

Federalism: The Case of Switzerland

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Federalism remains one of the most important elements of modern statehood. It allows for highly decentralized governance close to the people, for public services and goods of high quality at low tax-level for the citizens, and for a civic culture trusting the capacities of small political units. Historically speaking, the Swiss federation can be considered as a case of "non-centralization." During the creation of the federation in 1848, the cantons kept their statehood, their constitutions and most of their political autonomy. Today, the central government is controlling only about 30 percent of the overall public budget; thus the Swiss federation has remained one of the most decentralized countries. In a historical perspective, federalism has allowed Swiss nation building as a bottom up process. As an element of political power sharing, federalism protected some minorities, the cultural heritage and diversity of the cantons, and helped to integrate the different segments of Swiss society. In a comparative perspective, Switzerland belongs to the good cases in which federalism has helped to deal peacefully or even to avoid multicultural conflict. Moreover, the Swiss case illustrates the possibility of successful nation building despite cultural fragmentation. Both points are important today, as many young democracies of developing countries are facing similar conditions.

Switzerland in the European Context

Switzerland is a small country situated in the center of Western Europe. Geographically, 60 percent of its surface of about 42,000 km² belongs to the mountain region of the Alps; flat lands count only about 30 percent. Switzerland's seven million inhabitants constitute about two percent of the population of Western Europe. With more than 170 inhabitants per km², it has one of the highest population densities in Europe. Once a poor region of mountain farmers without natural resources, Switzerland has in the last 50 years become one of the richest Organization for Economic Cooperation and Development (OECD)-countries. Its Gross National Product (GNP) per inhabitant was about US\$32,300 in 1999. Most important industrial branches are banking, chemistry and pharmaceuticals, machine industry, watches and electronic devices, and tourism. With high import and export rates, Switzerland is strongly dependent on the European and world market, yet,

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has maintained its ability to compete in many industries. In exported goods, it ranks about tenth in the world and among foreign investors, it counted fifth in 1994.

The Swiss society can be considered multicultural in several aspects. Native peoples have different histories and cultures. They speak four different languages: 65 percent German, 20 percent French and ten percent Italian. The fourth language, the Romansch speakers, are a tiny minority of less than one percent. By religion, the country is divided into 48 percent Catholics and 44 percent Protestants, the rest being of other religions or non-believers. Today, 20 percent of the inhabitants of the country are foreigners. This strong immigration was mainly due to the working force demand of the growing Swiss industry after World War II.

The political stability of Switzerland is outstanding. For more than 40 years now, the Federal Council, the seven-member head of the Swiss government, is composed of a successful coalition among the same four political parties representing about 75 percent of the electorate. Switzerland thus belongs to the type of consensus democracies characterized by political power sharing. Political solutions are not found by majority decisions but through negotiation and compromise among the important political parties. Beyond elections, the Swiss people participate directly in the most important political decisions. Using the instrument of the referendum and the popular initiative, they can have the last word on the parliaments' decisions and forward proposals for constitutional amendments which then become a subject for a popular vote. Direct democracy, rather than bringing about a revolution, has contributed to political stability, integration and to consensus democracy (Linder 1994: 5-37).

Switzerland's foreign policy is characterized by its long standing armed neutrality. It was particularly important in the 20th century, when Switzerland was one of the few European nations not involved either in the First or the Second World War. On the one hand, Switzerland is actually well integrated in international organizations such as OECD, World Trade Organization (WTO) or the Bretton Woods institutions. On the other hand, Switzerland, because of its policy of neutrality and its will for national autonomy, is very reluctant with regard to political integration in Europe and the global world. Switzerland is neither a member of the European Union (EU) nor of North Atlantic Treaty Organization (NATO). It was one of the last countries to become a member of the United Nations (UN) but the first which made this step by a popular vote in 2002.

Origins of the Swiss Federation

The origins of Switzerland date back to the 13th century when three tiny alpine regions, later followed by some cities, declared themselves independent of the Habsburg regime. They were able to maintain this independence during centuries through mutual military assistance. After the French Revolution, 25 cantons, considering themselves sovereign states, reestablished a treaty to guarantee collective security by mutual assistance. This system of a loose confederation did not prove efficient for a majority of the cantons. They wanted a central government that would keep up with the requirements of state building, modernization and economic development that took place in the surrounding countries of Germany, France, Italy and Austria.

In 1848, the Swiss Federation was created through a Constitutional Act which was approved by the majority of the Cantons. The creation of this Federation was a political compromise between the two major political forces: the Radicals, the innovative force, mainly from urban and protestant cantons who wanted industrialization and a strong central government; and the Conservatives, the rather retarding force, mainly from rural and Catholic regions who feared to be overruled by the protestant majority. Thus, we can say: federalism was the durable power-sharing arrangement between those wanting a strong central state and those wanting to maintain the status quo. By all means, to find a compromise was not easy. In earlier centuries, Catholics and Protestants had fought four civil wars against each other. Moreover, the inhabitants of the Swiss cantons spoke four different languages, had different histories and cultural heritages. They were deeply segmented and partly divided; a single and homogenous Swiss society did not exist.

