second and third pillar of the Swiss old age insurance system large parts of the future old age pensions will be paid out of the capital base which has been accumulated for all types of employees. Thus, there have been accumulated more than 600 billion Swiss Francs as a capital base, and Switzerland had in 2005 a total sum of explicit and implicit government debts of only 45 % of GDP (Raffelhüschen et al. 2010). In contrast, the German total government debt is estimated at 294 % of GDP in 2005 (see again Raffelhüschen et al. 2010) and 193 % of GDP in 2010 (see Moog and Raffelhüschen 2011).[6] In Germany which has about the tenfold population of Switzerland there have only been put aside about 1,000 billion Euros, i.e. 1,200 billion Swiss Francs, for the capital funded part of old age insurance. From a Swiss perspective the German system is therefore lacking about 5,000 billion Swiss Francs. Most other countries, with the exception of Norway, the Netherlands, and Denmark are in a similarly problematic or even worse situation than Germany. Therefore it has to be expected that the difference in total taxes and social security contributions between Switzerland and most other countries will strongly increase within the next 20 or 30 years. Hence, Switzerland will become an even more attractive place for those who have high labor income, i.e. for productive individuals with high human capital. But the more of them migrate to Switzerland the more stable the Swiss social security system becomes. Therefore there is no need to fear that the Swiss social security system is not sustainable.

11.6.3 Migration

While immigration of high-income earners increases the sustainability of the welfare state (but only if they really earn very high incomes, see also Chap. 9), it brings about several other challenges. To understand what these challenges are we at first need to understand what immigration means to Swiss welfare.

11.6.3.1 How Immigration Affects Welfare

To date, Swiss politicians are far from having reached a consensus about the impact of immigration on Swiss welfare (see, e.g. Stalder 2010; Gerfin and Kaiser 2010; Sheldon and Cueni 2011). But if one takes into account the most important feedback loops, the effects are quite obvious (Eichenberger and Stadelmann 2010a). Since the treaty on free mobility of individuals between Switzerland and the EU was enacted, immigration has strongly increased. In 2007–2013 annual net immigration averaged at about 80,000 individuals, which is equivalent to 1 % of the current population. The inflow of workers may lead to a downward pressure on

[6] The huge changes in the total debt of Germany is a result of pension reforms as well as changes in the assumptions underlying the calculation of the implicit debts.

wages. But this implies that labor costs are decreasing which makes Switzerland more competitive. Consequently, capital and investments are attracted, which in turn leads to additional demand for labor. Thus, the Swiss economy is growing at the aggregate level in proportion to population growth as long as productivity remains unaffected. However, there are some scarce factors, especially land, the environment, and transportation infrastructure, the supplies of which are not much price-elastic. We thus have two main elements: First, with increasing demand the prices of property are increasing. Second, immigration brings about a fiscal surplus. Because today's immigrants are quite well educated and have a quite high labor market participation rate, they pay more money to the government in the form of taxes than they receive from it in the form services and subsidies. Thus, tax rates may decrease. As a consequence of lower tax rates and higher property prices Switzerland becomes relatively more attractive for high-income earners as they suffer less from increasing property prices but benefit more from lower taxation than low-income earners. Thus, the influx of highly productive immigrants sets into motion a mutually reinforcing process of increasing property price, decreasing tax rates, and additional immigration. Although the argument may seem somewhat theory driven, Switzerland has already gained a large experience with this mechanism. It is not different from what the Cantons of Zug and Schwyz have now experienced for many decades. Actually, there is good empirical evidence that Zug has now a much higher GNP per capita than the other cantons thanks to immigration of highly qualified persons who immigrate to Zug because of low taxes. However, due to the large demand for property, property prices are so high that incomes of middle income earners net of taxes and housing rents are lower than in the poor cantons (e.g. in the Canton of Jura) (see Credit Suisse 2011).

The important lesson to learn from this process which we have named "Zugisation" (Zugisierung, see Eichenberger and Stadelmann 2010a) is that immigration benefits the property owners, while those who do not own property are negatively affected via increasing rents. It is noteworthy that this process even works if there are positive externalities from the high human capital of immigrants. Although many observers think that immigration increases welfare for all inhabitants if there are positive spillovers, this need not be true in a world with scarce factors such as property.

