

The Success Story of Switzerland

How could Switzerland's Specific Political
Institutions Contribute to the Country's
Political Stability and Economic Wealth?

Won-hwa PARK, Heungchong Kim, and Linda MADUZ

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Executive Summary

Switzerland is known as one of the most prosperous and wealthiest countries in the world. Switzerland ranks 3rd in the list of income table in the world. Furthermore, it maintains stable political regime and high level of security. This research tries to illuminate the way to the success of Switzerland through examining its political background and the specific features of the Swiss political system.

Switzerland is a country marked by strong pluralism, facing the challenge of integrating a multiplicity of different interests: different regional interests, different cultures, different languages, and different religions. This heterogeneity has shaped the political institutions of the country, which in turn have been influencing the political processes and structures in Switzerland. In the paper, “federalism,” “representation system,” and “direct democracy” are defined as the main institutional determinants of Switzerland’s particular political system. They guide the political, as well as the economic actors towards finding common solutions; the constant search for a consensus is the distinctive feature of the Swiss political system, known as consensus democracy. Chapters 3 and 4 showed, to what extent the political institutions, contributed to the country’s positive political and economic development. Today they still are part of Switzerland’s strong performance in these areas.

The major characteristics of the Switzerland’s political system are highlighted. First, continuous political stability derives from the consensus-based system, Through its institutions, the Swiss political system balances different interests and focuses on finding consensus. Second, a characteristic of Switzerland’s political system is its political integration power. The existence of the referendum allows the largest possible number of political parties and interest groups to be included in the opinion-forming and decision making process. The system assures that losers are not excluded from decision-making. Process It thereby contributes to a politically stable environment. Third, in the Swiss political system, the people have the final say. The institution of direct democratic tools gives them the control of last resort. The people assume the

function of a real opposition force with the power and responsibility to check and balance the government's policy. Fourth, Switzerland's federalist and direct democratic structure pushes the political actors to negotiate and find compromises that are likely to be supported by a majority. Three to four times a year the Swiss citizens are called to vote on specific and concrete issues. Fifth, political success and failure of individual actors and parties are generalized. The Swiss political system is constructed in a way that the responsibility for failures and successes is shared also among the various actors involved in the decision-making process. Political failures and successes are less attributed to individual political parties or people. Parties and politicians are less affected by tensions in politics; this, again, has a stabilizing effect on the political system as a whole. Sixth, there has been large autonomy of the cantons and restricted power of central government. As a result of the historical developments, the cantons enjoy large autonomy and are the main competent authorities in certain areas, such as education and health or police and justice. The institution of federalism allows the cantons to assume an important role in the power-sharing and influence the decision-making process at the national level. Seventh, Switzerland has a bicameral parliamentary system. The two chambers are elected on different bases: the majority representation system is used for the Senate (Council of States) and the proportional representation system for the House of Representatives (National Council). The two chambers are equally weighted, giving the Senate, representing the cantons, real power relative to the House of Representatives, representing the overall population; the federalist principle is as important as the democratic principle. Eighth, Swiss Members of the Parliament are part-timers. This system, characteristic of Switzerland, is called the "militia system." It refers not only to the federal parliament, but to most of the mandates and offices in the Swiss political system. The existence of the militia system creates inter-dependency: on one hand, the semi-professional parliament is dependent on information and knowledge of other social actors; on the other hand, the parliamentarians bring in important knowledge and contacts from other sectors of the society. Ninth, multiplicity of relatively weak political parties in a nevertheless stable system is important. Federalism and direct democratic tools

open the doors to a large number of political actors and parties, which provides an explanation for the historically weak and fragmented Swiss party system. Tenth, the Swiss government is multi-party, collective, and has collegial head of state with a long office term. Eleventh, the executive power is shared in a broad coalition of the four most important parties. A stable political environment is essential for a prosperous economy. Trade and investment benefit from political stability and continuity. Not only does the consensus system contribute to preventing major interruptions in domestic politics; the referendum forced the political actors and economic actors to cooperate, and it also furthers the cooperation among the social partners.

The review of the major points of this paper provides a brief summary of how the Swiss political system works. The key word is “consensus.” In general, mutual agreements are easier to achieve in periods of prosperity and economic growth. Consensus finding becomes more difficult in times of political or economic crises, when the actors try to make each other responsible for failures and losses; the tendency of the system to polarize is the consequence. Consensus-reaching becomes difficult and the system may be paralyzed. The feasibility of a consensus-based system depends also on the issue at hand: consensus finding is challenging when it comes to emotional issues, such as the restriction of farmers’ rights, abortion, authorization of genetically modified organisms, etc.

Despite difficulties that a consensus system can reveal, the pattern of compromise-seeking carries on. “Concordance” has become a part of the Swiss system that cannot be changed, unless the institutions are changed. As most of these institutional devices are part of the constitutional law, they have become robust elements of the Swiss political system, contributing to its stability. The attribute of the consensus system that may be the most noteworthy is its extensive capacity for political integration not only political parties integrating into a system of cooperation and power-sharing, but also economic and social groups.

From an economic perspective, the consensus system is in a better position to cope with the increasingly important role of economic actors than a majoritarian

system. Through processes of economic internationalization, economic actors, such as transnational companies, are gaining political weight. The tension between the interests of “globalized” economic groups and political parties with national interests is rising. In the competitive majoritarian system, it is possible that the competition between these economic interest groups on one hand and the political parties on the other hand blocks the political system. The risk of a blocked political system does not only emanate from winners of economic globalization opposing policies of national political parties’, but also from the losers, e.g. trade unions losing jobs; they could fight political decisions in an unfruitful way.

From a political point of view, the consensus democracy with its potential for political integration of multi-cultural societies is a future-oriented model. Today, a large majority of the 190 countries, considered sovereign states, constitute multicultural societies. Moreover, South-South or South-North migrations are important aspects of countries’ economic and political life today. Cultural differences also continue to be a political problem in many industrialized countries. Conflicts between ethnic groups are a main factor for national disintegration or war in Africa and in the Far and Middle East. The former countries of the Soviet Union are, today, facing the problem of integrating formerly strongly repressed minorities.

In all these situations better political integration is needed for a peaceful multicultural coexistence. It is difficult to say to what extent the Swiss solutions of power-sharing and consensus-finding would be appropriate to solve these problems. No matter how the challenges are going to be tackled in the future, the importance of political institutions-especially in the long run-should be taken into account. This is what the Swiss experience shows us.

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I. Introduction and Overview

Today, Switzerland is known as one of the most prosperous and wealthiest countries in the world. In terms of GNI (Gross National Income), per capita income of Switzerland in 2004 amounts to US\$49,600, which ranks 3rd in the world after Luxembourg and Norway.¹⁾ Furthermore, it is proud of its stable political regime and high level of security

Recently, the Korean society has gained much interest in the political and economic achievements of Switzerland. Due to its successful economic development, Switzerland is a typical model of an advanced country that Korea needs to emulate in order to reach a higher-income society under the jargon of "making a country with the income of US\$20,000." Switzerland has been regarded as a good example of a "small-but-strong developed country."

This research tries to illuminate the way to the success of Switzerland through examining its political background. The questions are, on which political factors is this success based upon? How much can major factors explain Switzerland's political and economic success? Among many factors that may explain their path, this paper focuses on the specific features of the Swiss political system to answer these questions.

A short introduction is given to Switzerland's historical and cultural background, from which its unique political system developed, in order to show

1) The Bank of Korea (15 May 2006)

the evolution of the system and its specific features. Switzerland has a unique political system of a “democracy of consensus”-a system based on consensus.²⁾

It is different from those used in most democracies including Korea, which are based on the dynamics between government and opposition parties-the so-called majoritarian (parliamentarian) systems. The Swiss call it the system of “concordance”. In concrete terms, this means that policy-making and national cohesion is achieved by involving the people, the political parties, economic interest groups, and representatives of lower political levels in the nation’s decision-making process and by allowing them to participate actively in the political system. A successful consensus system manages to balance all these different interests and to find common solutions. In the following, the three general factors that laid the foundation and framework for the development and maintenance of Switzerland’s consensus democracy shall be explained: pluralism, historical conditions and the conditions of a small state.

The first condition for the unique political system in Switzerland is pluralism. Pluralism characterized by the linguistic, religious, and cultural cleavages marked the Swiss state. It is important to note that modern Switzerland was created in 1848 by different ethnic groups speaking different languages and following different religions. After decades of political polarization and a short civil war, the loose Swiss confederation of cantons (= regions) was transformed into a federal state.³⁾

Today, Switzerland is still marked with this strong heterogeneity. In Switzerland four national languages are officially recognized depending on the region: German, French, Italian, or Romanic is spoken. Moreover, the two main

2) Arend Lijphart’s book “Patterns of Democracy- Government Forms and Performance in Thirty-Six Countries”, published in 1999, is a standard work in Comparative Politics. As other political scientists before, Lijphart establishes this clear distinction between consensus democracy and majoritarian democracy. Switzerland is the country of the (almost) perfect example of a consensus democracy (see p. 33 et seq.).

3) The Swiss federal state is commonly called “Confederation” in English, although the term “Federation” would be more correct. This “wrong expression” can be explained by Switzerland’s historical development: Switzerland’s unified federal state developed from a loose confederation of cantons (=regions).

religions, Catholicism and Protestantism divide the country.⁴⁾ Another specificity of Switzerland is its cultural diversity. Before the creation of the federal state, Swiss people's cultural life took place at the local and regional level only, which allowed the development of rather independent cultures, varying from city to city and region to region. Furthermore, Switzerland's specific geographic situation, as a mountainous area in the middle of Europe, additionally contributed to a diversification of the cultures. On one hand, Switzerland has always been a country of transit, exposed and open to the influences of its European neighbors. On the other hand, the restricted accessibility to the mountainous regions, protected and furthered the development and maintenance of its own culture.

The second reason for the political uniqueness in Switzerland is its historical conditions, which led to the creation of a multicultural and pluralist Swiss nation-state. In order to understand how the creation of a multi-cultural and pluralistic Switzerland was possible and sustained over time, it is important to keep in mind the role of the political institutions. They were fundamental in uniting the people with four languages, two religions and different regional cultures and in turning these disadvantages into advantages. The key to this process was integration and a particular way of dealing with conflicts and problems in a peaceful manner.

The solution was based on two concepts. First, Switzerland renounced the idea of creating a one-culture, one-language nation-state. Instead, from the very beginning of its modern existence it has been an "artificial" multicultural nation, depending only on the constraints of history and on the political will of inhabitants with different cultures. Switzerland is, therefore, sometimes called a "nation of will." This idea of nationalism was and still is unique. Second, the Swiss were able to develop a type of democracy that favors and enforces political power-sharing between Protestants and Catholics, between the German-speaking majority and French-, Italian-, and Romanic-speaking minorities, and between organized employers and trade unions. This has led to social integration, peaceful conflict-resolution by negotiation, and national

4) However, the importance of the religious cleavage is far less pronounced than at the time when Switzerland was founded and clearly diminished over time.

consensus amongst a once fragmented and heterogeneous population.

Switzerland has been fortunate in finding political ways of achieving multicultural understanding over the past 158 years. The mechanisms, developed in response to the different challenges that Switzerland has been facing over time, constitute the special features of Switzerland's political system today; they still contribute to the good political and economic functioning of the country.

Finally, the small size of Switzerland has also been an important factor in Switzerland's successful building of a pluralistic State. The ideas of integration and power-sharing as they have been developed in Switzerland are more realistic in a small society where people are strongly interdependent. Transaction costs for cooperation and coordination are lower and it would be easier to build consensus in such circumstances. Today, the small size of Switzerland, with a population of around seven million people, is still considered to be one of the factors contributing to its comparatively successful political functioning.

