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Changing Government Relations in Europe

From localism to intergovernmentalism

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13 Switzerland

Andreas Ladner

Introduction

To understand central and local government relations in Switzerland it is helpful not only to look at the structure of the territorial units and their organisation, but also to have a brief look back at history. A symmetric federalism and very autonomous municipalities offering far-reaching political rights to Swiss citizens were not given to the country from the outset. They had to be fought for and were not achieved without some foreign help. Nevertheless, both were perhaps the only solution to building a nation-state in such a heterogeneous and culturally divided society, and they still form important pillars of the Swiss political system. Today, Switzerland is a model case of *Politikverflechtung* (political cooperation between different levels of government) (Scharpf 1978) and multilevel government. And its actual reforms offer an insight into how municipal autonomy, federalism and the idea of subsidiarity can be maintained despite an increasing demand for efficiency and global steering. Time alone will tell whether this way of meeting the challenges of multilevel governance (Benz 2004) will prove to be successful.

History

By the end of the eighteenth century the thirteen "old" cantons, which emerged from the original pact of three cantons in the mountain area fighting for freedom and independence, had formed a feudalist regime of privileges, exploiting the resources and people of the newly acquired regions (Linder 1994: 5). In these later new cantons and in municipalities, political rights were reserved for a small elite of old-established citizens. When the troops of the French Revolution invaded Switzerland, promising to bring democracy, they were at least partially welcomed. Although France failed to merge the cantons into a united and centralized Helvetic Republic, in the long run it was successful in breaking the privileges of the old cantons and bringing about equal rights on local matters for all Swiss citizens living in the municipality.

With the so-called Mediation Act of 1803, Napoleon restored cantonal autonomy. In 1815 the Swiss returned to the old system and to a confederation of

twenty-five independent cantons, which considered themselves sovereign states. They were held together by a treaty guaranteeing collective security and mutual assistance. Common decisions were reached in a conference of canton delegates bound by the instructions of the cantonal governments.

In the decades following 1815, however, there was not only an increasing demand for more democracy in some cantons, but also an internal polarization between the Radicals from the Protestant and more industrialized areas, who favoured a more centralized nation-state, and the Conservatives, mainly from the Catholic and rural areas, who insisted that the decisions in the conference of delegates should be taken unanimously (Linder 1994: 6).

After a short civil war (*Sonderbundskrieg*) in 1848, which was lost by the Conservatives, the loose confederation of cantons became a federation of cantons, and Switzerland became a federal nation-state.¹ Two-thirds of the cantons accepted the new Constitution in 1848 and agreed on a national executive authority and Parliament. The cantons were forced to give up some of their rights. However, in order to ensure the acceptance of both the Conservatives and the cultural minorities in the French- and Italian-speaking areas, federalism seemed to be the only solution, with the central state's functions remaining rather limited.

The privileges of the old-established citizens within the municipalities remained untouched until 1874, when the revised Constitution finally granted the right to vote on local affairs to every Swiss citizen regardless of whether the citizen had always lived in the municipality or had moved into it from another part of Switzerland.

Territorial structure

The country's fine-meshed territorial structure has remained almost unchanged for the past 160 years. Today the country is divided into twenty-six cantons² and 2,737 municipalities.³ The size of the cantons and the number of municipalities within a canton, as well as the size of the municipalities within and between cantons, vary considerably (see Table 13.1). The smallest canton, the canton of Appenzell Innerrhoden, has some 15,000 inhabitants, while the largest canton, the canton of Zurich, has some 1.3 million inhabitants. The canton of Basel-Stadt consists of only three municipalities, whereas the canton of Berne is split into 398 municipalities. In some cantons, such as Vaud, Graubünden and Jura, half the municipalities have fewer than 500 inhabitants, whereas in others, such as Basel-Stadt, Zug, Obwalden, St. Gallen and Zurich, half have more than 3,000 inhabitants. In general, Swiss municipalities are very small: more than half have fewer than 1,000 inhabitants. However, about 90 per cent of the population lives in municipalities with more than 1,000 inhabitants (Swiss Federal Statistical Office 2000).

The size differences among cantons and municipalities cause considerable problems. Not all units have the same capacity to provide services and facilities or to execute policies coming from the higher political levels. Because by law

Table 13.1 Swiss cantons and municipalities: size, number of municipalities, average population and median population

Canton	Population	Number of municipalities	Average population	Median population
Zurich	1,261,810	171	7,379	3,210
Berne	955,378	398	2,400	887
Vaud	647,382	381	1,699	450
Aargau	565,122	229	2,468	1,378
St. Gallen	458,821	89	5,155	3,437
Geneva	427,396	45	9,498	2,396
Lucerne	354,731	97	3,657	1,920
Ticino	319,931	196	1,632	725
Valais	287,976	153	1,882	793
Basel-Landschaft	265,305	86	3,085	1,253
Fribourg	250,377	168	1,490	843
Solothurn	247,379	125	1,979	1,034
Thurgau	232,978	80	2,912	1,884
Graubünden	187,812	207	907	320
Basel-Stadt	186,753	3	62,251	20,583
Neuchâtel	167,910	62	2,708	996
Schwyz	135,989	30	4,533	2,892
Zug	105,244	11	9,568	8,001
Schaffhausen	73,788	32	2,306	711
Jura	69,091	83	832	404
Appenzell Ausserrhoden	52,841	20	2,642	1,714
Nidwalden	39,497	11	3,591	3,012
Glarus	38,317	27	1,419	720
Uri	35,083	20	1,754	845
Obwalden	33,162	7	4,737	4,456
Appenzell Innerrhoden	15,029	6	2,505	1,951
Total	7,415,102	2,737	2,709	985

Source: Federal Office of Statistics, Bilanz der Wohnbevölkerung 2004.