11.6.3.2 Is Migration Undermining Swiss Institutions?

As has been discussed, Swiss success is rooted to a large extent in its political institutions: direct democracy and federalism. However, immigrants are not effectively involved into the Swiss political process. Therefore it is important to ask whether immigration and the concomitant fact that an increasing share of the population is not allowed to vote are not undermining the positive effects of Swiss institutions. Unfortunately, not much is known about the relevant relationships. With respect to direct democracy one could try to argue that its advantages are not dependent on the participation of all citizens. After all, women only got the right to vote in the 1960s and 1970s in most cantons and in 1971 at the federal level. Thus, Switzerland has experienced long periods of successful development although large parts of the population were excluded from participating in the democratic process. In contrast, Frey and Stutzer (2000) find that direct democracy has a positive effect on life satisfaction. While this positive effect is much stronger for Swiss citizens than for foreigners it remains unclear whether the lower satisfaction of foreigners results from they being excluded from taking part in the decision process or because the results of the decision process, i.e. the policies, correspond less to their preferences. However, both explanations speak in favor of trying to integrate foreigners into the direct democratic decision process more quickly than has been the rule. Some cantons have given their foreigners voting rights with respect to cantonal and municipal elections and votes. Unfortunately, research on the effects of this policy is only in its beginnings (see Koukal 2013).

With respect to federalism one could even argue that immigration strengthens competition between cantons and municipalities, as immigrants are usually more mobile than natives. While natives always face high marginal cost when moving from one place to another, immigrants face no marginal costs for moving to one place instead to another. However, such a positive view only applies if federalistic competition is enhanced by voting by feet and if it pays for the cantons and municipalities to attract immigrants. As soon as immigration is judged to have negative net effects on local well-being, immigration weakens the incentives of cantonal and municipal governments to pursue efficient policies.

11.6.3.3 Policy Proposals

What should politics do about migration? While the number of immigrants increased strongly after the full implementation of free movement of individuals between Switzerland and the EU in 2007 the federal government has always argued that immigration is good for Swiss welfare and that it even increases per capita income (see EJPD 2012). Slowly, this optimistic view is faltering as the public discussion is increasingly focusing not only on the positive effects of immigration on total GDP (which of course are trivial) but on GDP per capita (see Eichenberger 2009; Siegenthaler and Sturm 2012). In contrast to the government, the largest political party, the Swiss Peoples Party (Schweizerische Volkspartei) was always critical of immigration. It launched a popular initiative with the title "Stop Mass-Immigration" (Stopp der Masseneinwanderung) which stipulates to renegotiate the treaty on the free movement of individuals with the EU. In contrast, the left wing Social Democrats, who were until then strongly in favor of free immigration from the EU, presented their new policy proposal to deal with immigration in early 2012. They propose to implement (1) minimum wages in order to protect domestic workers from low wage foreign competition, (2) rent controls and government subsidies for affordable housing, and (3) a much more intensive control of the behavior of employers and employees in order to prevent them from violating Swiss labor market regulation such as minimum and overtime pay standards, working hours, and security regulations by either overtly acting against them or declaring the employees as self-employed.

Obviously, these policy proposals are a big challenge to two important comparative advantages of Switzerland, its flexible labor market and its flexible housing market. They would not only negatively affect flexibility of these markets, but they would even have perverse effects: While high minimum wages would attract even more migrants, rent controls would negatively affect housing supply and increase demand for housing in the protected segments of the housing market. This would result in even larger price increases in the nonregulated parts of the market. Therefore, those Swiss citizens who have to search for apartments on the free market, i.e. the young, would be the losers. Thus, the negative effects of these measures are only too obvious.

11.6.3.4 What Has to Be Done?

According to the above discussion today's immigration into Switzerland can be expected to increase total income but to have neither large positive nor large negative effects on income per capita. However, it affects income distribution in a specific way. The main winners are the immigrants themselves and those who own more property than they need for their own housing demands. Moreover, capital owners benefit from the temporary wage pressure due to immigration. But given the permanent influx of capital as a reaction to decreasing labor unit cost the benefits of the capital owners are quickly neutralized by increasing labor demand.

Therefore, it is important to think not only about facilitating or impeding immigration but also about redistributing the benefits. Moreover, the cost of immigration due to its effects on the scarcity of land, environment, and infrastructure can be mitigated by implementing policies that allocate these scarce factors more effectively.

11.6.4 Mirages and Traps

Of course, in the public discourse there are many more problems raised besides globalization, sustainability of the welfare system, and migration. Most of these problems prove to be mirages when looked at calmly.