This paper is composed of five chapters including introduction/overview and conclusion. Chapter 2 explains the elements and mechanisms that characterize the political system in Switzerland. A special emphasis will be placed on the cooperative structures of Switzerland's multi-party system and the question of consensus finding. On one hand, Chapter 3 will focus on the political stability of the system, and on the other hand, on its capacity to innovate. Is the system favorable to changes and reforms allowing the country to advance? Chapter 4 will look closer at the economic implications of such a political system. Is it favorable for economic development? Some general conclusions will be presented in the last part.

II. Characteristic Institutional Features of the Swiss Political System

As mentioned before, the “uniqueness” of Switzerland’s political system can be summarized under the term of “consensus democracy.” One could say that Switzerland is the purest form of a consensus democracy in the world;⁵⁾ but there are numerous other countries where we can find consensual elements in the political system. The specificity of Switzerland is, however, that its consensus system is strongly anchored in its political institutions.

The following presents these particular institutional features of the Swiss political system. It will be shown how they contribute to the development and the maintenance of the country’s specific political system.

1. Federalism⁶⁾

Switzerland is a federal state in which power is divided between the central government and the governments of twenty-six cantons. Switzerland is one of the world’s most decentralized-or rather non-centralized states.

A. Historical Development and Characteristics of Swiss Federalism⁷⁾

Switzerland’s history and its cultural diversity have made federalism a necessity: the Swiss Confederation (= the federal state) was founded in 1848, out of a loose union of autonomous cantons (= regions). Cantons which had fought against each other in a civil war (the “Sonderbundskrieg”) were suddenly united within one state. Only a federal structure of states, that emphasized non-

5) Lijphart (1999), p. 31 et seq.

6) UNITED NATIONS-International Human Rights Instruments: “Switzerland [: General Political Structure]”

7) See <http://www.swisspolitics.org/en/foederalismus/index.php?page=merkmale>: “Characteristics of Federalism in Switzerland”

centralization, subsidiarity and solidarity could ensure their peaceful coexistence. The concept of cooperative federalism, in which the responsibilities of the government and the cantons are closely linked, was not introduced until later.

1) Non-centralization

Following the end of the civil war, the defeated minoritarian Catholic cantons expressed their resistance to the idea of a central governing authority. They wanted the cantons and municipalities to be granted with as much autonomy as possible. The liberal majority of cantons who won the war, however, were in favor of a small central administration and a clearly defined separation of competence. This is why the respective responsibilities of the government and the cantons came to be defined in the Constitution. Today, if the cantons want the government to take over responsibilities previously within their sphere of competence, a change in the Constitution (and therefore a people's initiative) is required.

2) Subsidiarity

Applied to federalism in Switzerland, the principle of subsidiarity is similar to the concept of subsidiarity in the EU. It implies that the central power only carries out tasks which are above the means of the cantons.

3) Solidarity

In contrast to federalism in the United States, in which competition between the individual states plays an important role, Swiss federalism is characterized and defined by the idea of solidarity between the cantons and different parts of the country. Inter-cantonal competition exists to a certain degree (e.g. where the taxation policies are concerned), but differences between weaker and stronger cantons or regions are evened out by transfer payments.⁸⁾

8) In the narrow sense, transfer payments include all financial transfers between

4) Cooperative federalism

As a result of non-centralization, a small central administration was set up when the Swiss Confederation was founded. Laws were to be applied by the cantons, which already possessed an infrastructure. This principle has to some extent existed until today. However, as the 20th century progressed and the state dealt with an ever-increasing number of issues, policy-making between the central government and the cantons became more closely linked. This is referred to as cooperative federalism.

B. The Three Political Levels: The Confederation, The Cantons, the Municipalities⁹⁾

Since 1848 the Swiss federal system has consisted of three levels: the

governmental bodies, serving the reallocation of resources between cantons, as well as the evening-out of structural burdens, for instance geographic-topographic burdens (altitude and steepness of a cantonal terrain), or socio-demographic burdens (large population and function as an inter-cantonal center, attracting people from other cantons). In a broader sense, transfer payments include all financial transfers related to the allocation of governmental tasks and revenues between cantons. According to the new transfer payment system, adopted in 2004, the transfer payments are based on a resource index, distinguishing cantons, which are powerful in resources from the weaker ones. The cantons, weak in resources, will have a minimum of financial means, of which they can freely dispose. The means are financed by the Confederation and by the richer cantons. This system is based on the principle of solidarity between cantons.

- 9) In this paper the focus is on general characteristics of Swiss federalism and their consequences on the political system, as a whole. However, federalism has many aspects. A good example is fiscal federalism. Naturally people pay taxes at their place of residence. Federal tax varies by income, while cantonal and municipal tax rates vary by place of residence, income and size of assets. Another example is federalism in the education sector. The education sector has traditionally been in the jurisdiction of the cantons. Cantons pay when students, who are residents of their canton, study in another canton. These payments are based on inter-cantonal agreements.

Confederation, the cantons, and the municipalities. The Swiss are citizens of their municipality, their canton and the Confederation. They elect authorities and vote on all three levels, exercise their rights and fulfill duties based on federal, cantonal, and municipal law.

The Confederation, the central authority, has served as the control center. If we consider the development of the Swiss state, the Confederation is a comparatively recent institution. As a consequence of the historically large political power of the Swiss cantons and their claims for autonomy, the role and responsibility of the central authority were very limited at the beginning of 1848. Power-sharing between the central government and the cantons is based on the principle of attribution. The Confederation's powers are restricted to the ones that are attributed to it by the Constitution. Today, despite the fact that the Swiss central authority has still a rather passive and complementary character and fulfills its traditional task as equilibrating power between the different cantons, it can be considered as a strong actor. Its responsibilities have considerably increased over time. An important reason, therefore, is that the dependence resulting of economic internationalization and Switzerland's related exposure to trends and developments in foreign markets have required a unified and progressive acting of the State. Especially, the continuously extending relations with the European Union allows the central authority to gain political weight.

Switzerland is divided into 26 cantons.¹⁰⁾ Some cantons differ greatly in size, language, economic performance, culture, population density and topography. The Cantons are acting as building blocks and linchpins. They are in the middle of the State's hierarchy, between the municipalities at the bottom and the Confederation at the top; they are, thus, the linchpins of the country's political structure. As the cantons are the constituent elements of the modern Swiss Federal State, they enjoy a traditional legitimacy and continue to be the building

10) The cantons (ranged by population size) are: Zürich, Bern, Vaud, Aargau, St. Gallen, Genève, Luzern, Ticino, Valais, Basel-Landschaft, Solothurn, Fribourg, Thurgau, Basel-Stadt, Graubünden, Neuchâtel, Schwyz, Zug, Schaffhausen, Jura, Appenzell Ausserrhoden, Nidwalden, Glarus, Uri, Obwalden, and Appenzell Innerrhoden.

blocks of the Swiss political system. Their existence is guaranteed by the Swiss Constitution. The cantons are sovereign insofar as their sovereignty is not limited by the Constitution; as such they exercise all the rights which are not delegated to the Confederation. The cantons have far-reaching competences. They each have their own constitution and legislation and can freely choose their organization. Also, the cantons can elect their own authorities. Legislative power is exercised by a unicameral parliament usually elected by proportional representation. Executive and administrative power is vested in a “State Council” or “Executive Council” elected by the people. Moreover, the cantons have their own financial resources; they have the right to levy their “own” taxes. In the decision-making process at the national level, they are all on an equal footing.

The municipalities are Switzerland’s smallest political entities and are the basis of the political pyramid system. They are given a large degree of autonomy (e.g. in taxation), which is guaranteed within the limits set by the cantonal legislation. Swiss democracy is characterized by a remarkably dynamic local political life; the political activity in the municipalities is very lively. Switzerland has about 3,000 municipalities, which greatly vary in size and organization.¹¹⁾

C. Federalist elements in the decision-making process¹²⁾

Swiss federalism is not only about non-centralized distribution of powers between the Confederation, the cantons and the municipalities. There are additional important elements of cantonal participation in the decision-making process of the Confederation, with consequences for the whole political system. The influence that cantons can exercise over the government is known as vertical federalism. In addition to the cooperation between the government and

11) The population sizes of municipalities range from less than 30 inhabitants in “Corippo/Canton Ticino” to almost 370.000 inhabitants in “Zurich City”. The municipality with the smallest area is “Kaiserstuhl/Canton Aargau”(30 hectares) and the biggest municipality is Bagnes in Canton Valais with 28.000 hectares.

12) See: <http://www.swisspolitics.org/en/foederalismus/index.php?page=instrumente>: “Instruments of Federalism.”

the cantons, there is also cooperation among the cantons themselves; it is known as horizontal federalism.

1) Vertical federalism

The cantons may use a number of instruments to exert their influence on politics at a federal level. This gives them an important role in the policy-making process of the Swiss state, in which they can largely participate. They are, therefore, important actors in the consensus-finding system; federalism is the essential component of Switzerland's system of consensus democracy.

The instruments of vertical federalism support the federalism by institutionalization of peculiar characteristics of the cantons. The Senate represented by the cantons, the cantonal majority, the cantonal initiative, the cantonal referendum and committees of the expert groups are among others.

The Senate: Switzerland has a bicameral parliamentary system. The cantons are represented in the Senate, whereas the people are represented in the House of Representatives. As both chambers are equally weighted, the Senate is one of the cantons' key instruments to influence federal politics. Thus, the Senate is called "Council of States."

Cantonal majority: Proposals to amend the constitution must be subject to a nationwide vote. Such proposals are known as "people's initiatives," and require a majority of the popular vote as well as the backing of a majority of cantons to be successful. In this system, votes by the inhabitants of small cantons count more than those by people living in bigger cantons; the democratic principle of 'one person, one vote' is abandoned in favor of allowing all cantons an equal, say, at the national level.

Cantonal initiative: Every canton has the right-as do the Parliamentarians-to hand in an initiative to the Parliament. In this way, the cantons can put forward proposals for bills as well as to changes to the constitution.

Cantonal referendum: A referendum to prevent a proposal becoming a law can usually be held if 50,000 voters' signatures against the law are collected within 100 days of the publication of a decree. A referendum can also be held

if eight cantons are against the proposed changes.

Committees of experts and consultation procedure: The political system in Switzerland is constructed in such a way as to include the different actors (cantons, associations, parties) and their opinions in the decision-making process from as early on as possible. This is provided by the system of Committees of experts and what is known as the consultation procedures, e.g. in the elaboration phase of a new law. The cantons may be represented in the Committees of experts or make written recommendations as part of a consultation procedure. This instrument also gives the cantons considerable power in the national political decision-making process.

Influence in execution of laws: Cantons can exert a great deal of influence in the government's policy-making process. In Switzerland, most laws are applied by the cantons. In other words cantons have to put into practice laws passed by the government. This gives the cantons considerable weight when it comes to contributing to the drafting of laws and results in cantonal interests taken into account of law-making.

Weighting of language regions: In all federal committees, there are formal and informal rules to ensure that minority language regions (~cantons) are fairly represented. At least two members of the government are from French- or Italian-speaking Switzerland.¹³⁾

Party political system: The political parties in Switzerland also adhere to a strictly federal structure. The individual cantonal sections of a political party are often very autonomous and organize the electoral campaigns for the House of Representatives and the Senate independently from the party's sections in other cantons; a party does not necessarily have a nationwide strategy in federal electoral and voting campaigns. This is why, for example, the national parties have only small party headquarters at the federal level.

13) As Romanic is spoken by a very small percentage of the Swiss population, it is not considered in this linguistic weighting.

2) Horizontal federalism

The cantons do not only have an intense level of cooperation with the government, but also work closely with one another. The instruments of what is known as horizontal federalism are:

Concordats: The cantons can sign a kind of contract-known as a “concordat”-in which they agree on issues of mutual interest. A number of concordats have only been agreed bilaterally, as it is often difficult for a larger number of cantons to reach a compromise on a specific issue.