Note

Number of municipalities as per 1 January 2006.

the lower units must be treated equally, the devolution of tasks and responsibilities has to take care of the smaller and weaker units. This requirement is frequently criticized when the allocation of tasks and responsibilities to the different state levels is discussed. In the 1990s, for example, the authorities in the canton of Thurgau successfully promoted municipal amalgamation, putting forward the idea that bigger municipalities could mean more autonomous ones.

Another problem linked to the size differences is the influence of the units on decisions at the higher levels. Although being formally considered equal, the city of Zurich, with about 360,000 inhabitants, cannot be compared with the municipality of Sterenberg, with its 360 inhabitants. Even more delicate is the situation when it comes to the representation of cantons in the national Parliament. In the National Council the cantons are represented according to their popula-

tion, whereas in the Council of the States each canton has two seats. Since the two chambers of the national Parliament are equal with regard to their political influence, there is an overrepresentation of the smaller cantons.

Cantonal and local political systems

Not only the structure but also the political systems differ considerably among cantons (see Vatter 2002), while *municipalities* (see Ladner 1991) also differ considerably. All levels provide for different means of direct democracy, but their scope and, especially, the hurdles involved in using them vary. Direct democracy is more popular (lower hurdles, larger scope, more frequent use) in the German-speaking part of Switzerland, whereas the French-speaking regions are more attracted by representative democracy. But in all regions there is a clear distinction between executive and legislative power, at least as far as the cantons and the bigger municipalities are concerned (Ladner 2002).

The *cantonal governments* consist of between 5 and 7 members directly elected by the citizens, usually by a majority voting system (only the cantons of Ticino and Zug use a PR system). The *cantonal parliaments* have between 49 and 180 members and are generally elected by a PR system. In two of the smaller cantons – Appenzell Innerrhoden and Glarus – the people additionally meet annually in a popular assembly, the *Landsgemeinde*, where each citizen can vote personally on cantonal issues.

The differences are even bigger in the municipalities (Ladner 1991). Since the political organization of a municipality is governed not by national but by cantonal legislation, there are twenty-six different laws telling the municipalities how to set up and organize their political institutions, while leaving them (in most cantons) a considerable amount of freedom. Nevertheless, there are both common characteristics and distinctive differences as far as the municipal executives, their administration and their legislative bodies are concerned.

The most outstanding common feature is the direct election by citizens of both the executive and the mayor heading the executive (Ladner 2005a). Important differences concern the size of the executive (usually between three and seven members) and the degree of professionalism. Only a few municipalities have full-time politicians; many are part time, and there is a majority of honorary or voluntary members on the executive. An important distinction has to be made between municipalities with a *parliament* as a legislative body and those having an *assembly*. There are about 500 (just below 20 per cent) municipalities with a parliament. They are mainly in the French-speaking part of Switzerland, where representative democracy is more widespread, and in larger municipalities, where having an assembly would not make much sense because of the larger number of citizens. In municipalities with an assembly system, all citizens entitled to vote meet between two and four times a year to decide on the different political issues.

Party government

The Swiss political system is strongly reliant upon the principle of power sharing (see Linder 1994; Lijphart 1999). This principle applies not only to the federal government, in which the four biggest parties are represented, but also to the cantonal and local executives. There are hardly any single-party executives, and the most important parties are usually represented in the local executive. At first sight this might be surprising, since the simple majority system is the rule in most cantons and municipalities. In accordance with the principles of consociational democracy (*Konkordanzdemokratie*), however, a "voluntary proportionalism" (*freiwilliger Proporz*) is practised. The leading party abstains from presenting a full slate of candidates to make room for opposition party candidates. In smaller communities, of course, abstaining from running in all seats is not always voluntary, as it can be difficult to find suitable candidates for every seat. Running in all seats also carries the danger that some of the same-party candidates might take votes away from others and fall behind the candidates of the other parties. And sometimes the parties put up fewer candidates to avoid the risk of possible defeat, especially when running against current office-holders. One common strategy for the leading party is to abstain from running in all seats, but only under certain conditions. The smaller parties are offered a number of seats in proportion to their strength in return for their supporting approved candidates in the stronger parties.