How was it possible to create a nation-state despite these unfavorable factors? Besides political pressure from the outside and the economic advantages of cooperation within a larger territorial state, four institutional points made Swiss nation building successful:

A Political Nation-State for a Culturally Segmented Society

The Swiss nation-state was a multicultural nation-state from the beginning. It was not created on the principles of a common language, religion or ethnicity but on the abstract principle of citizenship. The Constitution of 1848 defined that it is the cantons and their peoples who constitute the Swiss Federation. Thus, the Swiss nation-state is a political, not a cultural, nation-state.

Bottom-up Nation Building Respecting Regional and Local Autonomy

Only a few competencies were given to the central government, such as the military and foreign relations, while the cantons kept the utmost political autonomy and statehood with their own constitutions, their own rights of taxation, and their own responsibilities. Until today, the central government cannot get any new responsibilities or competencies without the explicit consent of the cantons. This means a bottom-up nation building which is characterized by non-centralization. Federalism, in this context, means a vertical power sharing device. It allowed the cantons to keep their own traditions, their cultural as well as their political identity. Moreover, it was a durable arrangement of power-sharing between the protagonists of centralization and their opponents.

Strong Political Participation of the Cantons in Federal Decisions

Following Duchacek (1985: 44), "decisive participation (of the subnational units) in amending the constitution" is one of the yardsticks of all federal systems. Swiss federalism goes far beyond. The Swiss cantons participate in all federal affairs, be it amending the constitution, enacting new legislation, or implementing federal affairs.

Through full bicameralism consisting of two legislative chambers, the cantons have their say in federal legislation. The cantons are represented in the Council of the States, the second chamber of the Swiss parliament. It resembles the role of the Senate in the bicameralist United States (US) parliament. To become valid, a parliamentary decision needs the majority of the Council of the States and the National Council representing the people (Jaag 1976). Each chamber has the same competencies and deliberates all issues one after the other. As discussed later in this article, the institutional devices of the participation of the cantons include processes of direct democracy and of consultation. Thus, all important federal decisions are subject of a double decision rule: the democratic rule after the principle "one person one vote," and the federalist rule after the principle: "one vote for each member state."

Proportional Representation of the Different Political Cultures

From the beginning, many federal institutions were designed for proportional representation of different languages and cultural segments of the cantonal peoples. Thus, the executive branch consists of a collegiate body of seven members, who decide collectively on all important government matters. In order to integrate the different linguistic regions, the parliament

elects representatives of all of the three important regions of the country. Proportional representation of the different linguistic groups, today, is practiced in all branches and for all hierarchical levels of the federal government and its administration.

Swiss Federalism Today

Basic Structures of the Federal System

As shown in Table 1, the Swiss federal system consists of three levels. The Federation, the 26 cantons and about 3,000 communes elect their own political authorities (Lutz/Strohmman 1998). At each level, a separation of powers can be found with the executive, the legislative and the judicial authorities.

Table 1. Basic Structure of the Swiss Federal System

	<i>Executive Power</i>	<i>Legislative Power</i>		<i>Judicial Power</i>
Federation	Federal Council Seven Federal Councillors elected by the Federal Assembly for a period of 4 years One of the Councillors acts as President Rotation every year	Federal Assembly National Council 200 National Councillors elected by the people Number of representatives of each canton depends on population size of the canton	Council of the States 46 State Councillors elected by the people Each (half) canton elects (one) two representatives	Federal Supreme Court About 75 Supreme Judges Elected by the Federal Assembly
Cantons	Cantonal Council 5-7 members, elected by the cantonal people every 4-5 years	Cantonal Parliament 46-200 members, elected by the cantonal people every 4-5 years		Cantonal Court Election through Cantonal Council or Parliament
Communes	Communal Council Elected by the people	Large Communes (cities) Parliament elected by the people Small Communes General Assembly of all citizens		District Court Elected by authority or the people of the district

Source: Linder 1994: 9.

The political autonomy of the subnational units is ample. It is guaranteed through different institutional devices.

The Cantons. It is noteworthy that they have their own constitutions. These constitutions must respect the principles of democracy, must guarantee fundamental rights and the rule of law as prescribed in the federal constitution. But they allow the cantons to have their own political organizations, their own political authorities free from influence of the federal government, and an ample autonomy in legislation, in preferences for their own policies of public goods and services, taxation, and financial policies as well.

The Communes. Much of what is said of the cantons applies also to the communes. They have a right of existence protected by the Supreme Court similar to a fundamental right. Thus, no commune can be merged with another against its political will. Communes have their own political organizations, and their own policies with regard to the production and distribution of local public goods. Most important, they have a large autonomy in questions of local taxes and in their financial policy (Linder 1994: 49-54).

Intergovernmental Relations

Responsibilities of the Federation, the Cantons and the Communes. New public responsibilities are first introduced at the local or at the cantonal level. As already mentioned, they can be transferred to the national level only if the people and the majority of the cantons approve such a proposal in a popular vote. Roughly, each group (the communes, the cantons and the Federation) controls about one third of the revenues and expenses.

