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# The Swiss Observer

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## COMMENT

### SHARING OUT FUNDS BETWEEN RICH AND POOR CANTONS

The concept of regional development can't be applied in Switzerland as it is in other countries, particularly Britain, as this implies a central government allocating development subsidies such as investment grants to "depressed areas". Such a centralised system would be incompatible with federalism as it is understood in Switzerland today. The problem of regional development is further compounded by the unsatisfactory share-out of cantonal and federal responsibilities and the need to overhaul the system, particularly in its fiscal implications.

Regional development therefore takes the form of a redistribution of federal funds according to the means of individual cantons. Following a "means-test", each canton is attributed

a coefficient representing its financial weight. The 25 cantons and half-cantons are classified in three groups — the rich, the poor and the moderately prosperous (everything being relative, of course). In the first category one finds Basle-Town, Geneva, Zurich, Basle-Land and Zug whereas the "poor" cantons would be Fribourg, Valais, Inner Rhodes, Nidwald and Obwald. The subventions received from the Confederation are the same for the cantons of a same category.

A new, fairer system is actually under consideration. It will leave unchanged, the minimum and maximum levels of subsidies granted at present to the richest and poorest cantons, but introduce a mobile-subsidies scale for the intermediate category which includes most cantons. If the richest cantons are given a means coefficient of a hundred, then Neuchatel would merit 92, and Outer-Rhodes 65, according to 1971 estimates. But as the economy develops, some cantons get richer faster than others, and the volume of federal aid must be adapted accordingly. This is the principle behind the rather complicated package to be examined by Parliament. Intermediate cantons will receive subsidies inversally proportional to their means coefficient. By that token, Berne would get 17 million francs more a year, Tessin 8, and Saint Gall 5. Vaud, on the other hand, would get less, and so would Neuchatel, Schaffhausen, Glaris and the Grisons.

The effects of the new provisions would be particularly felt by cantonal social security departments which award supplementary Old Age and Invalidity Insurance benefits. The Confederation would distribute a few extra dozen million francs of social subsidies under the envisaged scheme.

The proposed allotment of common monies to cantons according to their prosperity would be well on the way towards an "ideal solution" faithful to the ideals of cantonal autonomy and willing cooperation.

Per capita income just about doubles between the poorer cantons (Schytz, Uri, Appenzell) and the wealthiest (Zurich, Basle). But poverty is a relative notion. With a per capita income averaging over 7,000 francs a year, the Poorest Cantons would be classed as very prosperous in Britain.

P.M.B.

# SWISS EVENTS

## British Squeeze on Roche Products Shocks the Swiss

The British Government's decision to impose drastic cuts on the selling price of "Valium" and "Librium", two of Roche Products' best-selling tranquilisers, was strongly criticised by Swiss observers. Noting a staggering difference between the prices charged by Roche for the active ingredients of the two drugs, and prices of copies found on the free market, the Monopolies Commission ordered the company to slash the price of Valium and Librium respectively to 25 and 40 per cent of their 1970 prices. The Minister for Trade and Consumer Affairs, Sir Geoffrey Howe, agreed with the Commission's contention that Roche had made excessive profits. According to the Commission figures, the company had netted £24 million in profits from the two drugs since 1966, or nearly £4 million a year on total annual sales of £8.5 million. Moreover, Roche was asked to refund over £1 million as a penalty for overcharging. The final amount was to be discussed at discussions between Roche and the Department of Health. The new measures, if implemented, would save the National Health Service (which buys 90 per cent of Roche's output of Valium and Librium) about £10,000 a day. Judging from the statements by the Roche spokesman, the firm will not yield meekly to Government pressure.

Roche claimed that production costs were no basis on which to fix the price of a new medicine. Allowances had to be made for the enormous outlay in research; for the amount of effort wasted on non-marketable products. It also pointed out that Roche shareholders had never received dividends in excess of 1 or 2 per cent. Neither Sir Geoffrey nor Sir Keith Joseph, Minister of Health, were able to confirm this point.

It is a well-known fact to the Swiss that Roche have grown into the world's leading pharmaceutical empire (turnover estimated at £500 million) by ploughing back their profits. It has a nominal capital required by law. The few Roche shares that there are would fetch over £25,000 if their lucky holders ever felt inclined to sell them.

All this of course "bugs" the British. The Monopolies Commission might have struck at Roche just to force it to open its books. The *Sunday Times* spoke of an "extraordinary" company "that is so secretive that even its own executives do not know how it is really run".

The Swiss Press was generally amazed by the British decision which, it said was contrary to the rules of free competition. It recalled that Librium and

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