Municipal and cantonal administration

Because of the small size of most municipalities and the existence of the cantons, municipal administrations are generally small, and outsourcing and different forms of public-private partnership have a long tradition. For the core administration, which covers tasks such as registration of the citizens, finance and taxes, building and planning, and social assistance, the figures range between less than two full-time jobs in municipalities with fewer than 500 inhabitants to 3,800 in the big cities (see Table 13.2). To this must be added the municipal employees in the different public utilities and services which range up to 3,420 employees, excluding teachers.⁴

The cantonal administrations also vary considerably. The very small cantons such as Appenzell Innerrhoden or Obwalden have fewer than 1,000 employees.⁵ In cantons such as Zurich, Berne, Geneva and Basel-Stadt, over 15,000 people work for the core administration, more than the entire population of the canton of Appenzell Innerrhoden. The size of the cantonal administration depends not only on the size of the canton but also on the weight that is given to the municipalities within the canton. There is a strong negative correlation between the size of cantonal administration and that at municipal level. A strong cantonal administration goes hand in hand with a weak municipal administration and vice versa.

Table 13.2 Size of the administration and size of the municipality

	Administration (limited)		Administration (extended)	
	No. of employees	Employees per 100 inhabitants	N	Employees per 100 inhabitants
<500	1.8	1.01	751	0.8
501-1,000	2.4	0.33	380	2.4
1,001-2,000	3.5	0.25	346	4.1
2,001-5,000	8.1	0.26	319	11.0
5,001-10,000	21.1	0.31	119	30.6
10,001-25,000	67.4	0.45	68	90.6
25,001-50,000	219.6	0.65	5	194.0
>50,000	3,800.0	1.72	5	3,420.0

Source: Local Secretary Survey 1994, Höpflinger (www.socio.ch/gem/hoe02.htm).

Resources

Swiss citizens pay tax at all three levels of the state. Local taxes amount to more than one-third of the total individual taxation and are paid directly to the municipality. Just over one-third is also paid to the canton, and just less than 30 per cent goes to the federal state. The exact amounts an individual has to pay to the three levels depend on his or her income.

Far-reaching fiscal autonomy is one feature that makes Swiss municipalities and cantons different from those in many other countries. They not only set their own budget according to their financial needs, but also fix the tax rate. One result is considerable differences in what an individual may pay depending in which municipality and in which canton he or she lives.⁶ A father of three children earning 200,000 Swiss francs a year and living in the canton of Zurich has to pay 10,000 francs in income tax to the canton. If he moved to the canton of Jura, he would have to pay 20,000 francs, whereas in the canton of Schwyz it would only be 6,500 francs. Alternatively, if he lived in the City of Zurich he would pay 12,000 francs to the municipality, whereas in the neighbouring municipality of Zollikon he would only have to pay 7,200 francs.

Direct taxes on income and property provide the largest part of the municipal and cantonal revenues, at 35 per cent and 38 per cent respectively (see Table 13.3). Fees and charges are the second source of municipal revenue (29 per cent), followed by cantonal grants (17 per cent) or grants from other municipalities (4 per cent). Unconditional grants are relatively low (4 per cent). For the cantons, grants are more important than fees and charges (16 per cent). They come from the confederation (14 per cent), the municipalities (6 per cent) or from other cantons (2 per cent). Here again, unconditional grants are relatively low (7 per cent).

Table 13.3 Switzerland: revenue structure of the confederation, the cantons and the municipalities, 2004

Revenue	Confederation	Cantons	Municipalities
Taxes, out of which	92.1	49.4	48.2
• Income and property tax	35.4	35.1	38.4
• Direct federal tax	24.3		
• Excise duty	51.6		
• Value added tax	36.4		
Fees and charges	3.8	15.7	28.6
Unconditional grants	0.0	7.2	4.1
Grants and reimbursements	0.1	22.3	17.0
• Confederation		13.6	0.0
• Cantons		1.8	12.2
• Municipalities		5.8	3.9
Total revenue (billion Swiss francs)	48.6	64.8	43.4

Source: Öffentliche Finanzen der Schweiz 2004, Bern, 2006: Eidgenössische Finanzverwaltung, 24–25, 46–47, 80–81; own calculations.

Functions

Characteristic of Swiss cooperative federalism is a relatively weak central state and strong local governments, at least if the cantons are counted as part of local government. The share of the central government's expenditures amounts to a little more than 30 per cent (2004; 31.7 per cent), leaving more than 68 per cent to the cantons and municipalities.⁷ The larger part (just over 40 per cent) is spent by the cantons, and just over 25 per cent by the municipalities. These shares have been stable over the past twenty years, especially as far as the cantons are concerned. The federal government has increased its share by about 5 per cent, to the detriment of the municipalities (see Bochsler *et al.* 2004: 140).

The federal government is responsible for foreign relations and national defence and the national economy; these three domains together account for about 15 per cent of the total public spending (see Table 13.4). More important are social security and transport, where the federal government is also responsible for the largest part of expenditure. "Social security" is also the domain with the biggest increase in the past fifteen years. The cantons are responsible for more than half the expenditure on health and education. The municipalities are the most important actors in the areas of environment and planning as well as culture and leisure.