Central government is mainly responsible for foreign policy, national defense and social security, national infrastructure and services, like telecommunication, and legislation for commerce, civil and penal laws. The canton's main competencies lie in the police, schools and public education, while the communes are responsible for all local infrastructure, social services, land use planning, and natural resource management. Originally, competencies between the three levels were sharply separated. Today, an intensive cooperation between the three tiers can be found. For instance, parts of the social security system is national; others are local. In many policy fields, the Federation is responsible for the general legislation, while cantons and communes are in charge of special legislation and implementation.

Financial Compensation. The Swiss cantons are unequal in two respects. The first is the difference in the population size. While the biggest cantons, like Zurich or Bern, count for about one million people; the smaller ones, like Uri or Appenzell, have just a few ten thousand inhabitants. Second, there is the economic inequality. Rural and mountain regions are relatively poor in comparison to some urban cantons. For both reasons, Swiss

federalism, the so-called "cooperative federalism" provides financial compensation. It serves to adjust differences in financial revenue and expenditure between rich and poor cantons or communes, or to pay the bigger cantons for the services they provide for small cantons which the latter do not provide themselves (Klöti 1988).

*Advantages and Disadvantages of Decentralized
Production of Public Goods and Services*

In international comparison, Switzerland is one of the most decentralized countries (Table 2).

**Table 2. Central Government Revenue and Expenditure Share
(in percent of all public revenue and expenditure, 1973-95)**

	<i>Revenue</i>	<i>Expenditure</i>
Federalist States		
Switzerland	27	30.6
Germany	33.4	30.6
Austria	51.8	56.0
USA	41.0	45.8
Non-federalist States		
Denmark	60.9	71.4
Great Britain	73.9	83.1
France	48.9	44.6
Netherlands	56.4	56.7

Source: Linder 1999a: 150.

The advantages of a decentralized production and distribution of public goods and services can be described as follows:

- Cantonal and local governments are closer to the people and, therefore, more responsive to the preferences of the regional people. This is not only due to decentralization but also to the institutions of direct democracy, which allow citizens to express their preferences in state and local legislation.

- Decentralized production of public goods and services is highly productive as it escapes the risks of too much bureaucracy. Indeed, despite high quality of public services, government consumption in Switzerland is one of the lowest in OECD countries.
- Cantonal and local governments learn from each other. In new responsibilities, for instance in environmental or acquired immuno deficiency syndrome (AIDS) policy, one can observe that some cantons take a pioneer role. The process of trial and error takes place, then the best practices are developed, and, finally, the other cantons share the experience of the pioneers. This process of innovation through learning processes among cantons or communes has become more and more important.

On the other hand, decentralized production has some disadvantages:

- Some of the cantons or communes do not have enough resources and capacities to deliver technically complex services. The practice is that they buy them from the stronger cantons. The inconvenience is that the small cantons, in this case, can no longer live up to their political autonomy. Policies of compensation for economic inequality are complex and not always successful.
- Regarding certain public goods, small cantons are not large enough to profit from economies of scale. Some people claim that the Swiss polity is too much decentralized and that production of many public goods is sub-optimal or ineffective.
- While innovation in the interest of the cantons is effective through mutual learning processes, innovations of the central government are sometimes difficult. Usually, it is the cantons or the communes who implement federal policies. This means that the subnational units have strong veto points: If cantonal or local consensus for a federal innovation is low, it runs a considerable risk of being blocked or neutralized in the implementation process.
- A weak innovation pace of the federal government can be considered as the "price" of the Swiss preference for decentralization. This price is valued differently: Some people deplore that Swiss politics is not capable, today, to keep up with the process of globalization which demands quick innovation. Others insist that slow innovation is a virtue because it avoids the costly failures of rush-and-run or stop-and-go-policies.

These effects are the result of the particularities of the political process. Political processes in a federalist system are complex because they involve actors from different levels of the political system (Wili 1988). Moreover, these

multilevel processes imply processes of negotiation and compromise, in which federal politics have to overcome the veto points of subnational units (Papadopoulos 1997). The following section, gives an overview of the basic characteristics of the federal policymaking process.

The Political Process: The Influence of the Cantons on Federal Politics

Division of Power Between the Federation and the Cantons. As already mentioned, Switzerland remains as one of the most decentralized countries. Despite some centralization over the last decades, the cantons and the communes still control about two thirds of the public financial and personnel resources. They are the main responsible actors in a wide range of policy programs and play a prominent role in implementing most federal programs.

One reason for this non-centralization is obvious: according to the basic constitutional rule, every transfer of power to the federation requires a constitutional amendment which is subject to a popular vote. The double majority of the people and the cantons is a high hurdle to pass. Indeed from 1848 to 1997, almost one third of the 140 constitutional amendments proposed by the Federal Chambers failed in the vote, and the success rate of the 121 popular initiatives was less than ten percent. Moreover, the parliament is conscious of the difficulties winning a majority among the politically heterogeneous cantons and therefore is cautious in its propositions for new federal competencies.