For instance, for years there has been a hot public debate about the alleged explosion of health costs due to biased incentives of the suppliers and consumers of health services as well as to aging. However, if one takes into account inflation and population growth the health cost explosion looks less dramatically. In fact, Swiss health care cost relative to GDP has not grown since 2003, and Switzerland exhibits (after Germany) the second lowest growth rate of real health expenditures of all OECD-countries since 1997 (OECD 2009).

Another much overemphasized problem are the consequences of tax competition. Many people fear that tax competition between cantons and municipalities leads to inefficiencies and undermines redistribution and progressive taxation. Therefore, they favor tax harmonization. However, they neglect two important aspects. Firstly, tax harmonization does not eradicate competition but makes competition shift from a downward pressure on taxes to an upward pressure on services and subsidies. Actually, the benefits for a jurisdiction from attracting good taxpayers are even larger when taxes are harmonized at a high level than when they are low due to tax competition. Secondly, tax competition has so far not undermined taxation of high incomes. Quite to the contrary: As seen from the large majority of its well-off residents Switzerland is no tax haven. While it is true that Switzerland provides foreign firms and about 4,000 rich foreign households who declare not being economically active in Switzerland with attractive tax treatments, all the other two million foreign and six million Swiss residents are fully taxed. Taxation is only low in a few cantons such as Zug, Schwyz, Nid- and Obwalden. In most other cantons taxation of high incomes reaches almost normal European levels. While the cantons, the municipalities and the federation have all their own income taxes, total taxation is much more progressive than in all other European countries. For average incomes the average and marginal tax rates are much lower than the respective rates in Germany, Denmark and most other European countries where a large fraction of the taxpayers are in the highest tax brackets. In contrast, in Switzerland only the recipients of very high incomes are in the highest tax bracket where they have to pay marginal rates of 40–45 %. For instance, in the city of Zurich the marginal tax rate (including municipal, cantonal, federal and church tax) for an unmarried person without children with a taxable income of 90,000 Swiss Francs (75,000 Euro) is 27.5 %. The maximum tax rate of about 43 % is only reached with an income of 235,000 Swiss Francs. Moreover, for high income earners the contributions to the first pillar of the old age pension system as well as the unemployment insurance are a sort of taxation because payments to the unemployed are capped but not contributions. Thus, the effective total marginal tax rates easily reach 50 % and more. In addition, in contrast to most European countries, Swiss cantons and municipalities levy a wealth tax with marginal rates for millionaires of up to 0.6 % in the Canton of Zurich or even about 1 % in the Canton of Geneva. Finally, capital income is treated equally to labor income. In contrast, most European countries tax capital income much lighter than labor income. Therefore, the picture of Switzerland generally being a tax haven for rich people and tax competition to wipe out taxation of the riches is simply mistaken.

Thus, most of Switzerland's alleged problems are much less severe than the public discourse implies. But there is one important problem which has not yet been thoroughly discussed. While Switzerland is performing very well when compared internationally or with its neighboring countries, its advantage is much smaller when compared to the successful neighboring regions such as Baden-Wurttemberg and Bavaria in Germany, Vorarlberg in Austria, or Lombardy in Italy. Actually, comparing Switzerland to other European countries most often just means comparing it to the ill and the blind ones. Of course, it would be more appropriate to compare Switzerland to successful regions of about the same size. The fact that Switzerland is not outperforming these successful regions can be interpreted in at least two ways: First, the positive effect of Swiss institutions is not as large as the difference between the performance of Switzerland and other countries seem to imply, which could be a result of competition between Switzerland and its neighboring regions. Second, Switzerland is not doing better just because many citizens are overly satisfied with its performance for they have too low aspirations as a consequence of taking countries instead of highly successful regions as their benchmarks. A very simple recipe for improving Swiss performance is thus that government should ensure that Swiss economic indicators are benchmarked against its neighboring regions.

11.7 Effective Reforms

The discussion so far identified three main aspects and developments: The driving force behind Swiss success is its institutions. However, the benefits from effective institutions are partly skimmed by low competition. Immigration also poses new challenges to the Swiss system. Effective reforms to ensure the continuing success of the Swiss model have therefore to focus on three main aspects.

11.7.1 Preserving and Perfecting Institutions

The future performance of Switzerland depends on the quality of politics, which again depends on the quality of the political institutions. While Swiss institutions, i.e. direct democracy and small-scale federalism, are effective they nevertheless suffer from some flaws which, however, can be easily cured.