Compared to other countries such as Austria, it is interesting to note the rather weak involvement of the federal level in policy areas such as security, education, culture and leisure, and social security, where either the cantons or the municipalities spend much more. We should also note the joint responsibility in areas such as roads, energy or social assistance, where no level leads, or education

Table 13.4 Switzerland: shares of the confederation, the cantons and the municipalities, 1990 and 2004^a

	Confederation (%)		Cantons (%)		Municipalities (%)		Percentage of the total (%)	
	1990	2004	1990	2004	1990	2004	1990	2004
Social security	52.1	27.3	27.0	20.5	22.0	20.0	15.5	20.0
Education	18.9	14.6	52.5	29.1	33.0	20.0	19.2	19.2
Health	1.0	1.2	63.1	35.8	34.0	14.0	12.4	12.4
Traffic	59.3	50.9	23.2	20.8	25.9	10.4	10.6	10.6
Finances and tax	99.2	79.4	10.4	11.2	19.6	6.9	6.3	6.3
Administration	21.7	18.0	37.3	36.0	41.1	46.0	7.0	7.0
Security, police	9.1	7.1	66.3	24.5	26.3	5.8	5.7	5.7
National economy	71.7	65.2	20.3	25.4	8.1	9.4	6.0	6.0
National defence	93.1	90.8	3.2	4.0	3.7	5.2	7.7	7.7
Planning and environment	14.8	13.4	20.8	24.5	62.1	3.5	4.3	4.3
Culture and leisure	10.5	7.4	32.5	29.9	57.0	62.6	3.6	3.6
Foreign relations	100.0	100.0	0.0	0.0	0.0	0.0	1.8	1.8
Total	38.0	36.5	35.4	26.6	28.5	100.0	100.0	100.0
Total (billions of Swiss francs)	52.6	31.6	48.9	30.4	24.7	138.4	86.6	86.6

Source: Öffentliche Finanzen der Schweiz 2004, Bern, 2006: Eidgenössische Finanzverwaltung, pp. 8–9; own calculations.
 Note
 a Without transfers (without double imputations).

(primary school), the police, public health and social assistance, where cantons and municipalities are equally involved. In several areas, responsibilities are interwoven (*Politikverflechtung*; Scharpf 1978), and the decisions, financing and the implementation of policy do not occur on the same level.

In terms of cantonal expenditures the most important services are education, social security and public health, with 25 per cent, 19 per cent and 18 per cent of cantonal expenditures respectively. The most important municipal expenditures are very similar to those of the cantons: education, public health and social security account for 22 per cent, 21 per cent and 16 per cent of the municipal expenditures.

Since the implementation of policies is commonly delegated to the lower political levels, and as a means of political steering, equalization transfers between the different levels are common. The Confederation uses only one-third of its total expenditures for its own purposes, whereas two-thirds are transfer payments (Buschor *et al.* 1996: 5), mostly to the cantons, some to the municipalities. This result is not surprising, since the cantons are usually responsible for the implementation of federal tasks. About two-thirds of transfers to the cantons have been transfers for special purposes. Since 2000, for the first time there has been a shift towards block grants (Serdült and Schenkel 2006: 559). Transfers from cantons to municipalities are less frequent. Nevertheless, a quarter of cantonal expenditures are transfers to municipalities (Buschor *et al.* 1996: 5).

The cantons have independent control over their education systems and social services, leading to different curricula and different services between cantons. And each canton has its own police force, and even some laws differ from one canton to another. The specific activities of municipalities include administration and control of communal finances, assessing the tax rate, care of elderly people, construction of homes for the aged, social security and public health and hospitals, schools, education at primary level, waste, sewerage, electricity, water and gas supply, local roads, culture, communal citizenship and maintaining municipal property.

Fostered by federalism and municipal autonomy, the different territorial settings and different cultural and structural conditions have led to considerable differences as far as the size of the administration and the distribution of tasks between the cantons and municipalities are concerned. In the canton of Geneva, for example, the municipalities are responsible for a smaller range of services than in the other cantons. The same is true for the canton of Basel-Stadt, where, at least for the City of Basel, the cantonal administration is responsible for most local services.

The share of public employment by cantons and municipalities amounts to about 80 per cent of total public employment, with 47 per cent cantonal and 34 per cent municipal (see Table 13.5). The cantonal level has increased its share to the detriment of the national level, whereas the municipal share has remained relatively stable. In absolute figures the number of public employees has decreased, as have the total figures at national and municipal levels, which is due not only to expenditure cuts but also to outsourcing (e.g. of telecommunications,

Table 13.5 Switzerland: public employment at federal, cantonal and municipal level

	1910	1950	1960	1970	1980	1991	1998	2001
Confederation	47	40	39	35	28	27.3	23.7	19.4
Cantons	22	27	29	32	38	39.5	43.1	47.1
Municipalities	31	33	32	33	34	33.2	33.2	33.5
Total	100	100	100	100	100	100.0	100.0	100.0
Number ('000s)	132	236	289	380	482	612	548	532

Source: Ballendowitsch (2003).

infrastructure and supply services). The growing importance of the health and educational sectors, which are cantonal responsibilities, has led not only to an increase in the cantonal share of public employment, but also to an increase in absolute figures.