A comparative look at the US tells, however, that a similar constitutional rule on the federal division of power need not necessarily produce the same results. Like the Swiss, the US Constitution needs to be amended for the extension of competencies of the central government. Confronted with similar political difficulties of ratification by the Senate and the states, the US authorities chose another way to extend federal competencies. Instead of seeking formal changes in the constitution, the US government appealed to the Supreme Court which, under legal notions of "implied powers" or the "interstate commerce clause," acknowledged many new competencies of the central government. Neither the government nor the parliament in Switzerland has chosen this way of bypassing formal amending of the constitution. Instead, they extended central powers by many modest amending steps that had a chance to be approved by the heterogeneous cantons and by the people. Thus, if both federations in the last 150 years considerably extended the powers of their central government, they have done so in different ways: the US through authoritative judicial review that produced "new" competencies from the same constitutional document, the Swiss authorities through the political way of formal amendments approved

by the people and the cantons (Linder 1999b). This may be the second reason why the Swiss federal system so greatly resisted centralization, and why the development of national economic and social policies was relatively late and modest.

The Double Majority Rule in Popular Votations as a Veto Power Device of Small Cantons. The two different majority rules—democratic and federalist—can produce different results for the same decision. In bicameral lawmaking, this is not a particular problem. If the National Council and the Council of State end up with different decisions on the same bill, they engage a common procedure to eliminate differences. This procedure cannot be applied in a popular vote, when a particular constitutional amendment may obtain a majority from the people, but is rejected by majority of the cantons, and vice versa. In this case, the status quo ante prevails. Between 1848 and 1999, there were ten collisions, six of which occurred only in the last thirty years. The collision between the democratic principle of “one person one vote” and the federalist principle of “every canton an equal vote” can become problematic (Germann 1991). It means that a majority of 13 small cantons—representing only 20 percent of the population—can block a democratic majority of 80 percent of the citizens. And it means that one vote of the small canton of Uri can cancel out 34 votes from the largest canton of Zurich when the federalist majority is counted.

Today, the double majority rule is of particular significance in issues of foreign policy. The Swiss people are deeply divided on the question whether or not Switzerland should join the European Union or abandon its old neutrality in foreign policy. In this cleavage, the small, rural and German speaking cantons are strongholds of the non-integrationist conservatives, whereas bigger, urban or French speaking cantons are on the modernist side that wants to open up Swiss foreign relations. Even though there is not a collision case, the double majority rule gives the non-integrationist conservatives a systemic advantage: they profit from their strongholds in the small, rural German speaking cantons.

In sum, the double majority rule in direct democracy is an effective veto power device. Because of the relatively homogeneous preferences of the small rural cantons against state intervention and policy changes in many fields, it has even more political impact than in 1847 when it was designed for the losers of the Catholic minorities who were against centralization. But one can doubt whether a federalist overrepresentation is a wise institutional design also in matters of foreign policy. Moreover, the problem of collisions in popular votes leads the country to the fundamental question as to what degree it is justified that a small minority of the electorate can overrule a democratic majority (Vatter/Sager 1996).

Bicameral Lawmaking and Cantonal Interests. Lawmaking in the Swiss Parliament reflects the equal importance of democratic and federal influence. Both chambers may initiate constitutional amendments, new bills and regulations, as well as propose the revision of existing laws and regulations. Every proposition or bill destined to become a federal law has to be approved by a relative majority in both chambers (Trivelli 1975; Lüthi 1999). How does this strong element of federalism work out in lawmaking?

Public opinion still considers the Council of the States to be a stronghold of cantonal interests, as was the intention of the fathers of the Constitution. And there is a strong argument that especially the small cantons, which are rural, can form a powerful coalition in the Council of States. Theoretically, the 23 Councillors (of 46) of the smallest cantons which represent only 20 percent of the population have a veto power on any decision of the Swiss parliament. According to Lijphart (1999: 208), Switzerland ranks highest on a Gini index of inequality among nine federal chambers.

Empirical research shows that the “federalist effect” of decisions in favor of small and rural cantons sometimes works out but should not be overestimated, mainly for two reasons. First, the overrepresentation of small cantons is not the only one in the Council of States. Due to the mode of election, the bourgeois parties are overrepresented, the political Left underrepresented. In the last hundred years, this Left-Right cleavage has become much more important than the federalist-centralist cleavage between Catholics and Protestants in the 19th century. Thus, more than being a “federalist chamber,” the Council of States is a chamber favoring bourgeois policies. Second, the Council of the States is not a federalist institution because unlike the German Bundesrat, it is not a representative of the executive of the member states (Heger 1990). Its members are responsive to their cantonal constituencies and therefore defend mostly the same group interests as can be identified in the National Council (Neidhart 1975).

Under the aspects of political legitimation, however, the Swiss Council of States is still a symbol of cantonal representation—the people believe it is and the Councillors also feel so. Yet, in political decisionmaking, the Council of States is not more inclined to articulate and defend cantonal interests than is the National Council. Thus, one might come to the same conclusions as Tsebelis and Money (1997) in their comparative study: The common effect of bicameralism is a bias for the status quo. Or, in the formula of Thomas Jefferson: if the tea is versed from a first into a second cup, it is less hot to drink.