Citizens have to pay income taxes and they have a strong say in political decisions. However, both an individual's duty to pay taxes and voting rights are confined to the municipality or the canton of which he or she is a resident. But many citizens spend more time, and are more interested in politics, in the municipality where they work. As an increasing share of the population is residing and working in different municipalities, their interest in participating in the local political process is decreasing. This problem could be solved by taxing citizens, and giving them the right to vote, in both municipalities. Such a reform would increase fiscal equivalence and make it more attractive to the citizen to participate in the local political process (see Eichenberger 2002).

A main argument brought forward against small-scale federalism is that small municipalities have often problems finding a sufficient number of citizens willing to take on political mandates such as being a member of the communal executive or of specific commissions. However, this problem is less a consequence of the small size of municipalities than of the legal rule that candidates for political offices have to be residents of the respective municipality already at the election date. This rule, which exists in almost all cantons – exceptions are St. Gallen, Thurgau, and Valais – makes it impossible for politicians to easily move from one municipality to another. In order to move from a municipality A to another municipality B, a politician first has to quit his job in A, then to move to B, and then to become a candidate for office there. If he does not get elected he stays without office. Of course, such a procedure makes moving highly unattractive. The only possibility to make a good career as a politician is to move upward, i.e. to go from the municipal level to the cantonal or even national level. But such 'vertical mobility' mutes the incentive to invest in job-specific human capital. In contrast, as soon as politicians can move 'horizontally' from municipality to municipality they get incentives to invest in human capital which allows them to leave the smaller municipality to move to a bigger one. Thus, the market for politicians should be deregulated by allowing politicians to at least stand as a candidate in an election without also being a resident. This reform, which can be enacted by a stroke of the pen, i.e. by just striking out the residency requirement, has many important advantages (see Eichenberger and Funk 2009). For instance, it intensifies political competition, as the number of valid candidates is increasing. It gives incentives to politicians to stick to their election promises as this allows them to build up a good reputation for sticking to promises which then increases their chance to be elected in another, more attractive, municipality. It provides politicians with incentives also to implement reforms which are not in the interest of politicians in general as they can leave the municipality after having implemented the reform. An example is decreasing taxes. In closed political systems politicians suffer from decreasing taxes as this decreases their own budget. In contrast, in an open political market a politician can decrease taxation without much loss as he can move to another municipality leaving the low tax level to future politicians. In order to make this reform fully effective, it should be combined with increasing the explicit pay of politicians, because municipal politician are usually only willing to change places when they are compensated for their effort.

In democratic decisions the citizens often stay rationally ignorant as being informed brings about high cost but low individual benefits.[7] This applies to direct as well as representative democracy. But in the former it is much easier to overcome. A very simple solution is to establish independent information commissions which are elected by the population and which have nothing else to do than to comment on, and criticize the government's policy proposals before and after policies have been implemented. In fact, in Switzerland such commissions which are called 'Rechnungsprüfungskommissionen' (RPK), 'Geschäftsprüfungskommissionen', or 'Finanzkommissionen', exist in each and every municipality which has no parliament but in which the citizens decide on the important policy

[7] Wittman (1997) provides a series of arguments for why rational ignorance is not so much of a problem as often assumed.

alternatives in a town meeting. Actually, about 50 % of the Swiss population lives in such municipalities. These commissions have much better incentives to bring forth a constructive critique of government proposals than traditional opposition parties and politicians. Because the latter want to be elected into government themselves they have strong incentives to hinder reforms and not to contribute to solving problems. In contrast, the members of an RPK usually want to be reelected as members of the RPK and thus have strong incentives to constructively propose improvements of the government policy. Our econometric research compares fiscal policies of municipalities and cantons which have enabled these commissions to criticize and control the government to a different extent. It finds that these commissions have a decisive influence on the quality of politics and policy outcomes, which increases with the competencies of the commission (see Schelker and Eichenberger 2010). It would be easy to transfer the concept of the RPK to the cantonal and the federal level where such independent and constructive policy monitoring so far is lacking.