Access

Swiss federalism offers the cantons various powerful instruments with which to bring their influence to bear. These instruments – located in the process of policy formulation as well as in the decision-making process and in the process of implementation – are referred to as the vertical instruments of federalism (see Vatter 2004: 78).

Representatives of cantons and municipalities are frequently members of the different groups of experts consulted by the national administration, and of many of the extra-parliamentary commissions (Germann 1981: 62ff.). This reflects the fact that the national administration is weak and that the municipalities and cantons are much closer to many of the problems to be solved.

The cantons – together with parties and interest groups – take part in the parliamentary consultation procedure (*Vernehmlassungsverfahren*) (see Blaser 2003). The process of consultation takes place prior to the formulation of a project for a new law (legislative act and related message). The aim of this process is not only to ensure at an early stage of policy formulation that federal bills are sensibly drafted and easy to implement, but also to prevent a possible “optional referendum” (*freiwilliges Referendum*).⁸

During the parliamentary decision-making process it is the Council of States that can be seen as the core element of cantonal influence. The Council of States consists of forty-six members: two members from each canton and one member from each half-canton,⁹ leading to an overrepresentation of the smaller cantons. The canton of Zurich has two seats, just as does the considerably smaller canton of Jura. Since both chambers of the Swiss Parliament have equal rights (“symmetric federalism”), the influence of the cantons is – at least in theory – important. However, it is attenuated by the fact that the cantonal representatives are – unlike in Germany – directly elected by the people and do not have a binding mandate from their cantonal government. It is perfectly possible for the

representatives of a single canton to belong to two different parties and to take different positions on the issues to be decided.

Another important cantonal instrument is directly linked to direct democracy: a cantonal majority is needed for constitutional amendments.¹⁰ Since 1874, constitutional amendments have had to be accepted not only by a majority of the voters but also by the majority of cantons. In at least twelve out of twenty-three cantons (twenty cantons and six half-cantons) a majority of the voters have to vote in favour of a change, which can lead to a situation where the majority of cantons accept a constitutional amendment but the majority of the people reject it, or vice versa.¹¹

The responsibility for implementing federal policies largely rests with the cantons, which reduces the federal workload. For the cantons, the advantage lies in controlling their own programme priorities and in adapting policy implementation to the local context (Linder 1987: 225). The control and supervision of implementation are in the hands of the federal state, but its powers are limited in scope and difficult to execute. The federal state thus prefers cooperation to conflict and rarely makes use of its powers (Kissling and Knoepfel 1992).

Access by municipalities to decisions at cantonal level varies from one canton to another. In some cantons there are direct democratic means reserved to the municipalities (initiatives, referendums), but the most important way to influence cantonal politics in favour of the municipalities is through elected members in the cantonal parliaments and through interest associations such as the cantonal associations of municipalities (although they do not exist in all cantons), or through cantonal associations of mayors or senior municipal administrators.

The access of municipalities and cities to decisions at federal level is less formalized. The associations of Swiss municipalities and the association of Swiss cities take part in the pre-parliamentary consultation procedure and generally operate as lobby organizations. The cities especially – with the backing of a new constitutional article¹² – have tried to obtain more influence recently by claiming that their problems (traffic in the metropolitan area, drug abuse, integration of foreigners, asylum seekers) are not properly taken up by federal politics. In general, however, it is still thought that municipalities are supposed to deal only with the canton, and that the cantons should be the only level to address the federal state.

Political parties are expected to play an important linkage function across state levels. However, Swiss political parties are generally weak, at least in organizational terms. Federalism splits the party system into twenty-six different cantonal party systems, and the small size of many municipalities prevents the parties from being organized at the local level all over the country. Recently there has been a decline in party politics in the smaller municipalities (Ladner 1999). About 30 per cent of local executive members have no party affiliation. Also, the balance of power differs between the national and the cantonal level. At national level the two most important parties are the Swiss People's Party (SVP) and the Social Democrats (SP). In the cantonal parliaments (and more especially in the cantonal governments) the Christian Democrats (CVP) and the

Radical Party (FDP) are still considerably stronger, reflecting the smaller cantons in the mountain areas, where especially the Christian Democrats and to a lesser extent the Radical Party are well represented.

More important than the political parties are politicians. The typical career of a Swiss politician is to move up the ladder from the municipality to the federal level. Several represent not only their political party but also their municipality or their canton. Having members of a municipal executive represented in a cantonal parliament or a member of a cantonal government in the federal parliament (*cumul des mandats*) is another way to ensure the lower level's influence, though this practice is not equally accepted in all cantons.

Important for the cantons is the fact that they are also constituencies for the national elections. All members of Parliament are elected in their cantons. If they want to be sure of re-election, they have to be careful not to upset the citizens in their canton. The considerable structural and cultural differences between the cantons make it difficult not only for political parties to speak with one voice, but also for politicians to pursue the national interest when it goes against the interest of their canton.