The Influence of the Cantons on Federal Policy Formulation. If the specific federalist role of the Council of States is rather weak, this does not mean that cantonal interests are not articulated at all. Indeed, looking at the

whole policy-cycle, it can be found that in the two phases of policy formulation and implementation, the influence of the cantons is rather strong. In the Swiss decisionmaking process, policy formulation is tied to an extensive "pre-parliamentary" process of participation and consultation. It takes place before the government hands its project over to the Federal Chambers. The pre-parliamentary stage consists of two phases, the evaluation or even elaboration of a first draft of the bill by expert commissions, and the consultation procedures in which political parties, the cantons, as well as economic, professional and social organizations pronounce themselves on the draft of the bill. The function of this pre-parliamentary stage is to prepare consensus for the bill and to reduce the risks of a future defeat in a popular vote. Thus, when the Federal Council nominates a committee of experts to evaluate the various options of a new bill, it is especially concerned with appointing members who represent the standpoints of the different interest groups. As Germann (1981: 63) showed in his extensive study, the cantons, especially the representatives of urban regions, were called to participate on average in more than three out of four extra-parliamentarian commissions in the 1970s. A similar result can be found for the consultation procedure. On average, the cantons participate in no less than nine out of ten consultation procedures (Germann 1986: 350).

However, the cantons are not always powerful in influence. In the pre-parliamentary process, they are competing with other group interests which are sometimes more influential than the cantons. Thus, the bargaining power of the cantons varies from one policy field to another. Their influence is particularly strong in policy fields in which the central government depends on the implementation resources and experiences of the cantons (Vatter 2001).

The Cantons and the Implementation of Federal Policies. The arena with the highest influence of the cantons and the communes as well is to be found in the implementation of federal policies. Today, this process is characterized by a high degree of cooperation between the subnational units and the federal government. Most federal programs are implemented by the cantons and the communes. With some exceptions, there is no parallel federal administration with its own regional services, agencies or even courts, and only very few federal services deal directly with the public. The complexities of modern infrastructure, economic intervention and social policies stimulated the development of a cooperative federalism. In many policy fields, one of the main characteristics is the shift of basic legislation competencies to the center while the cantons regulate the implementation process and its modalities. Institutionally, it involves different levels of government cooperation in the same policy program. As already mentioned, this has simultaneously led to a broad system of financial compensation between the federation, the cantons and the communes that comprises revenue-sharing as well as financial

compensation by block grants and subsidies (Fagagnini 1991). A further consequence of the strong position of the cantons in the implementation process is the absence or only very reluctant use of coercive means by the federal authorities. Thus, the implementation of central government programs cannot be taken for granted in every case. Much depends on the political will at the subnational level. Sometimes, minimal legal standards in the application of federal law can only be assured by review through the Supreme Court. A prominent case was Appenzell I.Rh. When women's suffrage was introduced in 1971 on the federal level, Appenzell men refused to do so in their canton. It was only in 1990 by decision of the Supreme Court that the canton fulfilled its obligation (Linder 1994: 69).

Self-coordination Between the Cantons. Thus far, this study has considered the "vertical" instruments of Swiss federalism that concern the relations between the federation and the cantons. This section of the study gives an account on instruments of self-coordination between the cantons, or of the "horizontal instruments" of "cooperative" federalism which allow the cantons to take collective action without the involvement of the federation. There are two types of them: intercantonal organizations and agencies, and "concordats," a form of contractual cooperation.

The traditional instrument of horizontal cooperative federalism are the concordats, i.e., intercantonal treaties functioning as instruments of regional cooperation. The concordats allow the subnational units to regulate administrative, legislative, and juridical matters among themselves. However, there are severe limits of this instrument. Concordats are most effective if all cantons subscribe but it is difficult to reach unanimity. So, the particularism of half of the cantons starting the school year in Spring and the other half of the cantons in Autumn could not be overcome by a concordat for a long time. Nevertheless, the instrument of the concordat can serve cooperation, and the cantons are driven by the same and permanent interest of defending their own competencies and of preventing a central government regulation.

Intercantonal organizations play an important role as consultative institutions. They provide a forum to share experiences and to coordinate tasks between cantonal politicians and officials. Today there are more than 500 intercantonal organizations, with the Conference of Cantonal Ministers traditionally being the most influential (Frenkel 1986: 330ff.). In the last ten years, the Conference of Cantonal Governments was established as another organization (Münger 1994). With the aid of this body, the cantons attempt to extend their direct influence on the Federation especially in the field of foreign policy and to secure a coordinated definition of problems. Thus, in the 90s, and, especially on the question of Switzerland's integration to the EU, the cantons have significantly increased their influence in foreign policy.

At the local level, there is a similar pattern: Communes organize themselves to decide or to implement policies on a regional level. The leading motive is the same: communes prefer self-coordination rather than delegating competencies to the canton.

