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THE EVERLASTING LEAGUE

The 3rd February, 1979, issue of the Economist included an extensive survey of Switzerland. We have selected extracts from this feature which we are reprinting with the kind permission of the Economist.

Neutrality, many Swiss believe, is a cornerstone of Switzerland's economic success. Observers outside Switzerland can be excused for arguing that the air of security and stability created by many years of economic prosperity — and, when it comes to dealing with foreign money, the secrecy the Swiss banks maintain — have more to do with the hardness of the Swiss franc than its policy of neutrality.

Few countries are as dependent economically as Switzerland is on the world beyond its borders. It has to import nearly all its raw materials, 65 per cent of its food and 80 per cent of its energy requirements. It has to export to survive and exports have to be sold in a currency that appreciates in value every time there is a run on the dollar.

One official went as far as to say that Swiss economic stability was something of an optical illusion. The Swiss are worried now about the consequences of the appreciation of the Swiss franc, brought about in part by their own success and in part by other countries' failings. They worry whether they can hold the line in keeping unemployment and inflation at bay. But it is because they worry that the Swiss are so successful.

The Swiss are well equipped to meet any challenge to their prosperity. They are the people who turned down the 40-hour week because they thought it was in the country's interest that they should work longer hours, who rejected a proposal to reduce the pensionable age because they say it would cost too much, and who voted for an increase in the price of bread when the government explained that it must raise the duty on imported grain. It is this "Swissness", this old-fashioned acceptance of the common good, which has helped Switzerland achieve its remarkable degree of stability.

SOVEREIGN WITHOUT A CROWN

The *Gemeinde*, or community, is the basic unit of Swiss democracy, and it is from there that the

federation draws its strength. The national will is not imposed by a centralised bureaucracy, but comes from below. The very purpose of forming an alliance of the independent states of Uri, Schwyz and Unterwalden in 1291 — this was the birth of the confederation and is a date which Swiss schoolboys are not allowed to forget — was to prevent their domination by a central government of the Habsburgs. Today the confederation comprises more than 3,000 communities. It is an extraordinary fraternity.

People who live in pale imitations of democracies often feel neglected by politicians once the votes have been counted. After he has been elected, the politician sees the main object of the exercise as staying there, even if it means supporting policies he personally disagrees with. In Switzerland, political decisions are taken with the will of the people in mind, not just as a matter of principle, but for sound practical reasons. The government and both houses of parliament have, for example, expressed their support for Swiss membership of the United Nations, but this would have to be put to the popular vote — and the politicians sense that a majority of the people would vote against it. So, they will wait until public opinion changes. They are used to living with the fact that any bill approved by the federal parliament may have to be submitted to a referendum, and so the way in which they frame legislation always takes this into account. When the Swiss try to explain to foreign visitors the intricacies of the political system they nod in the direction of a passer-by and say: "He's the sovereign, he decides what happens here."

ICH BIN EIN GLARNER

Swiss democracy is liveliest at the cantonal and communal levels. The fact that the cantons were not set up by a central authority, but are products of history and were in existence before the confederation was formed continues to exercise a powerful influence on Switzerland's domestic affairs. Even today many Swiss feel themselves to be first and foremost a Basler or Berner or Tessiner rather than a Swiss. Or as a politician in Glarus put it: "I'm a Glarner in Switzerland, and a Swiss abroad." Each canton has its own constitution. Cantonal powers have been described as comparable to those of the government of Ulster

before Westminster assumed direct rule. The cantons levy income tax, run the schools, have their own policy forces, are responsible for the medical services and for some aspects of social welfare, and they implement a wide range of federal legislation.

TOO MUCH OF A GOOD THING?

Certainly the business of turning out to vote several times a year — in some cantons eight or nine times — is putting a strain on even the Swiss sense of civic responsibility. There are now usually four votes a year on federal matters alone, each dealing with at least three issues. A lot of people find some of the issues too complex to bother about.

The size of the poll at federal elections is not very impressive. In 1975 it was 52.6 per cent. The turnout at cantonal elections varies from a paltry 20 per cent in Geneva to 75 per cent in Schaffhausen — the last remaining canton where people are constitutionally obliged to exercise their right to vote. (If they don't they are fined Sw.Fr. 3.)

WORKING IN HARMONY

In 1977, which was by no means a record year for industrial peace, there were only nine strikes in Switzerland, involving 1,380 workers (out of a labour force of 2.7 million) in 54 firms, causing 4,649 days to be lost. Most unions and employers sign peace agreements that bind both parties to outlaw conflict as a way of solving industrial disputes. The agreements ban both the strike and the lock-out, and usually run for four years. About two-thirds of Swiss workers are covered by absolute peace agreements, absolute meaning that they will not strike under any circumstances, and the rest by relative ones which leave them free to strike on matters not specifically covered by the agreement.