Cantonal directors and specialist directors' conferences: Members of the cantonal government meet at conferences such as the Conference of Cantonal Ministers of Education to coordinate their tasks and to agree on a common position towards the federal government.

Conference of the cantonal governments: Following the Swiss voters' rejection of membership of the European Economic Area in 1992, the cantons began to show greater involvement in foreign policy or even to conduct their own foreign policy. The Conference of Cantonal Governments, based in the city of Solothurn, aims at increasing the influence of the cantons on the government and its foreign policy.

D. The function and development of Swiss federalism¹⁴⁾

In terms of functions, federalism has to fulfill two tasks: on one hand, it has to contribute to Switzerland's unity by facilitating cooperation, providing compensation, and avoiding inequalities; on the other hand, it has to contribute to securing Switzerland's plurality, regional self-responsibility, and cultural diversity. In other words, the federalist structures strive for a balance between Switzerland's homogeneity and heterogeneity. In order to fulfill these tasks, Swiss federalism needs to change and adapt over time.

Unlike, other constituent elements of the Swiss political system, such as direct democracy, federalism comprises not only institutional and procedural

14) Neidhart (2002), p. 241 et seq.

components, but also directly concerns components regarding the “content” of policies; examples are “finance” or the “distribution of tasks.” This can explain why federalism is, in contrast to “direct democracy,” constantly developing; the growing of federal tasks and the related redistribution of competences and finances partly changed the original federalism.

Whereas the material components of Swiss federalism have changed over time, the formal ones remained more stable:

Due to internal and international developments, the central government acquired more tasks over time making the division of federal and cantonal powers more complex. Nowadays, some fields fall within the general or even exclusive competence of the Confederation, i.e. foreign affairs, customs, monetary policy, postal and telecommunication services, the armed forces and legislation relating to nuclear energy, and transport. With the strong increase of federal responsibilities, the tasks of all three political levels and their distribution, along with the related financial relations became more complex and dense.

Unchanged elements of Swiss federalism are the main basic principles of the Constitution: the general competence of the cantons, the cantonal and municipal autonomy regarding their organization, as well as some of the traditional tasks, such as education, health, as well as rights regarding financial affairs and taxation. Another constant institutional element of Swiss federalism is the system of mutual participation and control by the different political levels.

In general, one can say that the importance of federalism in Switzerland is diminishing; the external pressure for adaptation in the area of foreign affairs, which emanates from the EU, the WTO, and the general internationalization of economics, reduces the influence by the cantons-and thereby the importance of federalism. Internal pressure by privatizations (post system, airport, energy market) also leaves less room for cantonal power.

E. The effects of Swiss federalism on political processes and policy contents¹⁵⁾

In the federalist system of Switzerland with three political levels, all political processes, elections, votes, communications, participation and control mechanisms, etc are tripled. One of the consequences in the quantitative aspects is the higher transaction costs for all actors: voters, parties, media, authorities etc. Yet, the larger number of participation opportunities guarantees certain accountability and transparency, as well as a more accurate information provision in political processes; the decision-making process can be better controlled by the people.

A positive qualitative aspect of federalism is that it can adapt the state activity in a targeted way to the specific necessities of local and regional conditions. This has led to an equilibrated balance of interests between the regions and the Swiss society as a whole. The relatively small economic disparities between Swiss regions can, for example, be explained in this perspective. Another positive aspect of federalism is the very good condition and provision of public infrastructure in Switzerland, such as railways, roads, communication provisions and sanitation systems, hospitals, education institutions etc.

Moreover, we have seen in the “Vertical federalism” that cantons are given large power in the decision-making process at the national level. Decisions taken by the Confederation are therefore likely to have a large legitimacy with the people, making them easier to implement. This particular quality of federalism helps to explain the good-functioning of consensus democracy in Switzerland.

However, the compromise finding and the constant need for coordination can also lead to innovation stops. Consensus-finding with a large number of actors in a federal system is time consuming and the result is not always an efficient one. The different fields of politics show more in detail, what effects federalism can have concretely; solutions and agreements in the taxation and finance area, as well as in education and public health, which belong to the traditional tasks of the cantons, seem difficult to reach.

15) Neidhart (2002), p. 276 et seq.

2. The Representation System and its Specificities

“Representation” in this context is defined in a broad sense: the objective of this chapter is to present the institutions and organizations representing and acting on behalf of the Swiss people. The parliament, the government, the political parties, and interest associations are included in the category. The roles and functions of the different institutions and organizations, their interactions and implications will be discussed. Lastly, we analyze to what extent the different elements contribute to Switzerland’s consensus system.

A. The government system in the narrow sense: parliament and government¹⁶⁾

The government system of a country can be characterized by describing the relationship and interactions between its parliament and government.

1) The Swiss parliament: The legislative authority

Switzerland has a bicameral parliamentary system. The National Council (the House of Representatives) represents the overall population and the Council of States (Senate) represents the member states of the Confederation, i.e. the cantons. Both chambers are equally weighted; this system reflects the principles on which the structure of the State is founded: the democratic principle according to which every vote carries the same weight and the federalist principle by which all cantons are treated equally. The National Council and the Council of States (=the “Federal Chambers”) constitute together the so-called “United Federal Assembly.” Joint sessions are only held when a new cabinet minister or federal judge is elected by the Federal Assembly.

Both members of the National Council and the Council of States are directly elected by the people. The members of both parliamentary chambers are elected every four years. Whereas the election of the National Council is organized at

16) Haller/Kölz (2004), p. 216 et seq.

the federal level, where uniform electoral rules for the country at large are applied, the election of the Council of States is under the control of the cantons. A large majority of the cantons elect their Councilors of States in the same year, in which the election of the National Councilors takes place. The next election will be held in 2007.

Four big parties dominate the Swiss political scene, which is reflected in the composition of the members of parliament: a large part of the parliament members belong to the Swiss People's Party, the Radical Party, the Christian Democratic Party, or the Social Democrats. Only a small number of parliamentarians are members of other parties.

The National Council has 200 members. Every canton is represented by a number of parliament members proportional to its size, the minimum being one parliament member. Canton Zurich with the biggest population has, e.g., 34 seats. Cantons that have to elect more than one parliament member use a system of proportional representation. In its simplest form, the so-called (party-) List Proportional Representation (PR) involves each party, presenting a list of candidates to the electorate, voters voting for a party, and parties receiving seats in proportion to their overall share of the national vote. Winning candidates are taken from the lists in order of their position on the lists. Switzerland uses a specific variation of the system: the Hagenbach-Bischoff quota.¹⁷⁾

The Council of States has 46 members. Every full canton is represented by two members and the half-cantons¹⁸⁾ by one member. The cantons can determine the system for the election of its Council of States members by their own. In most cases, a system of majority representation is used: the candidate(s) that receives the most votes in a given election district is elected.

Bicameralism and the Militia system are, among others, major characteristics of the Swiss legislative authority. The principal justification for instituting a

17) For more details, please see: http://en.wikipedia.org/wiki/Hagenbach-Bischoff_quota.

18) Six cantons, which had once formed a single entity and then subsequently divided into two entities, are called "halfcantons." These are Obwalden and Nidwalden which were divided even before 1291, the two Appenzells, divided in 1597 on religious grounds, and Basel which saw one part break away from the town in 1833.

bicameral instead of a unicameral legislature is to give special representation to minorities, including the smaller cantons of the federal system, in a second chamber or upper house. Two conditions have to be fulfilled if this minority representation is to be meaningful: the upper house (=Council of States) has to be elected on a different basis than the lower house (=National Council), and it must ideally have as much power as the lower house. Both of these conditions are met in the Swiss system: hence the small cantons are much more strongly represented in the Council of States than in the National Council, which gives them a strong position in the political system.¹⁹⁾

In the Swiss political system, most political mandates and offices are performed on an honorary basis. This system whereby people voluntarily take on public duties and official positions alongside their full-time jobs and without payment is known in Switzerland as the militia system.²⁰⁾ Many citizens hold political office at one level or another. The militia system also plays an important financial role in today's democracy: citizens make available their professional skills and devote part of their time to carry out public functions and duties. This is what actually makes it possible for a small nation, such as Switzerland, to afford a complex political system made up of some 3000 municipalities in addition to authorities at the federal level and at the level of the 26 cantons. Members of the federal and cantonal parliaments, as well as members of many of the executive bodies at cantonal, city and municipality level perform their duties on a part-time basis. At the national level, only the Federal Council and a few federal judges carry out their duties on a full-time basis. Members of the Parliament carry out their parliamentary duties in addition to working at their normal jobs.

2) The Swiss government: The executive authority²¹⁾

The executive power is in the hands of the seven-member government: the

19) Lijphart (1999), p. 39 et seq.

20) Neidhart (2002), p. 289 et seq.

21) Neidhart (2002), p. 329 et seq.

“Federal Council.” The Parliament elects the Federal Counselors (=Ministers) individually every four years at the beginning of a new legislature. Since 1959, the government has been made up of representatives of the four biggest parties.

The Federal Council members share the duties of a head of state. They have equal power. A president is elected among the seven members on a rotating, yearly basis. The principle of “*primus inter pares*” (first among equals) is strictly applied. The only “special duties” of a federal president consist of chairing cabinet meetings and representing the government at external events.

Since the foundation of the modern Swiss state in 1848, the institutional regulations concerning the Federal Council’s organization and activity have almost remained the same. An important reason, therefore, is the rigidity of the Federal Constitution, which explicitly determines some of its main features: the number of government members, the length of their office term, the principle of collegiality (see below) and other regulations regarding the Council’s organization.

Characteristics of the Swiss executive authority and their consequences are, among others, multi-party system, government of collegiality, collective head of state, and executive-legislative balance of power.

3) Multi-party government-System of concordance²²⁾

The composition of the Swiss government represents a subtle political, regional, and linguistic balance: The Federal Council is composed by Switzerland’s four largest parties: the Swiss People’s Party (2 seats), the Social Democrats (2 seats), the Radical Democrats (2 seats), and the Christian Democrats (1 seat). Since 1959, a political compromise known as the “magic formula” has ensured them permanent seats in the Federal Council. In 2003, the composition of the formula has been changed: the weakened Christian Democrats had to cede one seat to the Swiss People’s Party, who gained in force. The spirit of the “magic formula” remained the same.

An additional criterion is that the linguistic groups be represented in rough proportion to their sizes: four or five German-speakers, one or two

22) “System of concordance”-“System of consensus.”

French-speakers, and frequently an Italian-speaker. Furthermore, a more or less equilibrated representation of the cantons is respected. These criteria are informal rules but are strictly obeyed.

The executive power-sharing in broad cabinet coalitions is one of the main characteristics of a consensus democracy. The “magic formula” succeeds in forming a stable government, including potential opposition parties in the government and making them cooperate. The particularity of the tacit agreement between the government parties is that it is a general agreement to find a consensus-and not an agreement on specific contents. This furthers a political culture of negotiation and cooperation within the government.

4) Government of collegiality—The principle of collegiality and the principle of departmentally (Art 177 of the Constitution)

As a collegial body, the Federal Council takes important decisions only by consensus or by a simple majority, and each member assumes responsibility for joint decisions. This means that every Minister has the obligation to defend a decision in public, as a common decision, even if as an individual he/she voted against it during the decision-taking process within the cabinet. As members of the government, the Federal Counselors enjoy a certain independence vis-à-vis their parties, whose policies they do not have to follow strictly.

The principle of collegiality is counter-balanced and completed by the departmental system. Each Federal Counsellor is the head of one of the seven departments (ministries), whose interests he or she represents in the government. As head of the department, every member of the Federal Council enjoys certain independence within its sphere of responsibility.