In conclusion, the horizontal instruments of federalism have to be judged critically. On the one hand, they are an expression of the political will of the subnational units to maintain their competencies through own efforts of coordination and seek collective advantages through cooperation. On the other hand, they sometimes impede coordination with upper levels of government. The main weak point of the horizontal instruments, however, is their technocratic character and the lack of political control by legislative authorities.

Policy Outcomes

General Characteristics of Federal Policies. Comparative studies show that Switzerland has one of the lowest rates of state consumption of all OECD countries. As already mentioned, the proportion of revenue and public expenditure between the Federation, the Cantons and the Communes is about 30:40:30 percent, which means the central government controls less of the public budget than all other federal states. Until today, the Swiss federal government may be the only one in the world that cannot rely on durable revenue taxes from its inhabitants.

It may be difficult to attribute these characteristics to federalism only. Indeed, it is plausible to conceive them as a combined effect of federalism and direct democracy. This is in line with the perspective of the new institutionalism (March/Olsen 1996). Representatives of this approach emphasize that counter-majoritarian institutions such as federalism and direct democracy function as particularly powerful institutional veto-points: They set limits to the scope of action of the central government. Subnational actors, on the one hand, use their veto power in order to block centralization and policy changes which are not in their interest. On the other hand, subnational actors have their own interest in national policies—for instance to participate in the central budget or to promote their own preferences which have not yet found a majority at the national level. In both cases, federal and subnational actors have to engage in negotiation and coordination processes in which the least common denominator between many actors has to be sought. If subnational units have heterogeneous interests and resources of their own, federalism tends to favor decentralized policy solutions and sets limits to expenditures of the central government. In addition, heterogeneous preferences of subnational units imply a systemic bias for the status quo and for incremental politics. This leads to political stability but prohibits quick or major policy changes in the federal system (Linder/Vatter 2001).

Such effects can be demonstrated in particular by looking at the development of the Swiss welfare state. In his study, Obinger (1998: 257-259) concludes that the close interplay between direct democracy and federalism generated three major effects on the Swiss welfare state development, "namely a lag effect, a structural effect and a restrictive impact on welfare state funding. Together, these three effects largely explain the liberal trajectory and the belated formation of the Swiss welfare state from a comparative viewpoint."

- First, due to the fact that almost all competencies in social policy were originally in the hands of the cantons, it took a long time to transfer the power in the field of social security to the central level, since all constitutional amendments required a double majority of the people and the cantons in mandatory referendums.
- Second, the lack of a comprehensive federal social policy was compensated by private welfare organizations. "Since the federation's policies were vetoed, the central government, as well as the cantons, began to subsidize the social security programs of these private carriers. This led to the emergence of a peculiar public-private mix in the field of social policy."
- Thirdly, the federal government had only limited fiscal capacity and a narrow tax basis which reduced its ability to fund welfare state programs in a generous and constant way over a longer period of time. Political scientists and economists generally agree on these points: the institutional veto points of direct democracy and federalism were the decisive factors that set limits to the expansion of public policies, confined centralization and hindered expansive public spending as well as high taxes in the federal system.

Implementation of Federal Policies: The Political Factor. Many case studies have confirmed that the degree of political consensus on the federal and the cantonal level is the most important factor of policy implementation.

In the multilevel arrangement of "cooperative federalism," the degree of consensus can be different at the federal and the cantonal level. Innovations of federal programs, even though supported by a high federal consensus, can be compromised through cantonal vetoes. On the other hand, certain cantons may have strong preferences for own innovations which do not find a majority at the federal level. This leads to different implementation chances of federal policies that can be conceptualized in Table 3.

Table 3. Consensus Constellations and Implementation Chances

	<i>Cantons: Strong Consensus</i>	<i>Cantons: Weak Consensus</i>
<i>Federation:</i> Strong consensus	I Full implementation of federal program	II Partial implementation
<i>Federation:</i> Weak consensus	III Deviation from federal program	IV Poor or no implementation

Source: Linder 1999a: 178.

Field I is the least problematic: under the condition of high consensus on the federal and cantonal level, policy programs are implemented with high success. There is ample empirical evidence that under this constellation, the system of "cooperative federalism" can make proof of its qualities: the cantons compensate for eventual weaknesses of the federal legislation, share implementation experiences and are willing to learn from each other.

Field II, however, is a more frequent case. Federal policies are blocked by vetoes from a part of the cantons. The different political preferences of the cantons are more decisive than all other factors. Comparative studies have shown that the implementation of federal housing programs or employment programs for refugees depends less on the housing or job market of a canton than on the strength of political parties for or against these programs. One could say that this field shows the crucial weakness of a federal system in which even clear decisions of the central government cannot overcome subnational veto positions—as in the mentioned Appenzell case of women's political rights.

Field III is characterized by a weak federal legislation, while the cantons strongly support their own objectives in the same policy field. These objectives can be in line with federal legislation but in many cases, the cantons have other policies in mind. In this situation, the cantons use the federal policy as an instrument to promote their own, deviating objectives. On the one hand, this can be interpreted as the typical weakness of a federal system in which the central government has not enough power to overcome subnational vetoes. On the other hand, one could argue that it is exactly the strength of a federal system that subnational units develop their own policies if decisions of central government lack a clear political consensus and support. Indeed, when the federal policy was blocked in the 80s in the conflict continuing or stopping nuclear energy, it was some cantons who developed different pilot programs

for saving energy. This was a highly innovative process in which pioneer cantons with similar preferences were engaged in a cooperative learning process that prepared consensus on the federal level.