Discretion

The far-reaching functions of local (municipal and cantonal) government together with the various possibilities of access guaranteed by cooperative federalism and municipal autonomy give the lower state levels a considerable amount of discretion. This discretion is also reflected in constitutional and legal provisions. The avowal of subsidiarity, however, has to meet the need for coordination and efficiency.

Each canton has its own constitution, its government, its parliament, its courts and its laws, though they must, of course, be compatible with those of the confederation. Each municipality organizes itself according to cantonal law, which differs from one canton to another, and operates its own municipal code (*Gemeindeordnung*), which may differ from one municipality to another within the same canton. The cantons enjoy considerable administrative autonomy and freedom of decision making, which also applies to the municipalities. The municipalities, like the cantons, have their own elected administrative authorities. For some local issues they take autonomous decisions; in other cases they carry out decisions of the canton or the confederation.

Legally, the organization of the Swiss state follows the principle of subsidiarity. All tasks that do not of necessity have to be organized by the state or by a higher political level are left to the discretion of the lower levels. The subsidiarity principle is expressed through the idea of cantonal sovereignty guaranteed in article 3 of the federal Constitution: "The Cantons are sovereign insofar as their sovereignty is not limited by the Federal Constitution; they shall exercise all rights which are not transferred to the Confederation." With regard to the relationship between cantons and municipalities, more or less the same idea is expressed by the term "autonomy of the municipalities" (see, for example, article

85 of the constitution of the canton of Zurich). But the sovereignty of the cantons and the autonomy of the municipalities both find their limits in the needs and aspirations of the higher levels. Nevertheless, it is important to note that several cantonal constitutions highlighted the autonomy of the municipalities during their most recent constitutional revisions. Similarly, a new article, 5a, in the federal Constitution will explicitly stress the importance of the principle of subsidiarity. This trend towards guaranteeing the independence of the lower levels becomes understandable when we look at another simultaneous trend. In order to increase efficiency and to reduce the necessity to finance the weaker units (cantons or municipalities), both the cantonal constitutions and the federal Constitution increasingly provide for measures to force units to cooperate.

Legal provisions based on the idea of subsidiarity are one thing; reality is another. In recent decades, more and more governmental activities have been delegated from the federal state to cantons and from cantons to municipalities, though not without the intensifying of legal restrictions on the higher political levels and the use of financial transfers as a central instrument for political steering. In the mid-1990s it was increasingly accepted that cooperation between the different layers of the state was far from optimal.

Consequently, the responsibilities for and the financing of the constantly growing public goods and services at both cantonal and federal levels have not always been assigned to one political level. More and more responsibilities went to central government, which defined the rules and paid subsidies to the cantons, which in many cases simply became executors of federal laws. The consequence has been a growing centralization, an entanglement of responsibilities, numerous redundancies, an extension of decision-making processes and a jungle of financial flows. In the current system, about 15 billion Swiss francs – on the basis of more than 100 different regulations – flows from the confederation to the cantons and partially back again every year (Botschaft NFA 2001: 2361).

Additionally, the current system of financial equalization is linked to expenditures instead of performance. Whoever spends the most receives most subsidies. Further, the system has failed to reduce the wide differences in financial capacity between cantons. Financial equalization today is carried out on the basis of a so-called index of financial strength. This index of financial strength includes four different factors: the national income of cantons, fiscal capacity, tax burden and the percentage of mountainous area. Tax burden and to a certain extent also fiscal capacity are directly linked to total expenditure, which then favours the “big spenders”.

Reform

From the 1990s onwards there have been an increasing number of attempts to reform the relationship between the different state levels. It is interesting to note that the reforms aimed at the relationship between municipalities and cantons, as well as the one aimed at the relationship between cantons and the federal state, are based on the same ideas. They all include a reallocation of tasks and responsi-

ibilities and a new way of equalizing the financial differences between the units. At the end of the 1990s, four out of five cantons were reconsidering the distribution of tasks between them and the municipalities (Ladner and Steiner 1998: 24f.), and in 2004, in a popular vote, 64.4 per cent of citizens accepted the “reform of financial equalization and task allocation” (RET) at a national level.¹³

With regard to the relationship between the confederation and the cantons, the new system aims at a disentanglement of tasks, with a clear assignment of tasks to the different levels and stronger equivalence between functions and finance. This proposal applies to twenty tasks for which either the confederation or the cantons become fully and exclusively responsible. The change is made in accordance with the principle of subsidiarity. Consequently, the upper level will only assume those tasks that cannot be fulfilled at a lower level.

In spite of the effort to disentangle public functions, there still remain several shared tasks. New procedures will be introduced to ensure cooperation in these areas: the confederation and cantons will clearly define their respective responsibilities. In general, the confederation will be responsible for the definition of strategies, the cantons for their execution. Through this differentiation, cantons will be able to decide for themselves on the way a specific public good or service should be produced to meet citizens' demands.