5) Switzerland has a collective head of state

The Federal President is only a “*primus inter pares*” in the government. Every year, the Federal Assembly chooses one of the seven Federal Counselors as President. As a mere *primus inter pares*, he or she does not have any special

powers. The President's main role is to chair meetings of the Government and to discharge representation duties. The Constitution excludes the possibility of immediate re-election of the Federal President.

6) Executive–legislative balance of power

The Swiss political system is neither parliamentary (=majority in the parliament determines the government) *nor presidential* (=head of government is directly elected by the people). In Switzerland, the government is elected by the Parliament for a fixed office term of four years. As a consequence, the government system is not directly affected or changed by popular elections. This explains why popular elections are less important-and therefore less emotional-in Switzerland, which has a stabilizing effect on Swiss politics.

The Parliament elects each government member independently for his/her office term of four years; as the government members are elected one after the other, cooperative behavior of the political parties in the Parliament is particularly needed. In order to ensure that their candidate receives the support of a majority, which they cannot reach by themselves, the political parties have to cooperate and support other parties'candidates. This way also ensures that every individual Federal Counsellor enjoys legitimacy from the different political parties in the Parliament.

A Federal Counsellor may be re-elected indefinitely. According to the Constitution the Parliament cannot vote the Federal Council or any of its members out of office during the fixed term of four years, for which it has been elected; on the other hand, the Federal Council cannot dissolve the Parliament. In practice, re-election is the general rule, thus ensuring the continuity and stability of Swiss policy.

The potentially long carrier of a Federal Counsellor gives him/her certain legitimacy in the population; when a Counsellor has been in office for a long time, people know him/her better and know how he/she fulfills the duties. This also compensates the aspect of anonymity of a collective head of state.

The fact that the Parliament has no political means to depose the Federal

Council, and that the Federal Council, on the other hand, cannot dissolve the Parliament, makes both authorities more independent. As a consequence of this formal separation of powers, the members of the Parliament do not have to vote along the political parties' lines; the individual parliamentarians can take and defend other positions from the ones promoted by their party.²³⁾ This, in turn, has implications for the Federal Council: important projects, proposed by the cabinet, are not automatically supported by a majority in the Parliament. The Federal Counselors have to struggle each time for a new majority in the Parliament. They are, therefore, allowed to present and defend their own drafts in the Parliamentary Chambers and the Parliamentary Committees personally -and in most cases very efficiently.

Due to this temporary autonomy between Parliament and Government, different views on political issues remain without major consequences on the political system as a whole. If a government proposal is defeated by the Parliament, it is not necessary for either the member sponsoring this proposal or the Federal Council as a body to resign. This formal separation of powers makes the relationship between the Swiss executive and legislature much more balanced and independent than cabinet-parliament relationships in majoritarian systems, such as the British system. The Swiss Federal Council is powerful but not supreme. The Swiss Constitution of 1874 and the revised one of 1999 emphasize the democratic principle: it foresees the superiority of the parliament over the government, which is only indirectly legitimized.²⁴⁾

23) The case is different in a parliamentary system of government, where the executive and the legislature are more dependent on each other. In a parliamentary system, like in the United Kingdom, the Parliament can vote the cabinet out of office. The cabinet is consequently dependent on the confidence of the Parliament. Being composed of the leaders of a majority party in the Parliament, the cabinet has to rely on the cohesiveness of its party. This dependence is mutual. It is also in the interest of the Parliamentarians who belong to the governing party to follow the politics of their party if they want to remain in power.

24) Outsiders may wonder why the Swiss legislative authority in its important position is composed of part-time Parliamentarians who meet only several times a year. However, the militia system (see: "3.2.1.1. The Swiss parliament: The

B. Political parties

An important distinction has to be made between governmental and non-governmental parties. The four largest parties share the seven executive positions in the Federal Council. The rest of the parties occupy about 30 % of the seats in the Parliament and do not form a coherent opposition. The profiles of the governmental parties are as follows:

Swiss People's Party (26.6%²⁵) in the federal election of 2003): a conservative party, formerly appealing mainly to farmers, craftsmen, and independent professionals. It traditionally enjoys strong support in Protestant cantons where Christian Democrats are marginal. The Swiss People's Party, which used to be the smallest party at the federal level until 1995, managed to become the most powerful party at the federal level within 10 years. This may be partly explained by the phenomenon of national populism; this political tendency can be observed in many European countries. In order to gain more voters, the party plays with the fears of the population and with emotional subjects (e.g.: questions regarding

legislative authority") has many advantages. The legislative authority draws on the large competences brought in by all the members of Parliament, who gained the knowledge from working at their job outside the Parliament. Moreover, thanks to their involvement in people's normal life, Parliamentarians are considered to be closer to the people, who are the supreme authority in the Swiss direct-democratic system. This gives them an even higher legitimacy. There have been, however, discussions about a professionalization of the Parliament; but reforms were rejected by the voting people. Moreover, a study, published recently by the Institute for Political Science of the Bern University, compared the Swiss Parliament with its counterparts of 20 OECD countries; the result was that the Swiss Parliament is cost-efficient, but nevertheless efficient in the sense that it does adopt as many decisions as its full-professional counterparts, in the USA, Canada, France. Despite the comparatively mediocre working conditions of Swiss Parliamentarians, their commitment and working output is high - particularly in the specialized committees. For these reasons, the Swiss militia Parliament seems to be a good, and cost-efficient solution. (See: SWISSINFO WITH AGENCIES 2004: "Swiss politicians provide good value for money").

- 25) Resulting in 55 seats in the National Council (lower house), composed of 200 members, representing the people in proportion to the votes received in the election. The party holds 8 seats in the Council of States (upper house).

foreigners, the EU etc.).

Social Democrats (23.3%²⁶) in 2003): in former times it was periodically aradical-left movement. Today it is a moderate party standing for social, ecological and economic reforms. It enjoys close relations with trade unions. Most of its supporters are in urban, industrialized regions, but it draws on all social groups.

Radical Party (17.3%²⁷) in 2003): regards itself as the heir to nineteenth century liberal ideas. It enjoys close relations with business and industry and is highly influential in economic matters. It is the political representative of independent professionals, entrepreneurs and the middle class.

Christian Democrats (14.4%²⁸) in 2003): successor to the Catholic conservative movement. It is still the preferred party of the Catholics. With a bourgeois and a trade-union wing, it thus tries to integrate the opposing interests of entrepreneurs and employees.

In Switzerland, the position of political parties are traditionally weak and they are only organizations under private association law. They are neither promoted nor financed by the State. Moreover, the political parties do not play a privileged role in the Swiss government system. Their legislative power is restricted as they are lagging behind the interest associations, and the cantons. And as far as the executive power is concerned, once the government members of the Federal Council are elected, they are independent from the influence of individual parties and the balance of power in the parliament.²⁹⁾

26) Resulting in 52 seats in the National Council. The party holds 9 seats in the Council of States.

27) Resulting in 36 seats in the National Council. The party holds 14 seats in the upper house.

28) Resulting in 28 seats in the lower house. However, the party has the largest number of seats with 15 members in the upper house, composed of 46 members, representing 26 different cantons.

29) The traditional weakness and fragmentation of the parties may be the reason why, in Switzerland, there has never been the concern to ensure the professional neutrality of civil servants by prohibiting them to join a political party. On the contrary, the right to join a political party is considered to be a democratic base right, which cannot be restricted. Civil servants are free to join

In Switzerland, there have been a large number of political parties. Plural society, election system, federalism and direct democracy are the major factors that explain multi-party system.

- **A plural society:** Switzerland is a plural society, divided along several lines of cleavages, which is reflected in the multidimensional character of its party system. The religious cleavage divides the Christian Democrats, mainly supported by practicing Catholics, from the Social Democrats and Radicals, who draw most of their support from Catholics who rarely or never attend church and from Protestants. The socioeconomic cleavage further divides the Social Democrats, backed mainly by the working class, from the Radical Democrats, who have more middle-class support. The Swiss People's party used to be especially strong among Protestant farmers. Today, they also receive support from a large group of people all over Switzerland, which can be categorized as "the losers of the globalization." The third source of cleavage, language, does not cause much further division in the Swiss party system.
- **Election system:** The second explanation for the emergence of the multiplicity of political parties in Switzerland is that the Swiss proportional electoral system has not inhibited the translation of societal cleavages into party-system cleavages. In contrast to the majority representation system, which tends to over represent large parties and to under represent small parties, the basic aim of proportional representation is to divide the parliamentary seats among the parties in proportion to the votes they receive. The Swiss lower house, the National Council, is elected by proportional representation. The electoral system of proportional representation is often found in democracies of consensus.
- **Federalism:** A new political power, striving to enter the Swiss political scene, faces different conditions depending on the canton. In cantons with

a political party any time they want.

a large population and in big cities, the barrier for entrance into the National Council is low (proportional representation). This explains the creation of a large number of parties in these areas. Sometimes, such parties manage to establish themselves at the national level.

- **Direct democracy:** The popular initiative provides a social movement with the possibility to put a certain subject constantly onto the political agenda by recurring several times on the popular initiative; moreover, this allows the party to remain in the head of the voters as a political organization and to require nation-wide publicity. Therefore, new parties can develop from formerly “one-subject-movements”: examples are the Green Party,³⁰⁾ the Automobile Party, or anti-racist movements.

C. Interest groups

Interest groups or associations in Switzerland such as trade unions and employers’ organizations have large political influence. They have played an important political role as a consequence of the institutional framework of direct democracy and the militia principle.

The direct democratic elements of the Swiss political system determine the role of the associations, since they provide them with the possibility and with the access to the decision-making process at the level of the state. The openness of the procedure to popular initiatives and referenda, as well as the high majority required in many popular votes, force the political system to get the agreement by the associations. This happens in the form of a cooperative,

30) The Green Party has 14 members in the National Council; it is the political party with the largest number of seats in the Parliament other than the four major political parties, which compose the coalition in the Swiss Federal Government. Other parties represented in the National Council are the Liberal Party with 4 seats, the Evangelical People’s Party with 3 seats, the Federal Democratic Union and the Worker’s Party with 2 seats each, as well as the Swiss Democrats, the Ticino League, the Christian Social Party, and the Solidarités with 1 seat each.

pre-parliamentary representation by the associations within the scope of the institutionalized consultation procedure. The militia principle provides the interest associations with “political seats” in the parliament and the parties.

The historical weakness of the Swiss party system at the federal level has made the political party an inadequate instrument as an intermediary between the state and society. The political processes have, therefore, developed and centered around the direct and immediate relationships between state and interest organizations. However, true state interventionism has always been prevented in Switzerland, as a consequence of the power-sharing in a direct-democratic System, the strong position of the cantons, and the weakness of the bureaucracy.

Instead, there has been a private-associational interventionism into the state. The private self-regulation strategies, *de facto* political, were often assimilated by the State policies.

The umbrella associations in Switzerland often act as quasi-parties, which in turn limits the role of the parties. As a collective actor with a higher homogeneity than political parties, (economic) associations are more likely to efficiently push through their interests in popular votes. Thanks to their direct links to the private sector, the interest associations often dispose of more financial means, of more targeted and strong communication media, of a high degree of organization, and, therefore, of a high potential for veto-power. Moreover, the members of interest associations try, by definition, to protect and promote specific interests. They are more likely to be affected in popular votes on specific issues than political parties who have broad policy programs and members with diverse backgrounds; this is an additional explanation of the strong and successful engagement of interest associations in voting campaigns.

