

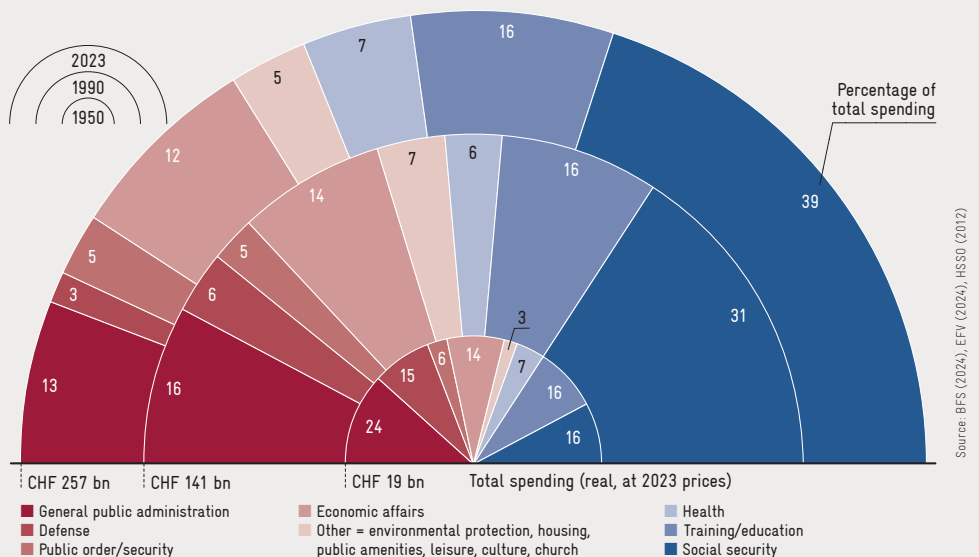
Government Growth out of Control

Many people tend to gradually consider the government as an accessory to fulfill their particular interests. How is this reflected in the government's footprint? And how can its growth be limited?

Situation

The public spending ratio in Switzerland (government spending as a percentage of GDP) has doubled since 1960. In the last ten years, the tax burden has further increased. Government influence is also increasing in privately organized areas of society due to subsidies and privileges. Although it's seen as being internationally competitive, Switzerland has a high density of regulation. Even if collectivism hasn't (yet) gotten the upper hand, these developments are critical in a country without natural resources where prosperity rests on an innovative economy reliant on politicians' proximity to the people and bottom-up processes.

The government pie is getting bigger



Government spending has multiplied in all areas. The strongest growth has been in social security, whose share has risen from 16% to 39% of total expenditure.

Facts

1,000,000
full-time equivalents

In Switzerland, about one million employees make their living in the public sector (+170,000 since 2011). That's 24% of the total workforce.

■ Of these 1,000,000 employees, **410,000 are employed by the government in the narrower sense**, **210,000 by the government in the broader sense** (public enterprises), and **380,000 by state-affiliated enterprises** (private enterprises under government control or substantially financed by the government).

■ **More than half of prices** in this country are no longer the result of supply and demand, but are **significantly influenced** or even directly controlled by the government.

■ Contrary to popular belief, Switzerland's **fiscal quota** – including compulsory contributions to health and pension funds – is **40%, no lower than in neighboring countries** Germany and Austria.

■ Fortunately, there are no signs yet that the Covid crisis will lead to a similar **stair-step effect** in the public spending ratio as the real estate crisis of the 1990s or the oil crisis of the 1970s.

Recommendations

To keep government growth in check, **federal and cantonal debt brakes** should be **maintained**. **Referenda on finances**, which have long been a feature at the cantonal level, should be introduced at federal level as well. **Regulatory impact assessments** have to be optimized. Jobs in the administration should

only be filled by people who have worked **outside the public sector** for a minimum number of years. One special parliamentary session per year should be devoted exclusively to identifying and **deleting legal provisions that are either obsolete or that generate too many costs**.