11.7.2 Prevent Rent-Skimming

An effective way to decrease consumer prices is to allow Swiss retailers and consumers to buy goods not only from the wholsale trade in Switzerland but also in other countries with lower prices. Although Swiss laws have been amended several times in the last years in order to make parallel imports easier (above all by changing the patent law and unilaterally implementing a variant of the Cassis de Dijon ruling) the Swiss price level is still massively higher than the price levels in the neighboring countries. The reason seems to be that the large retailers cannot rely on parallel import channels as they need very large quantities of a given product, which cannot be provided by foreign consignors when the producer interferes by, e.g., not properly delivering its supply to the consignor. The next policy steps could be to perfect the Cassis de Dijon ruling by dropping the exceptions from the ruling still existing, to decrease the protection of farming goods, and to have less restrictive controls for mail-order trade. However, more parallel imports by consumers often implies that Swiss VAT is not paid, because the goods imported have a lower value than the tax free amount of 300 Swiss Franc per inhabitant or because consumer-importers often do not properly declare VAT. Thus, it seems unlikely that parallel imports can be effectively liberalized as long as there is VAT.

11.7.3 More Effective Use of Scarce Resources

The key to opening the goods and service market by abolishing VAT is perhaps provided by constructively dealing with the effect of immigration on land prices and infrastructure bottlenecks. As immigration makes immobile scarce factors such as transportation infrastructure or environmental quality even scarcer, the best way to deal with immigration driven scarcities is to allocate the scarce resources more efficiently. For instance, when immigration leads to increasing transportation demand with all its concomitant consequences, this makes it even more urgent to introduce some sort of road pricing which internalizes all traffic externalities (i.e. emissions, accidents, and congestion) by attributing an adequate price to the use of scarce environmental and transportation resources. When the prices for private transportation are correctly set, and its externalities are thus fully internalized, the subsidies for public transportation lose their intellectual base (Eichenberger 2010). There is no reason to subsidize any kind of transportation. Introducing a tax on private transportation which fully internalizes all externalities brings about eight billion Swiss Francs in tax revenue (ARE 2010). At the same time subsidies of about seven billion Swiss Francs for public transportation could be saved. The resulting increase in the budget surplus of about 15 billion Swiss Francs could be used to abolish VAT with total revenue of about 20 billion Swiss Francs. Abolishing VAT brings about huge economic benefits not only because VAT induces large dead weight losses and administrative costs. It would also make it possible to open up Swiss goods and services markets, which results in much lower transaction costs for importers and thus much more intense competition and a much lower price level. This in turn would induce the Swiss economy to grow, welfare to increase, and tax payments to augment and to easily compensate the five billion Swiss Francs difference between today's VAT revenue and the financial gains from getting mobility policy right.

11.8 Conclusions

Switzerland has been economically and politically highly successful. While the numbers look puzzling at first sight because the high income level contrasts with comparatively low productivity and low growth figures, a closer look reveals that the puzzle mainly originates from the fact that Switzerland has a very high price level. Moreover, we have identified several mechanisms which induce potential underreporting of Swiss economic success in today's international statistics. Traditional explanations for Switzerland's comfortable economic situation such as the "tax haven" and the "war profiteer" hypothesis fail to explain the persistent gap with other countries. Switzerland is rich not because of sheltering non-taxed foreign wealth but despite of all the problems involved with it. A convincing explanation for Swiss economic performance is provided by the modern politico-economic perspective: Due to its specific and effective political institutions, Switzerland is a highly flexible and successful economy. However, this success also induces a high price level. Direct democracy and fiscal federalism make the political market more competitive and more contestable, which brings about high productivity and high income levels when calculated with current exchange rates instead of weighting by purchasing power parities. But the same institutions have prevented Switzerland from entering the EU and the common market and have partly led to specific regulations and policies which differ from the rest of Europe and result in barriers to trade, potentially harming further development. At the same time, the high income level makes it attractive for producers and importers to differentiate their prices between Switzerland and the EU in order to skim the high Swiss purchasing power. Of course, this is made easier by any politically induced barrier to trade.

We argued that the success of Switzerland will most probably prevail in the future as it is based on its institutions. While progressing globalization faces Switzerland with many challenges, Switzerland is well prepared to successfully face these challenges. The main reason for our optimism is that it is again Swiss institutions which bring about success. In a globalized world relative prices are changing faster and technological progress will become even more thriving. In order to be successful in such an environment competitiveness, flexibility, adaptability, innovativeness and sound politics become even more important than they are today. The Swiss system – direct democracy, fiscal federalism, an independent central bank as well as an independent currency, a flexible labor market, an effective dual educational system with internationally competitive universities but also a strong focus on high quality apprenticeships, and more independence from EU policy than the EU-member states – provides best conditions for being successful.