Intensive cooperation between government and private economic actors is known in most highly industrialized democracies. Organizations looking after the interests of enterprises, branches, professions, and labor, negotiating their mutual interests with government, are known under the label of “neo-corporatism.” Switzerland is marked with three general characteristics of corporatism:

1) Tripartite concertation

Regular meetings take place between the representatives of the government, labor unions, and employers organizations to seek agreements on socioeconomic policies. In Switzerland, tripartite committees are, e.g., established in the pre-parliamentary legislative process. They are composed of representatives of the government, labor unions, and employers who discuss new bills. The existence of these committees gives interest associations the chance to announce their positions and to negotiate with the other actors on the legislation in question.

2) Relatively few and relatively large interest groups

The existence of relatively few and relatively large interest groups in each of the main functional sectors-labor, employers, farmers-facilitates concertation. In Switzerland, economic interest groups are organized in large associations along the lines of the different economic sectors.

3) Prominence of peak associations

The prominence of peak associations in each of the sectors, which coordinate the preferences and different desired strategies, also allows for a concertation to take place. In Switzerland, interest associations, such as trade unions, used to be very fragmented and weak when they developed in the 19th century. There was, therefore, an early call for umbrella organizations to represent the associations' interests in negotiations with the government in a coordinated and concerted manner. Today, still, these peak associations are important.

Compared to "social corporatism," which can be observed in many democracies and in which the labor unions predominate, Switzerland has the traits of "liberal corporatism": this means that business associations are the stronger force. Switzerland's neo-corporatist structures constitute another aspect of its system of consensus. The important role of Swiss interest associations and their cooperation with other actors in the scope of the nation's common compromise finding process characterize Switzerland's political system. By

comparison, in non-consensus systems, i.e. government-versus-opposition patterns-like in Great Britain, we usually find interest group pluralism, characterized by competition and conflict.

3. Direct Democracy³¹⁾³²⁾

In this chapter, it will be shown in what way direct democratic instruments determine the functioning of the Swiss political system and how the introduction of these instruments changed the original system.

Direct democracy in Switzerland developed in the 19th century; first, in the individual cantons and later on at the federal level. The concept actually dates back to French theorists at the time of the Revolution who created the idea of the sovereignty of the people-the foundation of direct democracy. In the Federal Constitution it is anchored that the Swiss people are sovereign and ultimately the supreme political authority. The concept of “Swiss people” includes all Swiss adults who are eligible to vote-some 4.8 million citizens, equivalent to around 60% of the resident population. Those under the age of 18 and foreign nationals have no political rights at the federal level.

31) In theory, a direct democracy in a pure sense would foresee a system, in which the people itself decides on laws, takes administrative measures, elects authorities for implementation and judges for a short office term, and a system, in which the people is in the position to withdraw these authorisations; this would imply that, in a pure direct democracy, there would be no parliament, and the principle of separation of power would not exist either. “Direct democracy”, therefore, describes an ideal type and cannot be applied to any country in the real world. This is why the Swiss political system is, theoretically speaking, a semi-direct democracy. Whereas the exercise of political rights is termed direct democracy, the joint decision- making process engaged in by government, parliament and citizens is “only” semi-direct democratic. In practice, however, the Swiss system is often called “direct democracy”. (Haller/Kölz 2004, p. 78 et seq).

32) Linder (1994), pp. 84-134.

A. The main instruments of Swiss direct democracy³³⁾

Two of the main instruments of Swiss direct democracy are the referendum and the popular initiative.

The Referendum is a constitutional right to force the federal authorities to submit a major legislation or an important treaty for approval by the people; this means that citizens decide whether a proposal decided by the Parliament becomes law or is rejected. In Switzerland, there are two types of referendums: obligatory and optional referendums.

1) Obligatory referendum

All proposals for constitutional amendments and important international treaties are subject to an obligatory referendum. This means that all constitutional amendments approved by parliament must be put to a nationwide vote. Voters are also required to approve the Swiss membership of certain international organizations, such as the United Nations and the European Union. In case of an obligatory referendum, a double majority of the Swiss people and the cantons are required. The obligatory referendum is relatively frequent.

2) Optional referendum

Most parliamentary acts and regulations are subject to an optional referendum; all citizens have the right to challenge decisions already taken by the Parliament. If 50,000 signatures are collected within the 100 days following the publication of a decree, a popular vote must be held. A simple majority of the people decides whether the bill is approved or rejected, the wishes of the cantons being irrelevant in the case of an optional referendum.

The popular initiative is a formal proposition, submitted by citizens, which demands a constitutional amendment or proposes the alteration or removal of an existing legal provision. If the popular initiative is signed by at least 100,000

33) Linder (1994), pp. 100 et seq.

citizens and within the time of 18 months, the proposition must be put to popular vote (; as with all constitutional changes, acceptance requires majorities of both the individual voters and the cantons). The proposition can be expressed in a precise new amendment, or in general terms upon which the Parliament can make a formal proposition. Before the vote, the Federal Council and the Parliament give non-binding advice on whether the proposal should be accepted or rejected and occasionally formulate a counterproposal.

The majority of initiatives eventually fall at the hurdle of the popular vote. Despite this, they influence the shaping of policy. Initiatives often lead to lively debates and this frequently results in proposals from the texts of initiatives being taken into account in relevant legislation at a later date. As popular initiatives do not originate from the Parliament or Government but from the citizens themselves, they are regarded as the driving force behind direct democracy.

The referendum and the popular initiative are tools which can be used to steer direct democracy. In some ways, both instruments “correct” the policies of the government and parliament. The popular initiative is conceived as an active way of shaping constitutional legislation; with the popular initiative as an accelerator, political issues can be sped up. On the other hand, the referendum, particularly the optional form, allows people to raise objections to proposals by the authorities: reform and innovation can be slowed down. From a citizen’s point of view, the referendum has a “braking” effect and the initiative an innovative one:

The referendum is similar to a veto and has the effect of delaying and safeguarding the political process by blocking amendments adopted by Parliament or the Government or delaying their effect-the referendum is therefore often described as the brake pedal of direct democracy, applied by the people. However, it also furthers concordance. Under pressure of the threat of a referendum, members of the Parliament endeavor to involve as many interest groups as possible in discussions on new legislation or amendments to legislation, in order to find a solution or compromise with which as many people as possible are in agreement.

Initiatives allow new issues to be put on the agenda, issues that are either different from the preoccupations of or neglected by the political establishment

or the government coalition. Initiatives can lead to an acceleration of institutional processes when used as support for innovations desired by the government coalition, such as in environmental policy, which Switzerland was to implement earlier than other European countries. Initiatives allow discontent with the establishment to be expressed, which can lead to policy changes inside the government coalition.

B. Political decision-making and power-sharing in a direct democracy³⁴⁾

The instruments of direct democracy are important for all decision-making not only in the case of votes, where people are given the possibility to express their views and influence the decision in a direct way. The instruments of direct democracy also have indirect effects. As an example, 93% of the bills passed by the Parliament are not challenged by an optional referendum; the reason is that the referendum, as a political tool, forces groups and people involved in politics to find the broadest consensus possible before they present a draft for a bill, in order to increase the probability that it passes without resistance of the people (=referendum). This way, the referendum deters them to take actions contrary to the “general will” of the Swiss people-already at an early stage of the law-making process.

Now, we will have a closer look at these indirect effects of referenda and their meaning for the Swiss political system with its consensus system.

34) Linder (1994), pp. 118 et seq.

In 1848, the winners of the civil war, the radicals, held all seven seats in the federal government. The situation changed, when the optional referendum was introduced in 1874. The Catholic conservative minority used the device to veto important projects of the radical majority. The radicals saw their large majority in parliament becoming useless if referendum challenges by the catholic minority were not curbed. The radicals could see no other possibility than to come to an arrangement with the opposition; they offered the Catholic minority a seat in the previously one-party government. The Catholic minority, who was unlikely to obtain a parliamentary majority, could win more through partial cooperation with federal government projects than they could through systematic opposition. This is why they accepted the offer and from thereon they had a voice in the Federal Council.

Concern for similar integration of all other important political forces led to wider power-sharing in the Federal Council. The Catholic conservatives negotiated to increase their number of seats. In 1928 the farmers and burgers, who ten years earlier had split off from the liberal radicals, were reintegrated with a seat in the government that they have held ever since. After the introduction of the electoral system with proportional representation, the social-democrats became the largest political force in the National Council in 1935. Some cities had left-wing majorities. Social-democratics claimed for participation in the federal government, however, and were turned down by the bourgeois parties because of the prevailing class struggle. In 1943, during the Second World War when political integration and unity were most needed, the socialists were given their first seat. Since 1959, following a short period with no social-democrats, they have been holding two permanent seats. Since this time, the four large parties in Switzerland have been represented in the country's government.

The power-sharing in the Swiss government of today is supposed to produce solutions acceptable to a sufficiently large majority in parliament for the risk of the optional referendum to be reduced. The stable multi-party government coalition is one of the most evident expressions of Switzerland's consensus system.

Integrating the main political parties into a governmental coalition was important, but it was not enough to achieve political compromise. The referendum, as instrument to oppose the government, was not only used by political parties, but also by economic interest groups. Economic and social organizations in the 1930s, the period of worldwide economic depression, became so powerful that they were able to block the legislative process through the referendum. The situation led to the use of the urgency clause and the emergency power by the federal authorities in times of economic and political crisis.

After 1947, when a constitutional amendment recognized economic interest groups as participants in the decision-making process, the procedure at the pre-parliamentary stage became important; organized interest associations were offered, on one hand, the participation in committees of experts and, on the other hand, the consultative process.

Today, the system is still the same. These two elements of the pre-parliamentary procedure have one objective: to reduce the risk of a referendum challenge, and, in the case of the obligatory constitutional referendum, to reduce the chances of failure in the popular vote.

The existence of **committees of experts** gives interest groups, who may otherwise call for a referendum, the chance to announce their positions on the legislation in question. This is first and foremost an information process that allows the different actors to become familiar with the project as well as with the different views on the issue. But the procedure also leads to negotiation. The actors declare under which conditions they would support or fight the bill. This enhances mutual adjustments, e.g. between employers and trade unions.

The subsequent **consultative process** involves further organizations, who try to formulate a position that represents the view of their members. When evaluating the results of the consultative procedure, the Federal Council seeks to maintain only those projects that have found sufficient support; the project is then handed over to the federal chambers. The Parliament may add other propositions or change the draft, but, knowing about the fragility of any compromise and about the robustness of a solution, the Parliament, too, will try to avoid the risk of a

referendum being called, and look for a compromise that is supported by as many parties as possible.

Legislation has become a process of power-sharing. It is a cooperative process mainly involving economic interest groups in the pre-parliamentary phase, and political parties in the governmental and parliamentary arena. This idea of consensus-finding cannot be abandoned without changing the institutions: as long as the referendum exists it will act as a constraint on all political actors to find a consensus.

To sum up, the direct democracy is an exceptional system.³⁵⁾ The Swiss system provides evidence that intensive political participation beyond the occasional election of apolitical elite is possible and can play an important role. The popularity of direct democracy in Switzerland is enormous. In a 1991 survey for instance, just 14 % of interviewees agreed with the idea of restricting the referendum in favor of more parliamentary power. The fear that parts of the people's right to the referendum or initiative may be lost if Switzerland enters the European Community is one of the most important obstacles for those Swiss authorities and parties who are advocating membership. Direct democracy is an important device for social learning processes which make people politically aware and able to deal with political complexity. It explains why Switzerland is a consensus democracy.

4. Conclusion: A System of Concordance³⁶⁾

In the 2003 federal elections, the four major parties gained the support of more than 80% of the electorate. Since 1959, these four parties have together formed the government in a system of power-sharing known as **concordance**. This idea of consensus-finding in the government is only one aspect of the large cooperation and negotiation processes taking place in the whole political system of Switzerland. This system, based on consensus, is known as consensus

35) Linder (1994), p. 130 et seq.