Field IV finally is characterized by weak consensus on both the federal and the cantonal level. It is a rare case to find policies that are decided on a weak consensus base on both the national and the cantonal level. But occasionally, these conditions are met, as with popular initiatives that are accepted against the political will of national and cantonal elites. This was the case of the popular initiative for the protection of high moors. Its protagonists were able to win the double majority in the popular vote in 1987—but not to raise enough support against vested interests of farmers and tourism in the implementation process. Thus, policy outcomes are poor or even absent.

Modern Meanings of Swiss Federalism in a Comparative View

Cultural Autonomy and Difference

The case of Switzerland is instructive for the realization of political unity while maintaining cultural diversity. The 26 cantons, with their different cultures, languages and religions, most of them having enjoyed centuries of political autonomy, were able to create a territorial state. Without federalism and its principle of dividing power between the new central government and the cantonal authorities, and without the federal promise to maintain regional differences and autonomy, this historical process of the 19th century would not have resulted in a successful nation-building. Moreover, federalism helped to overcome the strong political cleavages of religion and language in a peaceful way. While the cleavages of religion between Catholics and Protestants have cooled, political differences of the four linguistic groups subsist. However, the political parties, as national parties, want to get votes from all regions and therefore renounce on ethno-politics. Switzerland is one of the few multilingual countries in Europe that today does not have political difficulties with linguistic minorities. Federalism was one of the instruments of political integration. To a large extent, Swiss society is a product of its political institutions, which led Karl Deutsch to speak of Switzerland as a “paradigmatic case of political integration.”

Federalism as a Political Culture: The Preference for Decentralized Government and Democracy

Despite some complaints about weak innovation of central government, the Swiss would never dream of giving up their federalism. They like the

formal autonomy of their 26 cantons and 3,000 communes, which in many respects may be fictive and to the foreign observer may appear to be an institutional luxury in a country of just about 7 million inhabitants. Perhaps it was the federal experience itself that shaped a strong preference for "small government" and the idea of subsidiarity: Central government should not meddle in things that the cantons are capable of doing themselves and the cantons should not bother with problems that the communes can handle. Subsidiarity can lead to too small solutions, because the lowest federal level defines what the problem is. However, it offers opportunities for living differently, and for given regional traditions and additional culture backing. Thus, it creates local identity.

In the 19th century, federalization and democratization developed hand in hand. Decentralized democratization was a tremendous opportunity for the development of civic culture. Local people learned to express their preferences for public services and goods through direct participation. At the same time they learned to pay taxes for the collective goods they wanted, and to distinguish between public and private interest. Trust beyond the circle of the family is fundamental; it is the base of any effective political institution free from corruption. Decentralized and responsive government was a favorable condition for the development of this social capital.

These connotations of a federalist culture go beyond the case of Switzerland and are meaningful in today's world. In the process of globalization, two tendencies are seen in politics at a time. The first is internationalization through international and supranational organizations, the second is federalization or decentralization. One of the reasons for decentralization is the following: Even in a globalized world, people identify with local societal structures, and they want more political control of the local world they live in. The process of globalization is a clash between worldwide penetration through capitalistic enterprises seeking new markets on the one hand, and subsistent local economies and cultures on the other. The intermediate structures of government in many developing countries have not found solutions for dealing with this inevitable conflict. Above all, young democratic regimes, if seduced by short-term chances of centralization, may fail to combine selective economic modernization with selective backing of local traditions and cultures. Federal or decentralized political structures can help this.

Federalism and the Solution of Multicultural Conflicts

Federalism is often seen as the decisive institutional device that made the Swiss miracle of multicultural integration possible. Is federalism beneficial for the solution of multicultural conflicts beyond the case of

Switzerland? The question is important because the peaceful solution of multicultural conflicts and the integration of fragmented societies is one of the most difficult problems in many countries worldwide. To an extent, conflicts between different ethnic or cultural segments of the same society have replaced war between nations. Faced with this problem, only few democracies perform well. The political scientist Arend Lijphart (1999), in his seminal work on power sharing, insists that consensus democracy is superior to the majoritarian model of Westminster democracy when it comes to the solution of conflicts in culturally divided societies.

With regard to federalism—which can be seen as the vertical element of power sharing or consensus democracy—other theorists are not so sure as to its good effects on the solution of multicultural or minority conflicts. They argue that:

- federalism protects only geographically segmented minorities that are able to control a subnational unit, which can lead to a new minority problem in this unit;
- creating subnational units for cultural minorities can lead to the separation of this minority as in Bosnia, and to a discriminating control through the majority;
- federal systems of segmented societies with few national units—such as Belgium or the former Czechoslovakia—are unstable.