But of course, all this does not mean that in Switzerland everything is perfect and that there is no need for reforms. Quite to the contrary: Switzerland does not live up to its potential. This is not least a consequence of the fact that the Swiss aspiration level is low as it is all too easy to outperform its neighboring countries France, Italy or even Austria and Germany. It would be much harder but also more stimulating to compete with the Scandinavian countries, the Netherlands and the successful regions of Germany. Therefore Swiss government should systematically compare Swiss policy and its results with these countries and regions. Switzerland also suffers from the fact that many citizens and politicians believe in stereotypes about Switzerland. Most importantly, they believe that Switzerland is a tax haven. But for rich Swiss citizens who live not in one of the few low tax cantons, marginal taxation of labor income and all the more of wealth and capital income is relatively high when compared internationally. Finally, Switzerland is and will be challenged by massive immigration. However, it is not only migration which affects welfare directly, but policy reactions. The reactions can have huge welfare costs, e.g. tighter regulations of the labor market and the rental market in order to preserve rents of specific interest groups, or they can bring about reforms which are urgently needed but so far have been neglected, e.g. efficient mobility pricing in order to allocate the scarce resources such as roads and the environment to efficient use. Finally, Swiss institutions are good but, of course, far from perfect. Thus, there are several ways to further increase the effectiveness of Swiss institutions. For instance, we have proposed to transpose the concept of democratically elected fiscal policy councils or 'Rechnungsprüfungskommissionen' from the municipal to the cantonal and federal level, and to create an open and effective market for good politicians within

Switzerland and beyond by dropping requirements for candidates with respect to their residence at the time of elections.

References

Andrews Dan, Aida Caldera Sánchez and Åsa Johansson (2011) Towards a better understanding of the informal economy. ECO/WKP Nr. 42. OECD, Paris

ARE (2010). Externe Kosten 2006–2007: Berechnung der externen Kosten des Verkehrs in der Schweiz. Bundesamt für Raumentwicklung ARE

BAK (2010) Kosten, Preise and Performance: Der Schweizer Detailhandel im internationalen Vergleich. BAK, Basel

Besley T, Case A (1995) Incumbent behavior: vote-seeking, tax-setting, and yardstick competition. Am Econ Rev 85(1):25–45

Blankart CB (2011) Öffentliche Finanzen in der Demokratie: Eine Einführung in die Finanzwissenschaft. Vahlen, Franz, München

Blöchliger H (2005) Baustelle Föderalismus: Metropolitanregionen versus Kantone: Untersuchungen und Vorschläge für eine Revitalisierung der Schweiz. Verl. Neue Zürcher Zeitung, Zürich

Blume L, Müller J, Voigt S (2009) The economic effects of direct democracy: a first global assessment public choice. Public Choice 140(3):431–461

Borner S, Bodmer F (2004) Wohlstand ohne Wachstum: eine Schweizer illusion. Orell Füssli, Zürich

Bundesrat (2000). Botschaft zur Schuldenbremse, 5.7.2000

Credit Suisse AG (2011) Wohnen und Pendeln: Wo lebt sich's am günstigsten? Das frei verfügbare Einkommen in der Schweiz. Swiss Issue Regionen. Zürich

Dewald WG (2002) Money, prices, and interest rates in industrial countries, 1880–1995: lessons for today. Ohio State University Columbus, Ohio

Díaz Cayeros A (2006) Federalism, fiscal authority, and centralization in Latin America. Cambridge University Press, Cambridge/New York

Eichenberger R (1994) The benefits of federalism and the risk of overcentralization. Kyklos 47 (3):403–420

Eichenberger R (1999) Mit direkter Demokratie zu besserer Wirtschafts- und Finanzpolitik: Theorie und Empirie. In: Von Arnim HH (ed) Adäquate Institutionen: Voraussetzung für "gute" und bürgernahe Politik? Duncker und Humblot, Berlin, pp 259–288

Eichenberger R (2002) Starker Föderalismus: Drei Reformvorschläge für fruchtbaren politischen Wettbewerb. In: Wagschal Uwe, Hans Rentsch (Hrsg.), Der Preis des Föderalismus. Orell Füssli, Zürich, pp 177–199