36) Neidhart (2002), p. 351 et seq.

democracy, it can also be described as democracy of concordance, consociational democracy, referendum democracy, democracy of negotiation etc. The consensus system involves, besides the government and the parliament, political parties, economic interest groups, and the cantons. Due to specific historical and political developments, an institutional setting has been established, in which all actors are bound to look for compromises and to avoid and solve major conflicts together.

By restricting the power of the central government and guaranteeing certain autonomy to the cantons, **federalism** is an essential element of the consensus model. It allows the cantons to become important actors in the power-sharing and to influence the decision-making process at the national level. Federalism is an institutional mechanism restricting majority rule and majority policies.

The institutional mechanisms regulating the relationship between the parliament and the government are also important elements of the consensus system. As the parliament and government in Switzerland are relatively independent from each other, negotiation and power-sharing are typical features of their mutual relations. Moreover, the government's, as well as the parliament's activity, is relatively loosely linked to the Swiss party system, which is also a consequence of institutional regulations and asks for constant re-negotiation. Contrary to the weak position of the political parties, the economic interest associations hold a strong position in the nation's power-sharing process and can force the authorities and the political parties to cooperate. They are, therefore, important actors in the political consensus-finding.

The existence of the optional referendum played a central role in the formation of today's system of power-sharing and political compromise. In the middle of the 20th century, the strongest parties were driven to find a balance between themselves as the number of groups capable of calling referenda constantly increased. Concordance resulted in the largest possible number of political parties and interest groups being included in the opinion-forming process.

III. Political Stability and Innovation in the Swiss Political System

Stability is one of the main features of the Swiss political system. Furthermore, it is a typical feature of a consensus democracy in general. The flipside of this characteristic can be the lack of innovation; this is a criticism that consensus democracies are often confronted with. To what extent is this justified in Switzerland's case? The question, which is of particular interest to us, is: Can political stability and political innovation be ensured at the same time, in a consensus democracy like Switzerland?

1. Elements of Stability

The political stability of Switzerland is outstanding. For more than forty years the Federal Council, the seven-member head of the Swiss government, has been composed of a successful coalition between the same four parties, which currently represent more than 80 % of the electorate. Despite the fact that the electorate votes every year on up to six proposals to change the Federal Constitution, Switzerland is not a country of political revolution.

This political stability arises curiosity even more, if we consider the fact that the Swiss party system consists of a multiplicity of relatively weak political parties. According to theories that dominated comparative politics for a long time, two-party systems, such as that of Great Britain, were considered to be more stable than multi-party systems: famous examples of unstable multi-party systems are the Weimar Republic, the French Fourth Republic, and post-war Italy.

From a more general perspective, the question of how the ruling parties are checked and balanced in the Swiss consensus system-in the absence of opposition parties-is also of interest in this context.

A. Political stability in the Swiss multi-party system³⁷⁾

How can the relative stability of the power distribution in the Swiss party system be explained? What are the reasons for the stability of the Swiss people's voting behavior? Once more, answers can be found in the political and institutional framework of Switzerland: **Federalism, direct democracy, the election system, and the militia principle** cannot do without the political parties-but at the same time, they also contain the parties' influence and prohibit them from becoming too powerful. This has an equilibrating effect on the party system.

1) Federalism

As a consequence of federalism, there are a lot of issues to be voted on at the different political levels. This is the reason why parties are founded even in the smallest political and territorial entities. One of their objectives is to influence policy-making at the higher political level. The large number of political parties is a direct result of this logic. The long-standing legitimacy of the cantons, as organs of political integration, makes the political representation of the cantons particularly important. People think that the traditional parties are in the best position to fulfill this function. This is a factor explaining the stable voting behavior in popular elections.

2) Direct democracy

The system of direct democracy makes the decision-making process complex and difficult. This process would not be efficient without the work of political parties. In contrast to a parliamentary system (where the parties are very active only all four years, when they try to achieve a majority of the votes in order to build the government), the political parties in a direct democracy are called upon three to four times a year in order to support the voters in the decision-making

37) Neidhart (1998), "Die Schwäche der Parteien ist ihre Stärke: Gründe für die bemerkenswerte innenpolitische Stabilität der Schweiz."

process. This has also consequences on a party's organization and the cohesion within the party's chair: the chair members have to meet on a regular basis in order to decide what slogans to use in the run-up to the elections and votes, and to organize election campaigns. Due to the openness in the procedure and the potential for conflicts, a system of direct democracy cannot work unless a stabilizing, cooperative party system exists. This provides another explanation for cooperation and stability in the Swiss party system. Moreover, in a system of direct democracy, costs and responsibilities of defeats and failures, as well as successes, are generalized and less attributed to individual political parties. This causes less tension in politics for the parties, which has a stabilizing effect on the political system as a whole.

In a direct-democratic system, the large number of people and organizations involved and the concreteness of the contents of the votes create a lot of interests, emotions, arguments, and contradictions; majorities by concessions and compromises can only be reached with the help of parties. As a consequence of the specific, concrete, and subject-related content of each vote, the parties are forced, to concretize, in turn, their politics. Unlike in a majoritarian system, it is more difficult and not recommended for political parties to make big promises and promote ideological policy programs. It is better for them to provide concrete and specific solutions and answers in order to convince potential voters. This explains the legitimacy and trustworthiness of the old established parties and, therefore, their stability.

3) The election system

The election system is a determining factor of the structure of a country's party system. Switzerland has two different election systems: the majority representation system for the Senate and the proportional representation system for the House of Representatives. The majority system generally favors the large historical parties, which is also the case in Switzerland. Theoretically, the proportional system would favor the entrance of new and small parties into a country's party system. However, as a consequence of the small size of the

territorial entities, to which the proportional system is applied, the barriers for new parties remain high; this is particularly true for small cantons and small cities and villages. Overall, we can say that the election system favors large historical parties, and, thereby, the stability in the multi-party system.³⁸⁾

4) The militia system

The effects of militia parliamentarism on parties are ambivalent. On the one hand, it weakens the political parties, as they are more dependent on other social actors; on the other hand, the parties, as small unprofessional organizations, are provided with the necessary competence from the contacts of its members to the business world. Both factors have had a mediating impact on the parties' activities and, therefore, contributed to the maintenance of the original party system.

As we have seen in the previous chapters, there is certain competitiveness between the social actors on one hand and the authorities on the other hand. Such a system could not sustain a party system in full competition, putting even more pressure on the State. Therefore, the party system in Switzerland strives for this stability, for which it is known. Today, the polarization at the right wing of the Swiss People's party as well as at the left wing of the social democrats is increasing. It remains to be seen how a stronger polarized party system will deal with the challenge of equilibrating and integrating in Switzerland's open government system.

38) This reasoning is valid for the country as a whole. The situation is a little different if we look at the lower political levels. The proportional representation system favors the creation of a large number of parties in cantons with a large population and in big cities. However, this does not necessarily affect the party system at the national level, since it is difficult for these new parties to establish themselves at a higher political level.

B. Checks and balances in the Swiss consensus democracy³⁹⁾

In alternating political systems, self-control mechanisms are provided by the competition between the parties. If, e.g., a political program followed by the ruling party(s) is too extreme or has evident negative effects, the people are given the possibility to vote for the opposition party(s). This kind of political choice to correct the country's politics is not given to the voters in Switzerland's consensus democracy. What are the checks and balances in consensus systems? Who controls the government and guarantees certain stability in the ruling parties' politics?

In a consensus system, such as Switzerland, there is no clear distinction between government and opposition; all political actors, including the parties, associations, cantons, and in the last instance the Swiss people are involved in the decision-making process and can assume the role of an opposition force. The institutional setting of the Swiss consensus system (federalism, direct democracy), forces the political actors to negotiate and find compromises that are likely to be supported by a majority. For this purpose, short-term coalitions are spontaneously formed and terminated with the objective to promote its own interests more efficiently. In such a system, every political actor happens to be, in certain cases, the opponent force against the government. By these balancing and counterbalancing activities, the stability in the political system as a whole is maintained. One could even say that, as a consequence of the constant search for a political balance, which is characteristic of a consensus system, the political stability is guaranteed in a more sustainable way than in certain majoritarian systems, in which the question of political stability is less important to the political actors.

Moreover, the control of last resort is given to the Swiss people via the direct democratic tools; the people fulfill the function of a real opposition force. The referendum and popular initiative provide the voters with the power to check and balance the government's policy and keep it from shifting too much in one direction. It seems evident that the people as a whole, representing all kinds of

39) SWISSINFO, Tognina Andrea 2003: "Wahlen die sowieso nichts verändern?"

different interests, promote a more equilibrated and stable policy, than a given (ruling or opposition) party.

These are possible explanations for the stability of the Swiss political system, as a whole.

2. Reforms and Changes⁴⁰⁾

“Representativeness comes at the expense of an effective government.” This may be true in the short term where the effectiveness of a government is measured by the speed of reforms. In a long term perspective, however, other values, such as sustainability and legitimacy become more important.

In a one-to-one comparison, with the majoritarian system, the arguments in favor of the consensus system appear to be equal or even slightly stronger than the arguments in favor of majoritarian government that is based narrowly on the speed and coherence of decision-making:

- Majoritarian governments may be able to make decisions faster than consensus governments, but fast decisions are not necessarily wise decisions. In fact, the opposite may be more valid.
- The supposedly coherent policies produced by majoritarian governments may be negated by the alternation of these governments; this alternation from left to right and vice versa may entail sharp changes in economic policy that are too frequent and too abrupt to be beneficial for a country's positive development.
- Policies supported by a broad consensus, furthermore, are more likely to be carried out successfully and to remain on course than policies imposed by a “decisive” government against the wishes of important sectors of society.
- Finally, for maintaining civil peace in divided societies, conciliation and compromise-goals that require the greatest possible inclusion of contending

40) Kaufmann *et al.* ed. (2005), p. 79 et seq.

groups in the decision-making process are probably much more important than making snap decisions.

There are, however, critics, where counterarguments are more difficult to find: Switzerland, as a consensus democracy, has difficulties in anticipating problems and dealing with them in advance. Additionally, as a consequence of its “negotiating character,” the capacity of the system in developing a number of different alternative solutions, from which one could choose the best, is restricted. On the other hand, the Swiss system has mechanisms that can compensate such deficiencies of innovation; an example is the popular initiative, presented in “3. 3. 1 The main instruments of Swiss direct democracy.”

To sum up, the Swiss consensus system with its instruments of direct democracy allows for slow, but continuous innovation.

Box. Examples of Changes and Reforms

Switzerland’s capacity to reform depends largely on the subject at stake. In general, one can say that projects proposing changes affecting the competences of the cantons are difficult to pass. On the other hand, proposals for innovations regarding Switzerland’s society have in general good chances to be adopted: an example is that abortion has been legalized in Switzerland; and in a recent vote the proposal to reduce discrimination of homosexual couples, by allowing them to register their partnership officially, was accepted.

Example 1: Bilateral agreement with the EU on the free movement of people

On 25 September 2005, an important vote was held. The Swiss people were asked to accept or reject a labor accord, which the Swiss authorities had previously negotiated with the European Union. After quite an emotional voting campaign, the Swiss people accepted the labor accord with a large majority of 56 % of the votes.

Box. Continued

This vote is a good example to show how innovating the Swiss consensus democracy can be.

The remarkable thing is the different political and economic, private and public actors, almost unanimously supported the adoption of the vote, which eventually explains the clear positive result. This is surprising because the very subject of the vote implied a big potential for conflict and resistance. First, because the vote concerned Switzerland's relationship with the EU: questions regarding a rapprochement with the EU usually lead to highly emotional debates. The fact that even parts of the right-wing Swiss people's party promoted a "yes", can be considered an example of the flexibility of the consensus system, where political actors form spontaneous coalitions with other actors, depending on the interests at stake. Second, because this labor accord with the EU foresees the enlargement of the free movement of people: the agreement that existed already between Switzerland and the "old" EU countries will now be extended to the new EU countries. The fact that the large trade union organizations voted for an adoption of the accord is remarkable, insofar the danger of cheap labor coming in from Poland, the Czech Republic etc. has to be taken seriously.

