in Switzerland, and the hope was expressed that speculation would now stop. It was also considered gratifying that there had been no speculation whatever against the Swiss franc.

## Finance Policy of the Confederation

On 25th November last year, the Federal Council empowered the Department of Finance and Customs to submit its draft proposals for a constitutional amendment regarding adjustments in the present finance laws to Cantonal Governments, political Parties and economic bodies (*Wirtschaftsverbände*). At that time it was hoped that definite proposals could then be worked out and submitted to Parliament in the summer and autumn sessions (National Council and Council of States respectively). The federal plebiscite was expected in early summer 1970 and the new laws should then have come into force by 1st January 1971.

The proposals known as "Adjustment of the Finance Laws of the Confederation to the increased demand in revenue" may be summarised as follows: removal of certain restrictions, introduction of the optional Referendum rather than the compulsory one in fixing tax rates, and similar decisions; removal of the 10% rebate on Defence Tax and Turnover Tax; small increase in turnover tax for the building trade; extending progression in the Defence Tax (i.e. raising the ceiling of contributions) and changes in tariffs to ease the so-called "cold progression". According to these adjustments, the federal authorities expected a maximum increase in revenue of 500 million francs annually. The Government was concerned with opening new sources of revenue as soon as possible and not to wait until the present *Finanzordnung* would have to be replaced in any case in 1974. For at that time, a deficit was expected in the 1968 accounts. These, however, ended with a considerable surplus, and thus it would not be reasonable to base the proposals on comments by the bodies consulted in the *Vernehmlassungsverfahren* before the accounts were out.

Federal Councillor Celio, by nature an optimist, showed some pessimism in two recent talks he gave in Zurich and Berne on the structure of federal finance policy. "It is not always the thriftiest household which is the best", the Swiss Finance Minister said. He is of opinion that a catalogue of tasks to be undertaken by the State and a definite allocation made to Confederation and Cantons should be compiled before making a list of requirements. To his mind, the State should support few ventures only, but then to a considerable extent. Mr. Celio also wants a new tax structure which would have to be carefully worked out in order not to result in a sudden rise in prices.

In another address, the Finance Minister said that public spending was in real partnership with private economy if State economic policy aimed at keeping in balance a favourable climate for the promotion of economic growth. State and private economy should complement each other. The free market should be directed by competition and not by unnecessary measures taken by the State. Switzerland, compared with other countries, had low fiscal burdens, and that was due to a fundamental political principle to give the State only what it really needed. The policy of empty kitties and a thrifty policy of expenditure were not enough, however, to achieve financial stability. In order to exist in international competition, industry could not be taxed beyond a certain limit. A less rigid tax structure would have to be found.

(*Based on information received by courtesy of Agence Télégraphique Suisse and "Tagesanzeiger".*)