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# The Swiss economy and the need for adjustment

A COUNTRY dependent on exports like Switzerland is continuously and relentlessly subjected to the changes in worldwide competition.

With the industrialisation of many emerging developing countries, new participants have entered the competitive scene.

The Third World's competitive pressure forces adjustment, especially in the case of products for which the share of costs for raw materials and less qualified workers is high and the significance of services and advisory services is minor.

On the other hand, the opportunities for developing Switzerland as a manufacturing centre lie in areas that require highly skilled labour, long-term customer connections, a high degree of reliability, long-term investment in research, and an above-average amount of capital invested.

The aim of all adjustment efforts and reorganisational sacrifices must be to tailor our structures to these traditional strengths that exist in Switzerland as a manufacturing site.

Whether implemented as process of product innovation, technological progress can open up fascinating income prospects.

But the call for technological top performance is subject to two reservations. For one, market conditions are also here the determining factor.

Fundamentally, this is trivial, but in practice fruitful cooperation between the engineer and the businessman is not a matter of course.

Secondly the commercial application of new technical knowledge must be connected with a net product-intensive software sector, for which the location strengths of Switzerland are of importance.

The resident population of Switzerland is expected to grow only marginally up to the year 2000.

The demography factor, which was formerly a powerful motor for growth, will for this reason have next to no effect on the economy.

The number of employed persons will still rise somewhat over the near term, but will decline in the nineties.

The ratio between pensioners and employed persons will therefore continue to rise, so that, even with unchanged performance, redistribution costs will increase.

With the materialising decline in the entrance of young people into the labour market, the burden of essential occupational adjustment will be shifted onto the shoulders of those who are already employed. Further training and willingness for

capacity of a firm to react without essential justification.

□ The power of our firms for renewal and innovation depends decisively on their equity backing, which has been falling in the last few years. In an effort to stimulate the accumulation of risk capital compared with borrowings, the cancellation or reduction of capital tax together with stamp tax on share issues, and an easing of the double taxation of profits in the company and with the shareholder, should, among other things, be seriously considered.

□ In the light of adjustment requirements it seems appropriate

damaged in the future by financing constraints.

□ Flexibility must be promoted on the labour market. In this connection, flexibility means much more than simply the right to issue dismissals. It must also involve being more open to tailored solutions. In the flexible utilisation of pleasure in work lies a productivity and creativity potential, which we have not yet exhausted by far.

□ Technical change and the loss of flexibility determined by demography both provide increased challenges for education. The demand for greater horizontal transparency is as equally justified as relating school federalism to the requirements of mobility. Small businesses, in particular, find that the possibilities of further training outside the firm are still too restricted.

□ Finally, it is clear that, for national and political reasons, efforts must be continued in the area of regional politics. Regulatory reservations and objections are to be taken seriously. But a reference to bureaucratic unwieldiness and lack of efficiency cannot divert one from the more basic view that uncorrected laissez faire in the long term must lead to highly undesirable regional economic developments.

Adjustment requirements contain risks, but they also offer chances for those who promptly recognise them and, with a clear sense of a fair distribution of the adjustment burdens, understand how to make best use of these opportunities.

Despite some weak points, Switzerland as an industrial centre has, by international standards, substantial location advantages, which justify a good measure of enthusiasm and optimism.

**By Dr. B. Gehrig, First Vice-President of Union Bank of Switzerland and Head of the Economic Research Department, in an address to a meeting of the Christian Democratic Party.**

occupational mobility are therefore becoming much more important.

In view of serious uncertainty about the progress of development, what matters most of all is to improve starting conditions and to strengthen the ability to react on the part of those concerned.

□ Primarily, the economy must help itself. The decentralised market system can only satisfy the adjustment requirement if it steers and controls itself on a decentralised basis. The trend towards mediocrity has to be offset against the will for peak performance.

□ The state should be an accompanying assistant and not an active initiator. As shackles cause ever more pain the faster and more energetically one has to move, so must those restrictions be loosened which restrain the

to obtain indispensable additional income by means of tax consumption, because steps in this direction least impair the performance incentives.

This kind of demand is appropriate in socio-political terms, in a country in which the share of indirectly raised taxation is one of the lowest in the world, and in which, in addition, the most important basic goods are exempt from turnover tax.

□ Our important social security schemes have to be consolidated. Socio-political promises are deceptive if they are not guaranteed by the business community's capacity for performance.

As the system of social solidarity belongs to the most fundamental achievements of our country, we must nowadays prevent this system from being