A decisive factor that led to the adoption of the labor accord with the EU was the intensive negotiation between the employees and the employers on one hand, and the authorities on the other hand. They negotiated a solution, which foresees the creation of accompanying measures to contain the possible negative effect on Swiss labor. In the previous chapters, the consultation procedure, involving economic actors into the decision-making process, was already defined as a typical characteristic of the Swiss consensus democracy. Switzerland's "yes" in the 25 September's vote opened the door for a constructive cooperation with the EU. It can be, therefore, considered as an important future-oriented and in this sense "innovative" step.

Box. Continued

Example 2: Education and public health-Traditional cantonal areas of competence

The difficulties in initiating and implementing efficient reforms in the educational and health sector can be considered as an example for the braking and, therefore, “anti-innovating” effect, federalist structures can have.

Education has traditionally been in the jurisdiction of cantons. Today, still, 26 different cantonal systems exist. Although inter-cantonal agreements and coordination bodies exist, the cantons enjoy a far-reaching autonomy with regard to the organization of its education system. A consequence is that the transition from one cantonal system into another is complicated and difficult. In today’s increasingly integrated world, such barriers inside a nation, causing high transaction costs, are more and more disturbing. A lot of initiatives and actions have been taken in order to reform the education system and to create a coherent national education policy.

Switzerland’s capacity to reform depends largely on the subject at stake. In general, however, breakthroughs are very difficult to reach in this political area, as the cantons are reticent to give up parts of their rights. Currently, a constitutional article on education is discussed in the Parliament and a policy, harmonizing the cantonal systems, has been decided. It remains to be seen, whether this time a final agreement can be reached and implemented.

The situation in the **health sector** is similar, which can be illustrated by the current political negotiation process. In order to ensure high-quality medicine in Switzerland, the idea was developed to create centers of competencies, which specialize in specific fields of medicine. These centers would have been created in different cantons, implying that some cantons would have had to give up some of their current fields of specializations to other cantons. However, this cooperation has not worked out until now, as the canton of Zurich refused to give up its competencies in certain medical fields, and therefore refused the whole inter-cantonal agreement. The Confederation is reticent to intervene. The cooperation process in this political area remains blocked for the moment.

IV. Implications on the Economic Development

Switzerland today seems to be one of the most privileged countries in the world, as well as in economic terms. At the beginning of the 21st century its inhabitants have reached one of the highest living standards among industrialized countries. Once a poor region of mountain farmers, it has become a rich nation and is seen as a model case of successfully finding a profitable niche in world markets. Swiss banks, Nestlé, and the chemical and pharmaceutical products of Novartis are known on all continents. With a domestic market too small for mass-production, Swiss industries rely on producing highly specialized goods. Although Switzerland's population is small, the country can compete in exports and foreign investments with the largest of industrialized nations. If we consider bank credits to foreign countries, we find that Switzerland ranks in the top positions worldwide.

1. Factors for the Economic Success

Switzerland's economy benefited in many ways from the country's positive and stable political development. Inside the country, the mechanisms of consensus-finding allowed to establish a positive cooperation between the different economic actors and between them and the authorities. In the past, direct democracy's institutions and political culture led to integration, not only of political adversaries, but also of opponent economic actors. Social and economic conflicts have not divided the country, which was an advantage vis-à-vis other European countries, who suffered from the effects of class struggles during long periods in the twentieth century. In these crucial times, a high national consensus helped overcome threats to the country's independence and protect its economic potential.

A. Successful cooperation between the social partners⁴¹⁾

A significant asymmetry exists between the strength of trade unions and employers' organizations. While employers' organizations are more numerous and have a high organization rate, trade unions are relatively weak because of a low organization rate and a fragmented structure, which can only in part be compensated by their organization in peak associations. This asymmetry has been reinforced, during the 1990's. Globalization also plays a role in this context: for example, it affected the rate of employees under labor collective conventions, which had been decreasing during the last decade.⁴²⁾

1) Employers organizations

Swiss employers are strongly organized and highly influential. The structure of the employers' organizations shows first a division between internal and international market-oriented sectors.

The national economy is mostly represented by two main associations: the *Swiss peasants' union* (USP) for the primary sector and the Swiss union of arts and crafts (USAM) for the secondary and tertiary sector. The latter is very decentralized.

Concerning the international economy, the employers' associations are more centralized. The two main groups within this framework are the *Swiss employers' union* (UPS) and *economiesuisse*. These two peak associations organize the same companies, but represent different interests. While the UPS deals with industrial relationships and social policy, *economiesuisse* deals with the economic and fiscal policy domains.

41) "3. 2. 3. 2. Interest associations and their relationships to other actors of the Swiss political system: A neo-corporatist structure."

42) One has to be aware that the rate of trade union membership is, in general, already comparatively low in Switzerland. With a union density of 22.5% in 1994 (-the ILO-World Labour Report 1997-98 calculated union membership as % of wage and salary earners -), the Swiss trade unions rank third from last compared to other European countries, followed only by Spain with 18.6% and France with 9.1%.

2) Trade unions⁴³⁾

In contrast to the employers' associations, trade unions are organized in an extremely heterogeneous and fragmented way-a feature that has always been characteristic of the Swiss trade union movement.⁴⁴⁾ This diversity is a result of the establishment and continuous development of separate union branches and occupational unions, as well as of the division along political-ideological and confessional lines. The numerous organizations forming outside the Confederations and associations (e.g. the teachers' association) contributed to a further diversification of the Swiss trade union system. Cooperation between trade unions is generally more developed in the public than in the private sector.

Today, Swiss trade unions are organized under two main umbrella organizations: the Union of Swiss Trade Unions (USS)⁴⁵⁾ with 17 member organizations, counting 390,000 members, and Travail. Suisse⁴⁶⁾ with 13 member organizations, counting in total 150,000 unionists. The individual member associations do not necessarily support each other in decision making, which contributes to their weakness. The USS has a double structure which follows the demands of a federal state: the cantonal trade unions deal with the regional issues, while the industrial unions deal with those of particular sectors. The latter are most important within the USS, because they manage industrial relationships issues, while the USS itself, as an umbrella organization, deals only with the federal authorities.

The relationship between social partners in Switzerland is characterized by the tariff autonomy (= the lack of state intervention on wages and working condition

43) Braun (1998), pp. 18-22.

44) Trade unions started to develop in the first half of the 19th century. There was a boost after the federal constitution was established, which guaranteed freedom of association: different labor associations developed. The structural and organizational shaping of the individual trade unions into today's industrial and professional associations took place during and after World War I.

45) The Union of Swiss Trade Unions is the first and most powerful umbrella organization (founded in 1880).

46) Travail. Suisse was founded in 2002; it had developed from the former Christian National Trade Union Confederation.

issues) and the structure of interests groups themselves.

Since the peace accord in the engineering and watch-making industry was concluded in 1937, conflicts of interests between employers and employees were mostly resolved peacefully; the so-called “Labor Peace Convention” accepted unions as representative organizations of the workers, proposed to resolve all conflicts in their relations by negotiation, and promised to end strikes and lock-outs. It marked the end of the class struggle and the integration of the trade unions into Swiss politics.

In Switzerland, the foundation of industrial relations is a long-standing tradition of a pragmatic policy based on agreements within the framework of a pronounced social partnership. There are hardly any cases of industrial action; Switzerland belongs to those countries in the world with the smallest number of strikes.

It is true that, due to the economic crisis, the bargaining environment became tougher in the 90s and resulted in an increase of protests on part of the Swiss labor force as well as demonstrations and individual strikes against wage cuts and deregulation. These actions, however, cannot be regarded as a sign of a general increase in conflict; they signal even less that there is a shift by unions to a militant strategy.

B. Successful cooperation between economic and political actors⁴⁷⁾

As mentioned before, interest associations and their relationships with other actors of the Swiss political system can be defined as a “neo-corporatist structure.” It is called neo-corporatism because of close and negotiating relationship between social partners on one hand, and between economic and political actors on the other hand. Interest groups play a significant role in the Swiss political process, at the “pre-structural level” of public policy making, as well as at the decision-making level. In several fields, especially the one of social policy, the subsidiarity principle gives indeed a secondary part to the State, compared with the one of interest groups. At that level, the legislation

47) Linder (1994), p. 129.

generally follows the measures taken by employers' organizations or defined by the collective contracts of employment. There are two points in time, which were decisive for the development of the relationship between economic and political actors.⁴⁸⁾

The economic crisis at the end of the 19th century led to state interventionism in the economy, which justified the existence of negotiation and protection measures for the trade and industry sectors. The peak associations of entrepreneurs developed at this time. The intervening state needed more and more information on economic processes; the Swiss solution was not to extend the federal administration, but to delegate the tasks to the interest associations. The first measure was to build up a network of experts, on which the State could draw. A second measure was to subsidize economic peak associations so they levy statistical information.

The second important moment in the development of this special relationship between Swiss political and economic actors was the "labor peace agreement" of 1937, mentioned above, which resulted into the constitutional articles on economy; thereby, the consociationalism became perfect. On the occasion of a constitutional reform in 1947, economic organizations were authorized to participate in the legislative process as well as in the implementation of matters of their concern. The fixing of the relationship between the authorities and the economic actors by constitutional articles was undoubtedly beneficial to Switzerland's economy.

From an economic perspective, the stability of Switzerland's political system was an advantage in many respects. Whereas some West European democracies went from liberalism to socialism and back, Swiss politics held its middle course. The policy of integration, which is a consequence of the existence of direct democratic tools⁴⁹⁾ and the policy of conservative adaptation and step-by-step solutions, rather than risky innovation, were important and worked. In conclusion, one can say that the Swiss economy passed smoothly through growing wealth and societal modernization, thanks to the integrative and adaptive

48) Ladner (2003), "Schweiz."

49) "3. 3. 3. Political decision-making in a direct democracy."

effects of its political institutions.

C. Political stability and neutrality in foreign policy

Political stability has also been important with regard to Switzerland's relations with other countries. In addition to the political institutions presented in the previous chapter, "The Characteristic Institutional Features of the Swiss Political System," there is another distinctive feature of Swiss politics: "Neutrality." Unlike the other elements ("federalism," "the representation system," "direct democracy"), it mainly concerns Switzerland's foreign policy. The fact that Switzerland was not involved in the two world wars explains in large parts its positive economic development. Unlike its neighbor countries, Switzerland managed to protect most of its infrastructure and did not need to rebuild after the wars. This was also favorable to the development of a strong and stable currency.

The Swiss economy is highly dependent on European and world markets; its export and import rates are higher than those of most other industrial nations. Key sectors of the Swiss economy, such as banking, pharmaceuticals, watches, insurance, tourism, trading, and human resources, are oriented towards the markets abroad. Its stable political system allows the country to be a reliable economic partner in its relations with other countries.

The general political stability is one of the factors that makes Switzerland an attractive business location; e.g. it attracted and still attracts investors and finance capital, allowing Switzerland to become the worldwide leading country in the financial and bank sector.

There are further factors, related to the stable and particular political system, that explain why many international multinational companies choose Switzerland as their preferred location:

- 1) High productivity combined with high quality products and services

Switzerland ranks second among the world's leading national economies with

respect to the overall productivity of its labor force.

- **A business-friendly government in a country with moderate taxation⁵⁰⁾**

Switzerland is consistently ranked among the top business-friendly countries. Fundamental criteria, such as long-term political stability, guaranteed protection of free competition and property ownership, as well as the Swiss legal system are particularly strong.