On the financial side the equalization of resources will guarantee a minimal amount of income to each canton. In the new system the former “index of financial strength” is replaced by a “resource indicator”. The resource indicator measures the financial capacity of the cantons, or, technically, their resource potential. The resource indicator is calculated on the basis of the taxable income and wealth of the inhabitants and the profits of business, firms and enterprises. These elements reflect the economic situation in the cantons more accurately than does the current system.

Resource equalization is accompanied by cost compensation. The mountain regions on the one hand and the cantons with central cities on the other face specific production costs that cannot be compensated by resource equalization. Therefore, the reform of financial equalization and task allocation includes two specific instruments. The *geographic and topographic cost compensation* takes into consideration the specific production cost of mountainous cantons due to the steepness of their surface as well as the low population density. Examples of such additional costs include snow removal, expensive road construction, avalanche protection, and so on. Under the *socio-demographic cost compensation*, cantons with high cost per capita for social welfare and infrastructure resulting from central city problems will be compensated. In central cities there is usually a concentration of poor, elderly and unemployed people as well as immigrants and addicts. In addition, these regions require higher expenditure on services such as police and public transportation.

Considering the small size of some cantons, the amalgamation of cantons has occasionally been proposed, but still remains far from politically feasible, despite the fact that the historically defined cantons no longer fully correspond to where people actually live and work, so that spillover problems occur frequently.

If amalgamations are not possible, cooperation is thought to be the solution. Inter-cantonal cooperation already works in many fields (education, health care, social security), but only on a voluntary basis. The reform of financial equalization and task allocation now defines nine sectors in which inter-cantonal cooperation can be declared mandatory. Among those sectors are universities, special health care institutions, cultural institutions and public transportation in urban areas. The general conditions for mandatory inter-cantonal cooperation will be fixed in federal legislation. The cantons have already agreed on a skeleton treaty in which the basic rules are fixed. The procedure defines a clear majority of the cantons (eighteen) which can ask the confederation to declare inter-cantonal cooperation mandatory.

All these changes amend the Constitution. Article 5a brings about the principle of subsidiarity when it comes to the allocation of functions, article 43a refers to the principle of fiscal equivalence, equal access to basic services, and the efficient and adequate provision of these services. Finally, article 48a states that the cantons may ask the confederation to make inter-cantonal cooperation in specific domains mandatory.

Similarly, the reforms of municipal government¹⁴ had to clarify first what municipalities should do and what is within the scope of cantonal responsibility. The flow of financial resources between the two layers was also considered opaque, ineffective and inefficient, violating the "principle of fiscal equivalence". In almost all cantons, therefore, there have been more or less serious attempts to review and better allocate functions and resources to the different state layers (see Ladner and Steiner 1998: 24ff.). Most of these reforms also followed the idea that transfers to the local level should be based on the principle that the municipalities would raise their own resources, and that such transfers should be given in the form of block grants rather than being tied to the provision of specific functions.

In some instances (for example in the canton of Berne) the reallocation of tasks led – quite unexpectedly, and certainly originally not wanted by the municipalities – to a shift of tax income to the cantonal level. However, this shift cannot be seen as a general loss of municipal autonomy, since the decisional power of municipalities in the fields transferred to the canton (primary schools, social security and public health) was already very weak. In comparative terms the fiscal autonomy of the Bernese municipalities still remains high.

In general, the principles of subsidiarity and local autonomy are not questioned and are reinforced in most of the recent revisions of cantonal constitutions. In the future, however, local autonomy is most likely to be restricted in many cases to an "operational autonomy", whereas strategic responsibilities will increasingly move to higher state levels. Cantonal authorities will tell the municipalities what to do, and the municipalities will decide how they want to do it.

The cantons have also introduced legal powers to make municipalities cooperate more intensively. Despite these possibilities, such attempts have hardly ever been applied. Nevertheless, the most popular reform activity among Swiss municipalities at the end of the 1990s has been inter-municipal cooperation. In a 1998 survey, two-thirds of municipalities claimed that they had increased their

degree of cooperation with other municipalities within the past five years. For all other municipalities the degree of cooperation had remained unchanged. The idea that municipalities should work together to provide certain services more efficiently is by no means new. In the history of Swiss municipalities there has always been some form of cooperation, which perhaps is not surprising, considering the small size of many of them.

With regard to inter-municipal cooperation in general, it seems obvious that in larger territorial units, several services profit from "economies of scale". But cooperation also raises questions of democratic decision making and control. How can decisions be taken within a union of municipalities of different size if the principle of "one man, one vote" places smaller municipalities at a disadvantage? How can delegates on the boards of a union of municipalities be controlled democratically, and how, in the case of cooperation on the basis of private law, are contracts to be formulated and property rights regulated?

Not surprisingly, municipal amalgamations are also on the reform agenda. In 1998 some 18 per cent of municipalities were discussing the possibility of an amalgamation and 8 per cent had prospective projects. In 2005 almost 40 per cent of the municipalities were discussing these questions and just over 20 per cent already had proposals. However, an amalgamation of two municipalities needs the support of the majority of citizens in each municipality. Hardly any canton can force municipalities to amalgamate. The only thing they can do in this respect is to set incentives and to stop financial equalization efforts that support costly and inefficient structures.