Eichenberger R (2009). Bitte kopfrechnen. Weltwoche, 28.5.2009: 16

Eichenberger R (2010) Verkehr Schweiz, 2030: Eine ökonomische Zukunftsperspektive. In: Mobilitätsszenarien für die Schweiz 2030: Visionen, Chancen, Finanzierung. VÖV Schriften 09. Verband öffentlicher Verkehr, Bern, pp 75–84

Eichenberger R, Funk M (2009) The deregulation of the political process: towards an international market for good politics. In: Brennan Geoffrey, Giuseppe Eusepi (Hg.). The economics of ethics and the ethics of economics: values, markets and the state. Elgar, Cheltenham, pp 131–144

Eichenberger R, Stadelmann D (2010a) Die Zugisierung der Schweiz. Finanz und Wirtschaft Nr. 90, 17.11.2010: 1

Eichenberger R, Stadelmann D (2010b) How federalism protects future generations from today's public debts. Rev Law Econ 6(3):68–93

EJPD (2012) Bericht des Bundesrates über die Personenfreizügigkeit und die Zuwanderung in die Schweiz. Eidgenössisches Justiz- und Polizeidepartement, Bern
Feld L, Savioz M (1997) Direct democracy matters for economic performance: an empirical investigation. Kyklos 50(3):507–538
Feld L, Schaltegger C, Schnellenbach J (2008) On government centralization and fiscal referendums. Eur Econ Rev 52(4):611–645
Freitag M, Vatter A, Müller C (2003) Bremse oder Gaspedal? Eine empirische Untersuchung zur Wirkung der direkten Demokratie auf den Steuerstaat. Politische Vierteljahresschrift 44 (3):348–369
Frey BS (1978) Modern political economy. Wiley, New York
Frey BS (1994) Direct democracy: politico-economic lessons from Swiss experience. Am Econ Rev 84(2):338–342
Frey BS, Stutzer A (2000) Happiness, economy and institutions. Econ J 110:918–938
Funk P, Gathmann C (2009) Does direct democracy reduce the size of government? New evidence from historical data, 1890–2000. CESifo working paper series
Gerfin M, Kaiser B (2010) Die Auswirkungen der Immigration der Jahre 2002 – 2008 auf die Löhne in der Schweiz. Die Volkswirtschaft 6–2010, pp 4–6
Iten R, Martin P, Anna V, Sarah M (2003) Hohe Preise in der Schweiz: Ursachen und Wirkung. SECO, Sekretariat Leistungsbereich Wirtschaftspolitische Grundlagen, Bern
Kirchgässner G, Feld L, Savioz M (2001) Die direkte Demokratie: Modern, erfolgreich, entwicklungs- und exportfähig. Helbing und Lichtenhahn/Vahlen, Basel/München
Kohli U (2004) Real GDP, real domestic income, and terms-of-trade changes. J Int Econ 62:83–106
Koukal AM (2013) Bekunden Ausländer an der Urne andere Präferenzen als Inländer? Eine empirische Analyse der Wählerpräferenzen im Kanton Neuenburg. Master Thesis, University of Fribourg
Moog S, Raffelhüschen B (2011) Ehrbare Staaten? Tatsächliche Staatsverschuldung in Europa im Vergleich. Argumente zur Marktwirtschaft und Politik Nr. 115, Stiftung Marktwirtschaft, Dezember 2011
Mueller DC (2003) Public choice III. Cambridge University Press, Cambridge/New York
Oates WE (1999) An essay on fiscal federalism. J Econ Lit 37(3):1120–1149
OECD (2009) Gesundheit auf einen Blick 2009: OECD-Indikatoren, Durchschnittliche jährliche Wachstumsrate der realen Pro-Kopf- Gesundheitsausgaben, 1997–2007, OECD-Gesundheitsdaten. OECD
Persson T, Tabellini G (2000) Political economics: explaining economic policy. MIT Press, Cambridge/London
Pommerehne W (1983) Private vs. öffentliche Müllabfuhr – nochmals betrachtet. Finanzarchiv 41:466–473
Raffelhüschen B, Moog S, Müller C (2010) Ehrbare Staaten? Die deutsche Generationenbilanz im internationalen Vergleich: Wie gut ist Deutschland auf die demografische Herausforderung vorbreitet? Argumente zu Marktwirtschaft und Politik 110, Stiftung Marktwirtschaft, Mai 2010
Rühli L (2012) Gemeindeautonomie zwischen Illusion und Realität, vol 4, Kantonsmonitoring. Avenir Suisse, Zürich
Salmon P (1987) Decentralisation as an incentive scheme. Oxford Rev Econ Policy 3(2):24–43
Schelker M, Eichenberger R (2010) Auditors and fiscal policy: empirical evidence on a little big institution. J Comp Econ 38:357–380
Schmid C (2010) Wie Einkaufszeiten und Pendlerzeiten den Wohlstand beeinflussen. Eine Untersuchung für die Schweiz und 20 ausgewählte Länder. Diplomarbeit, Universität Fribourg
Schweizerische Bankiervereinigung (2011) Banking im Wandel – Zukunftsperspektiven für Banken in der Schweiz. Gemeinsame Studie der Schweizerischen Bankiervereinigung und The Boston Consulting Group, September 2011