The unions say that the sweet reason shown by the workers is not just another example of the Swiss readiness to compromise. Industrial peace, they claim, makes sound practical sense and plays a major part in achieving the prosperity from which working people have greatly benefited. Besides, they add, strikes are not a sensible way of getting what you want. In the past three years the unions have settled for annual pay increases of under 2 per cent, plus cost of living increases. Productivity has risen, but the unions argue that they could not get

more pay even by striking as the appreciation of the external value of the franc has been cutting into profit margins. This sentiment, it needs to be emphasised, was expressed by the trade union federation, not by the confederation of Swiss industry.

But it is conceivable that even the Swiss would have experienced industrial trouble were the unions stronger. Only about 40 per cent of Swiss workers are trade union members. The level of membership varies from about 15 per cent in the textile industry (where many foreigners are employed) to around 95 per cent on the railways. This, in turn, reflects the fact that small and medium-sized firms are still the norm in Switzerland, creating a cosy paternalistic atmosphere, free from strife.

AT ARM'S LENGTH

It has been said that the Swiss, tucked away in the middle of Europe in a state of everlasting neutrality, do not really have a foreign policy. Since July, 1977, Switzerland has had an arrangement with the EEC which gives it most of the benefits of membership of the community without any of the unpleasant obligations.

These arrangements with the EEC provide a splendid example of how the Swiss shape much of their foreign policy to suit their economic interests. Switzerland could not join the EEC without sacrificing its neutrality, for the ultimate aim of the community is political union.

But it is not only its neutrality, anchored in the constitution, which keeps Switzerland out of the EEC, for just as surely Swiss federalism would prevent it from becoming a member. If the cantons reject interference from Berne, how on earth would they accept directives from Brussels?

ODD ECONOMY OUT

Switzerland has accomplished the extraordinary feat of virtually eliminating inflation and maintaining full employment at the same time. And exports have continued to rise despite the fact that on the foreign exchange markets the Swiss franc

appreciated by more than 53 per cent by the end of September 1978.

Switzerland, however, has not maintained full employment by creating more jobs, but by sending foreign workers home. The employed population has fallen by about 300,000 to 2.7 million since the boom of the early 1970s.

LOOKING ABROAD

Exports of goods and services account for about 40 per cent of GNP and about a third of the Swiss labour force works for the world market. The output of some industries is almost entirely exported. The dyestuffs, watchmaking and pharmaceuticals industries export nearly 90 per cent of their production, and major industries like machine tools, textiles and chemicals nearly 80 per cent.

These high export proportions reflect the lack of an expanding home market. What the Swiss are failing to do is to stimulate domestic consumption and this is really at the root of the problem.

High production costs for industry based in Switzerland and low domestic demand — there is not much room for expansion in a country of six million people (real GNP rose in 1978 by an estimated 1½ per cent, real consumer spending probably not at all) — have led more and more Swiss firms to produce elsewhere, both in the developed and in the less developed world.

BANKERS UNDER PRESSURE

These are trying times for Swiss banks. Although the financial community has been more or less able to overcome the crisis of confidence caused by the Crédit Suisse scandal in 1977, it has been stung hard by the ban on sales of Swiss securities to non-resident foreigners.

IS IT REALLY TRUE?

Is Switzerland's famed consensus a fake? The foreign visitor cannot fail to be impressed by the wide acceptance among the Swiss of their institutions as they now are and of the "system", the Swiss way of doing things. A recent poll among

young people showed that most of them were satisfied with their lot. They wanted a reasonable standard of living and a worthwhile, interesting job; but they were not thrustingly ambitious.

Swiss schoolchildren are taught that disputes should be settled by compromise. As one left-winger put it: "Conservatism is a school subject". The popular referendums are not just direct democratic rights, but are recognised — by most politicians, and certainly by industrialists and bankers — as safety valves which allow the people to let off steam.

Teachers may not implant the idea of strikes in children's heads, but they make sure that their pupils have a strong sense of history. Every Swiss schoolboy knows that at the beginning of August, 1291, the leaders of the three valley cantons, Uri, Schwyz and Unterwalden, formed an Everlasting League to secure internal peace and ward off feudal attacks. Their alliance became the nucleus of all subsequent alliances and ultimately of Switzerland itself. The knowledge that the cantons are the products of history, that they were there before the confederation — indeed that the confederation was created for their sakes — is deeply ingrained in the Swiss mind. The Swiss are united by history and, tensions or not, they insist that the Everlasting League is still an appropriate description of their alliance.

Is Switzerland an anachronism? In some respects, yes. The legislative process looks too slow for the needs of a modern state. The doctrine of neutrality looks less realistic now that neighbouring states who were once enemies of each other are partners in the EEC. And for all its power of dissuasion, how credible would Swiss defence policy be if it really came to the crunch? But these issues are taboo, raised only by a handful of Swiss non-conformists and certainly not by the "sovereign" people. If changes come, the people will make the decisions. And if that is an example of anachronism, democrats should give three cheers for the past.



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