Conclusion

The territorial division of Switzerland has remained unchanged for the past 160 years. Federalism and municipal autonomy appeared to be the solution for resolving conflicts in such a heterogeneous society with considerable social differences. Eventually they became strong pillars of the political system. There has never been a majority for a strong central state, and the cantons and the municipalities have kept their privileged situation.

Recently, new functions and a growing state sector have led to complex and dysfunctional relationships between the different state levels. Since the 1990s, serious reform attempts have been under way to reorganize intergovernmental relations, both between municipalities and cantons and between the cantons and the confederation. The strategy is quite clear. First, there is a reorganization of tasks and functions according to the principle of fiscal equivalence. If this is not feasible, the higher level is supposed to limit itself to strategic decisions, whereas the lower level is responsible for functional operation. Second, since amalgamations of all the very small municipalities and of some of the smaller cantons are politically infeasible, cooperation between municipalities and between cantons will have to be intensified. In the case of municipalities, some cantons have the legal power to force them to cooperate. In the case of cantons, the confederation can force cooperation only if a majority of them ask for it. As far as the cantons

are concerned, there are at least two policies where the new system will first have to prove successful: harmonization of the education system and the organization of high-technology medicine. For the former, the cantons have themselves to agree on a common curriculum, while for the latter they have to limit their services to a few cantonal hospitals only. In addition, the necessary equalization between the different units will have to make up for structural disadvantages, while avoiding inefficient structures. Financial transfers will be granted according to the resources municipalities and cantons have at their disposal. Services will have to attain minimal standards, and block grants (free transfers) will be preferred to transfers for special purposes.

Switzerland reveals a clear commitment to federalism and municipal autonomy based on the principle of subsidiarity, but there are also attempts to make the fine-meshed territorial structure more efficient. Recent reforms have tried to combine the two elements. Whether this will work is an open question. Will the reforms lead to more efficient structures or have they helped to sustain the status quo? Cooperation also has its pitfalls: the whole system becomes much more complex, and deficient in terms of direct democratic control. The municipalities in general are still rather reluctant when it comes to amalgamations, especially if there is no clear financial benefit to be expected; and the cantons try to arrange themselves through better coordination and cooperation with each other. Reforms have to come from the bottom up, since the legal powers of the higher levels are limited. They cannot force municipalities or cantons to amalgamate. In the long run, however, it remains doubtful whether the actual territorial structure will survive, especially if we consider the fact that several cantons are the size of municipalities in other countries.

This does not mean that the three-layer system will have to disappear and that local government should not be as close to the citizens as possible. There is still room for fewer cantons and fewer municipalities without perverting the principle of subsidiarity. Time will tell whether the actual reforms set the right incentives to move towards a new and successful form of multilevel governance based on territorial units that encompass the areas in which people live. In any case, inter-governmental relations on both the horizontal (between municipalities and between cantons) and the vertical (between municipalities, cantons and the federal level) dimension will be on the agenda in the decades to come. The autonomy of municipalities and the sovereignty of cantons will also play an important role in the future.

Notes

- 1 The official name "Swiss Confederation" is somehow misleading since Switzerland is more than a confederation of cantons. Nevertheless, it will be used throughout this text.
- 2 In 1978 the Jura, which formerly belonged to the canton of Berne, became the twenty-sixth canton.
- 3 The municipalities are called *Gemeinden* in German, *communes* in French and *comuni* in Italian. In 1850, Switzerland had 3,203 municipalities.

4 It is interesting to note the U-type curve in the number of employees per 100 inhabitants. It is in the medium-sized executives that economies of scale seem to work, whereas in bigger municipalities the administration becomes more complex and covers more different tasks.

5 See www.badae.ch.

6 For calculations, see www.estv.admin.ch/data/sd/d/index.htm?berechnungen/inhalt.htm.

7 This figure includes transfers from central government to cantons and municipalities (double imputations). The public sector's total expenditures in 2004 were 138.4 billion Swiss francs (31 per cent of gross domestic product). The public income was around 134.2 billion Swiss francs. Three-quarters of the income (99 billion francs) stems from taxes.

8 With an optional referendum, a new law or changes to a law can be put to a popular vote. In order for this to happen, 50,000 signatures have to be collected within one hundred days.

9 Of the twenty-six cantons, six are considered to be half-cantons.

10 All constitutional amendments are automatically put to a popular vote. This is referred to as a "compulsory referendum" (*obligatorisches Referendum*).

11 So far, this has happened about ten times. On seven occasions the changes were rejected because they did not get a majority of the cantons, on three occasions because they did not get a majority of the people.

12 Article 50 of the constitution states that the confederation has to consider possible effects of its activities not only on the municipalities but also on the cities and the metropolitan regions, as well as on the mountain areas.

13 The new system is supposed to be implemented by the beginning of 2008.

14 For comprehensive coverage of the problems and the reforms activities of the Swiss municipalities, see Geser *et al.* (1996), Ladner *et al.* (2000), Kübler and Ladner (2003), Ladner and Steiner (2005) and Ladner (2005b).