

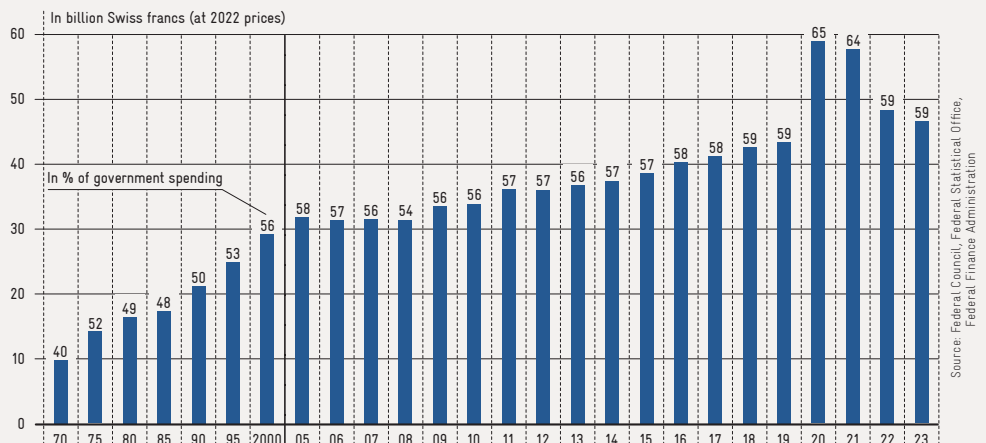
Eternal Subsidies

The risks and side effects of subsidies are underestimated. Usually only a few benefit while the costs are covered by the general public.

Situation

Federal subsidies have quintupled since 1970, and currently stand at 48 billion Swiss francs. The share of federal expenditure has risen from 40% to 59%. The largest item, with a total of 14 billion Swiss francs, is federal transfers to the OASI and DI schemes. The Confederation paid out 3 billion Swiss francs to reduce health insurance premiums and 2.8 billion Swiss francs for direct payments to agriculture. In recent years, support for specific industries has become increasingly common. For example, 377 million Swiss francs were granted to the Buildings Program, or to the promotion of the film and tourism industries.

Development of federal subsidies (1970–2023)



Inflation-adjusted, the volume of subsidies amounted to CHF 9.7 billion in 1970. This figure now stands at 48 billion Swiss francs.

Facts

3 out of 5 francs

The federal government currently spends three out of every five francs as subsidies, with 46% going to social welfare followed by education and research (16%), transport (15%) and agriculture (8%).

■ What are subsidies?

Subsidies support activities that are considered important to the public. Indemnities, on the other hand, compensate for burdens arising from the Confederation's obligations. From a competition policy perspective, government payments to targeted businesses are problematic.

■ Goals of subsidies

The government thus wants to achieve certain political objectives, such as decarbonizing the economy or reducing structural change. Often, the objectives could be better achieved with market economy instruments alone, in the protection of the environment for example via taxes on CO₂.

■ Swiss subsidy practice

In practice, there are two weaknesses: 1) The administration should pay more attention to ensuring that beneficiaries make a significant contribution themselves. 2) Windfall effects are often not taken into account. E.g., half of all rooftop solar installations would have been installed even without government support.

■ Harmful subsidies

Subsidies do not create cost transparency and are not very well targeted. Often, projects are subsidized although they would have been led regardless of government support. Subsidies are also susceptible to being used by certain interest groups for their own benefit ("rent seeking").

Recommendations

Subsidies with significant windfall effects and **few financial contributions** from the beneficiaries are particularly questionable. If subsidies are paid out to certain companies or sectors, they benefit from advantages that **can hinder competition**. It

is therefore necessary to **ensure full transparency** when granting subsidies, and to **check** whether support (whether in the form of a direct payment, tax relief or government guarantee) is accompanied by **distortion of competition effects**.

