

Political System Analysis Brief:
Swiss Political and Economic Structures

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Abstract

The states of the Global North are the most developed and prosperous in the world, but Switzerland stands out among the rest in terms of its commitment to direct democracy, neutrality, a free market, a low rate of taxation, a one-of-a-kind executive structuring, and a high level of decentralization. Factors like these have kept the state on a peaceful, prosperous trajectory for many years; Swiss citizens enjoy significant influence over their political system, freedom to pursue wealth in the free market, and a high standard of living in one of the richest countries in the world. Although there are several perceived weaknesses in the existing framework of the Swiss government, such as a lack of public services, the strengths of the state's political structures and economic arrangements outweigh its shortcomings, as Switzerland maintains a remarkable balance of liberty, justice, prosperity, and stability.

Keywords: Switzerland, direct democracy, decentralization, neutrality, Global North

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The government of Switzerland has a reputation for being one of the most effective in the world and even in the Global North. As a developed and institutionalized yet highly decentralized direct democracy, the Swiss have extensive economic freedom, significant influence within their political system, and a high quality of life overall. While no nation run by anyone but God himself can achieve a perfect political system, Switzerland may come as close as any nation has ever gotten, as its citizens enjoy considerably high levels of liberty, justice, stability, and prosperity. However, even the strongest political structures have room for improvement. This analysis will evaluate the strengths and perceived weaknesses of the political and economic structures of Switzerland.

Switzerland is a direct multiparty democracy that strives to equally represent the voice of every citizen under the belief that the people should be the ultimate source of political power. Although critics of direct democracy like Jean Jacques Rousseau speculate that only a society of gods could foster a true democracy (Danziger and Lupo 2020, 168), the Swiss utilize the referendum process to make it achievable. The referendum is a popular national vote on a specific issue or piece of legislation by the electorate rather than an elected representative; it requires the government to ask the permission of the people before making any legal changes, but the process is stable and ensures the voices of the governed are heard. Parliament works with the executive branch to accept or reject the referendum proposal. Swiss economist Bruno S. Frey argues that the use of referendum "... may actually improve the efficiency of government by giving the mass of citizens the information and opportunity to frustrate efforts of the classe politique to form a coalition against the voters" (Frey 1992, 218). Frey goes on to explain that referendum processes allow the people to bring up issues that politicians never would, such as

matters of their income and power (Frey 1992, 218). He also explains that, instead of having to organize protests or wait for elections to exercise political influence, the Swiss can participate in political actions at all times at the state and federal level through the referendum (Frey 1992, 218). It may be argued that the referendum has a high potential for destabilization, but it actually slows the legal process and forces cooperation between the government and the people to preserve stability and freedom. Statistics from Ballotpedia show that, over the past 162 years of the referendum's history, only 17 out of 178 initiatives have passed. While it sounds like the referendum is thwarting democracy, frustrating important legislation, and creating gridlock in the political process, it is actually facilitating compromise; though the original policy may be unfavorable to the people, they regularly accept government counter proposals. Admittedly, there is potential for referendums to lead to controversial policies and polarization, but Switzerland nonetheless ranks ninth on the global Democracy Index and third on the Corruption Perceptions Index (Danziger and Lupo 2020, 363) — and a recent report discovered that 80% of the Swiss trust their government (OECD 2021).

Switzerland's autonomous and decentralized government arrangements are accountable to the people and highly conducive to the preservation of direct democracy, freedom, and stability. Supra-nationalism, described by Dowd as a threat to sovereign states and their authority and capacity to govern themselves, does not seem to be a threat to Switzerland (Dowd 2016). In its commitment to neutrality, canton sovereignty, and direct democracy, it has not joined the United Nations — and while other states in the Global North may be “taking the easy way out by punting problems to supra-national bodies instead of taking responsibility” (Dowd 2016), Switzerland is not organized to function this way. The country is divided into 26 cantons, or sovereign member states of the Swiss Confederation, which have arguably more power than the

cooperative executive authority under which they fall: the Federal Council. This executive arrangement is completely unique to the Swiss, consisting of seven individuals who each head one department within the federal government with a different person serving as the head of state every year. There is also a bicameral legislature selected by majority vote and proportional representation, and the parliament elects government officials who serve for a term of four years. The lack of a removal mechanism for politicians in any other state would leave the door open for corruption, but the referendum keeps the autonomous Swiss government in line by allowing citizens to correct their leaders through popular vote whenever necessary. Switzerland's independent judiciary does not practice judicial review, but the referendum process seems to take its place; instead of a judge, the people review the constitutionality of a law through popular democracy. Uninformed political participants could be considered a flaw in the system, but Pew Research Center (2018) has found that it tends to be the politically knowledgeable who participate the most. The success of this system is evident in Switzerland's second-place ranking on the CATO Institute's Human Freedom Index, indicating a high degree of personal freedom and autonomy (Vasquez and McMahon 2020).

Danziger and Lupo explain that one of the greatest challenges to prosperity in the Global North is resistance to tax increases and the distribution of property (Danziger and Lupo 2020, 366). Economically, Switzerland has overcome these problems by taking a hands-off approach that citizens seem to be happy with. It has achieved a luxurious standard of living through its free-market economy, low rate of taxes, limited government regulation of the market, and limited public services, which allows people to keep more of their personal wealth to take care of themselves rather than relying on the government to do so. Switzerland also focuses on exporting more than it imports and creating value through the manufacturing and export of watches, gems,

chocolate, coffee, machinery, electronics, chemicals, and pharmaceuticals. According to the Heritage Foundation (2021), Switzerland has the fourth-freest economy in the world and the second-highest GDP per capita globally, which allows citizens to pursue prosperity in a free market according to their ability. One of the weaknesses often attributed to Switzerland's economy is its lack of welfare programs as a result of limited taxes; the Tax Foundation found that Switzerland levies the lowest value-added taxes in all of Europe (Asen 2021). While economic inequality is a natural result of every free-market economy, the low rate of unemployment in Switzerland — currently sitting at 4% — suggests that the absence of welfare incentivizes people to work and contribute to the economy. Thus, Swiss economic arrangements foster a society of hard work, personal responsibility, freedom, and independence from the federal government while providing ample opportunity for prosperity.

Switzerland's structures and arrangements are not perfect by any means. Currently, there are those advocating for reform of the Federal Council. Some want the executive branch to be elected by direct democracy rather than parliament. People are growing disgruntled with Switzerland's lack of public service offerings and economic inequality. But despite these perceived weaknesses, the Swiss have the freedom to impact policy outcomes and equal opportunity to accumulate wealth. Their government is accountable to them and is incentivized to serve their interests. In terms of achieving liberty, justice, stability, and prosperity, Switzerland succeeds across the board.

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