The first argument is also valid for the Swiss case. Many minorities—the non-Christian religions, or the foreigners which account for 20 percent of the Swiss population—were never protected by Swiss federalism. Moreover, federalism protects the Swiss linguistic minorities only at the national level, where the authorities accept the four languages of German, French, Italian and Romansch as equal. A German speaker in the canton of Geneva, however, has no minority rights and therefore has to address the authorities in French. Thus, federalism is a rather incomplete instrument to protect minorities.

But why has Swiss federalism escaped the risks mentioned in the other arguments? In the Swiss case, according to Steiner (1990), three factors which are generally favorable to minority protection in federal systems can be found.

- 1) Linguistic, ethnic and religious segmentation, until recently, was characterized by not too many, and not too small minorities.
- 2) Economic, religious and linguistic fragmentation of the cantonal societies did not coincide socially or geographically. Some German-

speaking cantons, for instance, are mainly Catholic, some Protestant. There was only one case, the region of Jura, which was poor, French speaking and Catholic, and which felt discriminated mainly by Protestant, German speaking and rich canton of Bern. Here, three cleavages coincided socially and geographically. This explains why Jura is the sole case of secession in the Swiss federation. After long political struggles, Jura became an autonomous canton in 1978.

- 3) In many cantons, there is no clear geographical separation of religious or cultural groups. We find four bi- or multi-lingual cantons and, with regard to religion, all of them are mixed. Under these circumstances, the federal structure was beneficial for coexistence and learning processes between the different religious and cultural groups. This was important for the people and for the political elite as well. A radical French-speaking politician in the canton of Valais is in a minority position in question of party politics but belongs to the linguistic majority of his canton. As a member of the National Council, however, the same politician is in a linguistic minority position, but normally forms part of the bourgeois majority. Thus, the members of the political elite have to learn both the minority and the majority roles. Cooperative federalism implies a constant process of negotiation. As coalitions change from one question to the other, the different actors need and have to accept and to recognize each other. This favors learning processes and win-win solutions. These effects are not confined to a particular cultural heritage of the Swiss but the effect of an institutional setting that can be expected also in other cultural contexts.

Conclusions

It can be concluded from the Swiss case that federalism can indeed be favorable to peaceful solutions of multicultural conflicts, but only under certain circumstances.

This implies us to be cautious about "exporting" institutional models from one society to another. Swiss democracy, as well as federalism, are not export products like watches or other utilities. Effective and legitimate political institutions must grow on a people's own cultural heritage, and they must combine tradition and modernization in a selective and intelligent way.

Yet, other societies can learn from the historical experience of others. The Swiss case illustrates that federalism must not be destructive for national

unity but quite the opposite: federalism allowed the nation-building through political integration of a segmented and deeply divided society. Moreover, the Swiss case illustrates that federalism can be beneficial since the times of industrial take-off in the 19th century up to the present. In earlier times, it allowed the development of a sound civic culture in decentralized, autonomous subnational units. In today's globalization, where the nation state seems to be either too large or too small, federalism can bridge the gap. Finally, federalism was an instrument of political power sharing that allowed the Swiss to resolve their multicultural conflicts in a peaceful way.

But besides this historical experience, what can other countries learn for the design of their own polity? For a good answer, one has to look at a comparative research that focuses on "regularities" of the effects of institutions. As to the effects of federalism on the solution of multicultural conflicts, the following table lists "good" and "poor" conditions of federalism or decentralization.

Table 4. Governance in Segmented Societies: Poor and Good Conditions of Decentralization and Federalization

<i>Conditions Leading to:</i>	<i>Poor Cases</i>	<i>Good Cases</i>
Distribution of minorities	Dispersed in all sub-national units	Concentrated in one or more subnational unit
Number and size of minorities	Many small, especially in presence of one large majority	Not too few, not too many
Cleavages in subnational units	Congruent	Cross-cutting
Exterior intervention	Present	Absent
Definition of nation	(Mono-) cultural	Citizenship
Tradition of fundamental rights	Weak	Strong
Combination of vertical and horizontal power sharing	No	Yes

Source: Linder 2002: 18.

The first three conditions correspond to the factors discussed as beneficial in the Swiss case. The next condition is derived from comparative experience. In the past, exterior intervention, especially from neighbors, proved to bear more risks than chances for the solution of inner societal conflict. The next two conditions, "Definition of nation" and "Tradition of fundamental rights," are evident. Federalism alone is an imperfect device for the solution of multicultural conflicts, in particular, minority protection is better off if guaranteed through fundamental rights and if the conception of the nation state does not discriminate against citizens of different origin and culture. The last condition is derived from Lijphart's theory—power sharing democracy is better suited for a segmented society than the anglosaxon model of Westminster democracy which concentrates all power in the hands of the ruling majority. Federalism, the vertical dimension of political power sharing, is more effective for the solution of multicultural conflicts if it is complemented by the horizontal dimension—that is, proportional representation and compromise among grand coalitions of the political parties.

These institutional conditions are not natural laws. They do not guarantee good solutions of multicultural conflicts but give them a better chance. To conclude, the effects of federalism do not depend only on the political culture of a country which is unique, but also on the combination of federalism with other institutional elements.

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