- **Currency and price stability**

Switzerland has a long tradition of economic and financial stability, which is evident in low inflation rates, as well as in low interest rates. In addition, the Swiss Franc plays a significant role in asset management and issues underwriting businesses.

- **First-rate infrastructure**

As confirmed through international studies, Switzerland has the best-maintained and developed infrastructure in Europe after Finland.

- **Efficient capital market and a highly professional international banking system**

Switzerland is one of the world's largest offshore financial centers, ahead of London, New York and Frankfurt.

- **Excellent education-Public and Vocational Schools**

The multi-faceted Swiss education system produces a workforce that meets the needs of businesses at every level, from skilled technicians to Ph.D. scientists and strategic management professionals.

50) Certain cantons and municipalities (e.g. Cantons Schwyz, Zug, and municipalities in Zurich, Obwalden) follow the strategy of offering low tax rates in order to attract companies and wealthy people from Switzerland and from abroad. This is a consequence of Switzerland's federalist structures.

- **World-renowned universities, technical institutes and R&D institutions**

The faster the pace of technological change, the greater role research and development activities play in making a country attractive as a business location. Switzerland is a country with intensive research capabilities.

V. Conclusion

Today, Switzerland is known for its outstanding political stability and its economic prosperity. The purpose of this paper was to explore the factors on which this extraordinary success is based; the focus was laid on the particular institutional setting of the political system of Switzerland.

Switzerland is a country marked by strong pluralism, facing the challenge of integrating a multiplicity of different interests: different regional interests, different cultures, different languages, and different religions. This heterogeneity has shaped the political institutions of the country, which in turn have been influencing the political processes and structures in Switzerland. In the paper, “federalism”, “representation system,” and “direct democracy”—examined in Chapter 2—were defined as the main institutional determinants of Switzerland’s particular political system. They push the political, as well as the economic actors towards finding common solutions; the constant search for a consensus is the distinctive feature of the Swiss political system, known as consensus democracy. Chapters 3 and 4 showed to what extent the political institutions, pillaring the Swiss consensus system, contributed to the country’s positive political and economic development, and how they today still are part of Switzerland’s strong performance in these areas.

To conclude, we will highlight first our major points without following the strict logical and causal order as presented in the main part.

1) Political stability: consensus-based system, marked by continuity

Through its institutions, the Swiss political system balances different interests and focuses on finding consensus by involving the people, the political parties, economic interest groups, and representatives of lower political levels, in the nation’s decision-making process and by allowing them to participate actively in the political system. The classical alternation between government and opposition parties does not exist.

2) Political inclusion

A characteristic of Switzerland's political system is its political integration power. The existence of the referendum allows the largest possible number of political parties and interest groups to be included in the opinion-forming and decision-making process. The system assures that losers-individual groups, as well as political parties-are not excluded from decision-making. It thereby contributes to a politically stable environment.

3) Powerful position of the people

In the Swiss political system, the people have the final say. The institution of direct democratic tools gives them the control of last resort. The people assume the function of a real opposition force with the power and responsibility to check and balance the government's policy.

4) Practical, subject-related, close-to-the-people's-interests
policy making

Switzerland's federalist and direct democratic structure pushes the political actors to negotiate and find compromises that are likely to be supported by a majority. Three to four times a year the Swiss citizens are called to vote on specific and concrete issues. As a consequence the politicians and parties are forced to concretize their politics and to avoid making unrealistic promises. In order to convince potential voters, they have to provide concrete and specific solutions and answers. This has a stabilizing effect on the political system.

5) Political success and failure of individual actors and parties are
generalized

The Swiss political system is constructed in a way that the responsibility for failures and successes is shared – not only with the people having the final say but also among the various actors involved in the decision-making process.

Political failures and successes are less attributed to individual political parties or people. Politicians have to take into account many different interests and views when proposing a new policy or law; in exchange they will not be personally accused of failures. Therefore, parties and politicians are less affected by tensions in politics. This, again, has a stabilizing effect on the political system as a whole.

6) Large autonomy of the cantons and restricted power of central government

As a result of the historical developments, the power of the Swiss central government is restricted; whereas the cantons enjoy large autonomy and are the main competent authorities in certain areas, such as education and health or police and justice. The institution of federalism allows the cantons to assume an important role in the power-sharing and influence the decision-making process at the national level. The Swiss federalist structures prevent a majority rule and majority policies-and are, therefore, an essential element of the Swiss consensus democracy.

7) Strong bicameralism

Switzerland has a bicameral parliamentary system. The two chambers are elected on different bases: the majority representation system is used for the Senate (Council of States) and the proportional representation system for the House of Representatives (National Council). The two chambers are equally weighted, giving the Senate, representing the cantons, real power relative to the House of Representatives, representing the overall population; the federalist principle is as important as the democratic principle.

8) Militia system: Part-time parliamentarians

Swiss Members of the Parliament are part-timers. This system, characteristic

of Switzerland, is called the “militia system.” It refers not only to the federal parliament, but to most of the mandates and offices in the Swiss political system: Citizens perform their political duties in addition to working at their normal jobs and most of the time on an honorary basis. The existence of the militia system creates inter-dependency: on one hand, the semi-professional parliament is dependent on information and knowledge of other social actors; on the other hand, the parliamentarians bring in important knowledge and contacts from other sectors of the society. This exchange allows the legislative to remain close to the various interests existing in the society.

9) Multiplicity of relatively weak political parties in a nevertheless stable system

Federalism and direct democratic tools open the doors to a large number of (new) political actors and parties, which provides an explanation for the historical weak and fragmented Swiss party system. Also, the social and religious cleavages existing in Switzerland are translated into the party system via the election system (proportional representation system used for the National Council elections). Decision-making processes in a direct democracy are complex and difficult; elections and votes take place on a regular basis. Given the multitude of actors involved in the procedure and the resulting potential for conflicts, an active, stabilizing, and cooperative party system is essential.

10) The Swiss government: multi-party, collective, collegial head of state with a long office term

The executive power is shared in a broad coalition of the four most important parties. The rest of the parties do not form a coherent opposition. The government is composed of seven members, representing a subtle political, regional, and linguistic balance-thereby incorporating the idea of a consensus democracy at the highest level of the political representation system. As a collegial body, the cabinet (Federal Council) takes its important decisions only

by consensus or by a simple majority, and each member defends the joint decisions in public. The seven members are on an equal footing; the President who is elected out of the seven members is a "primus inter pares"(first among equals) without any special powers. The parliament elects the president every year on a rotating basis. The Federal Counselors who are elected individually may be re-elected indefinitely. In practice, re-election is the general rule, thus ensuring the continuity and stability of Swiss policy.

11) Relative independence between the parliament and the government

In the Swiss political system, the Parliament has no political means to depose the Federal Council during the fixed term of four years, while the Federal Council, on the other hand, cannot dissolve the Parliament. This formal separation of powers makes both authorities more independent. Constant negotiation and power-sharing for consensus finding is necessary.

12) Loose link between the party system on one hand, and the government and the parliament on the other

As a consequence of the institutional regulations, the government's, as well as the parliament's activity, is relatively loosely linked to the Swiss party system. Regular re-negotiations are a typical feature of their mutual relations.

13) Strong position of economic associations vs. weak position of the government

As a result of the power-sharing in the direct-democratic system, the strong position of the cantons, the possibility of influence-taking via the militia parliament (where economic actors are represented), the historical weakness of the Swiss party system and the weak bureaucracy at the federal level, economic interest associations in Switzerland have an important political influence; state interventionism has always been prevented. The referendum gives economic

actors the possibility to organize themselves and to considerably influence decisions and politics in their interests. They can actively form a business-friendly environment where prosperous development can take place.

14) Economic success

A stable political environment is essential for a prosperous economy. Trade and investment benefit from political stability and continuity. Not only does the consensus system contribute to preventing major interruptions in domestic politics; the referendum forces the political actors and economic actors to cooperate, and it also furthers the cooperation among the social partners (employers and employees).

The review of the major points of this paper provides a brief summary of how the Swiss political system works. The key word is “consensus.”

In general, mutual adjustments are easier to achieve in periods of prosperity and economic growth. Consensus finding becomes more difficult in times of political or economic crises, when the actors try to make each other responsible for failures and losses; the tendency of the system to polarize is the consequence. Consensus-reaching becomes difficult and the system may be paralyzed.

The feasibility of a consensus-based system depends also on the issue at hand: consensus finding is difficult when it comes to emotional issues, such as the restriction of farmers’ rights, abortion, authorization of genetically modified organisms, etc.

An often-cited criticism of the consensus system is its implicit innovation-hindering characteristic. Reaching a consensus between several different actors does not allow moving far from the status quo-even where a fast changing situation would require quick adaptation of the system. However, an examination of the innovation and reforming capacity with regard to criteria, such as quality, coherence, support by the society, and political cohesion makes us aware that the Swiss consensus system allows for slow, but continuous innovation.

Despite difficulties that a consensus system can reveal, the pattern of

compromise-seeking carries on. “Concordance” has become a part of the Swiss system that cannot be changed, unless the institutions are changed. As most of these institutional devices are part of the constitutional law, they have become robust elements of the Swiss political system, contributing to its stability.

We have seen that the establishment of the Swiss consensus democracy was not a conscious choice and took place under special conditions. At the foundation of the modern Swiss State in 1848, Switzerland was conceived as a majoritarian system. Due to changes of the political institutions that were closely linked to Switzerland’s historical and cultural characteristics, a consensus system developed over time. Despite the fact that the uniqueness of the Swiss political system is closely linked to particular and specific conditions Switzerland has been facing over time, there are general lessons to be learned from the Swiss experience.

The attribute of the consensus system that may be the most noteworthy is its extensive capacity for political integration; not only political parties integrating into a system of cooperation and power-sharing, but also economic and social groups.

From an economic perspective, one could say that the consensus system is in a better position to cope with the increasingly important role of economic actors than a majoritarian system. Through processes of economic internationalization, economic actors, such as transnational companies, are gaining political weight. The tension between the interests of “globalized” economic groups and political parties with national interests is rising. In the competitive majoritarian system, it is possible that the competition between these economic interest groups on one hand and the political parties on the other hand blocks the political system. The risk of a blocked political system does not only emanate from winners of economic globalization (e.g. transnational companies) opposing policies of national political parties, but also from the losers, e.g. trade unions losing jobs; they could fight political decisions in an unfruitful way.

Also from a political point of view, one could say that the consensus democracy with its potential for political integration of multi-cultural societies is a future-oriented model. Today, a large majority of the 190 countries, considered

sovereign states, constitute multicultural societies. Moreover, South-South or South-North migrations are important aspects of a countries' economic and political life today. Cultural differences also continue to be a political problem in many industrialized countries. Conflicts between ethnic groups are a main factor for national disintegration or war in Africa and in the Far and Middle East. The former countries of the Soviet Union are, today, facing the problem of integrating formerly strongly repressed minorities.

In all these situations better political integration is needed for a peaceful multicultural coexistence. It is difficult to say to what extent the Swiss solutions of power-sharing and consensus-finding would be appropriate to solve these problems. Additionally, an interesting question is whether the Swiss model of consensus and cooperation would be a good solution to the current problems of European integration.

No matter how these challenges are going to be tackled in the future, the importance of political institutions-especially in the long run-should be taken into account. This is what the Swiss experience shows us.

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Won-hwa PARK, Heungchong Kim, and Linda MADUZ

The Korean society has gained much interest in Switzerland as it is regarded to be a typical model of an advanced country that Korea needs to emulate. This book illuminates the way to the success of Switzerland through examining its political background, focusing on the particular institutional setting of "pluralism." The key word of how the system works is "consensus," the attribute of which is its extensive capacity for political integration; not only political parties integrating into a system of cooperation and power-sharing, but also economic and social groups. Such "concordance" has become a major part of the Swiss system, contributing to its stability, which led to economic prosperity.

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