Sheldon G, Cueni D (2011) Die Auswirkungen der Personenfreizügigkeit der Schweiz mit der EU auf die Löhne einheimischer Arbeitskräfte. WWZ Forschungsbericht, Universität Basel

Siegenthaler M, Sturm J-E (2012) Das Personenfreizügigkeitsabkommen Schweiz-EU/EFTA und das Wachstum des BIP pro Kopf in der Schweiz. Bericht zuhanden des Bundamtes für Migration (BFM)

Sorens J (2011) The institutions of fiscal federalism. Publius 41(2):207–231

Stadelmann D (2010) Effects of fiscal policies on house prices: new evidence, persistence, consequences. Nomos, Baden-Baden

Stadelmann D, Eichenberger R (2008) Public debts capitalize into property prices: empirical evidence for a new perspective on debt incidence. Working paper Nr. 2008–30. CREMA

Stadelmann D, Eichenberger R (2012) Consequences of debt capitalization: property ownership and debt versus tax choice. South Econ J 78(3):976–998

Stalder P (2010) Free migration between the EU and Switzerland: impacts on the Swiss economy and implications for monetary policy, Swiss National Bank Research

Von Arnim HH (ed) (1999) Adäquate Institutionen: Voraussetzung für "gute" und bürgernahe Politik? Duncker und Humblot, Berlin

Wittman D (1997) The myth of democratic failure: why political institutions are efficient. Chicago University Press, Chicago

Henrik Christoffersen • Michelle Beyeler •
Reiner Eichenberger • Peter Nannestad •
Martin Paldam

The Good Society

A Comparative Study of Denmark and Switzerland

Springer

Henrik Christoffersen
Center for Political Studies
CEPOS
Copenhagen, Denmark

Reiner Eichenberger
Department of Economics
Center for Public Finance
University of Fribourg
Fribourg, Switzerland

Martin Paldam
Department of Economics and Business
Aarhus University
Aarhus, Denmark

Michelle Beyeler
Department of Political Science
University of Bern
Bern, Switzerland

Peter Nannestad
Department of Political Science
Aarhus University
Aarhus, Denmark

ISBN 978-3-642-37237-7 ISBN 978-3-642-37238-4 (eBook)
DOI 10.1007/978-3-642-37238-4
Springer Heidelberg New York Dordrecht London

Library of Congress Control Number: 2013942527

Printed on acid-free paper

Springer is part of Springer Science+Business Media (www.springer.com)

Preface

This book is a result of cooperation between economists and political scientists from Switzerland and Denmark. In some respects the two countries have much in common, but in matters of economic and political institutions they are very different. Still we describe both countries as "good societies" characterized by wealth and happiness. This has made a comparative study of the two countries very relevant as well as challenging and fascinating for the researchers.

The book project originated from the Danish association, The Good Society, which is an association set up by interested private sponsors. This association generously financed the project.

The Institute for Political Studies, Cepos, in Copenhagen, has been responsible for the administration of the project.

The responsibility for the book's contents and the points of view expressed as well as the responsibility for any errors of fact or interpretation lies naturally exclusively with the authors. The book has been realized in a close cooperation between the researchers, and all the researchers have contributed to all parts of the book. However, the main authors responsible for each chapter are:

Henrik Christoffersen: Chaps. 1 and 12
Michelle Beyeler: Chaps. 6, 7 and 8
Reiner Eichenberger, with help from Marco Portmann and David Stadelmann: Chaps. 3, 4 and 11
Peter Nannestad: Chaps. 1, 5, 6, 7, 9 and 10
Martin Paldam: Chaps. 1, 2, 5, 9 and 10

Finally, it should be mentioned that the first author has done most of the editing.

Copenhagen
October 2013

Henrik Christoffersen