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Institutions and Outcomes of Swiss Federalism: The Role of the Cantons in Swiss Politics

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BASIC CHARACTERISTICS OF THE FEDERAL FRAMEWORK

Together with the United States and Canada, Switzerland is one of the three classical federations in the world.1 Historically speaking, the Swiss federation can be considered as a case of 'non-centralisation'. When founding the federation in 1848, the 25 cantons kept their own statehood, their own constitutions and most of their political autonomy. They transferred only a few competences to the federal government and assured themselves significant participation rights in the decision-making of the central authorities. Article 3 of the Swiss constitution still defines the division of powers between the Federation and the cantons. A general subsidiarity clause assigns all tasks to the cantons unless explicitly delegated to the central state. As to the representation of the member states in the federal parliamentary system, the Swiss solution resembles that of the US: full bicameralism consisting of two legislative chambers, in which the National Council represents the people and the Council of Cantons the member states. Each chamber has the same competences and deliberates all issues one after the other. To become valid, a parliamentary decision needs the majority in both chambers. The principle of a double majority applies also for certain decisions in the process of direct democracy: constitutional amendments, proposed either by the Federal Chambers or by a popular initiative, are subject to a mandatory vote by the people. To be accepted, such a proposition must win the approval of the people and of the cantons.2 Thus, all popular initiatives and parliamentary decisions on constitutional amendments and on some international treaties need a double majority representing the democratic and the cantonal majority.

The prominent role of the cantons in federal decision-making is not only found in the formal elements of the constitution³ but also in the preparliamentary process of federal legislation and in the implementation of

federal policies. Decision-making and implementation of federal policies can be characterised as a multi-level governance in which the central government, the 26 cantons and the 3,000 communes are involved. This network of a co-operating federalism has led to the disappearance of the clear vertical separation of powers which was the original idea of Swiss federalism in the nineteenth century.

Historically speaking, the Swiss federation was a political compromise between a Radical Protestant majority, protagonist of a strong national government, and a Conservative Catholic minority refusing to give away cantonal sovereignty. The result of the constitution of 1848, a 'weak' federation with strong cantonal autonomy, was a vertical power-sharing structure from the beginning. It allowed for peaceful coexistence and conflict resolution and the integration of the Swiss society which until 1848 had barely existed. Indeed, the segmented peoples of the Cantons, after four religious wars, were divided by a deep cleavage between Catholics and Protestants and between rural regions and urban centres. Moreover, federalism protected French-, Italian- and Romanisch-speaking minorities against dictates of the German-speaking majority. In the twentieth century, the vertical power-sharing elements of federalism were completed by elements of horizontal power-sharing, realised mainly through proportional representation between the four largest political parties. This allowed the political Left (Social Democrats) to become integrated into the bourgeois state, once dominated by the Centre-Right parties of Radicals, Christian Democrats and the People's Party. Thus, in Arend Lijphart's4 terms of 'Consensus Democracy', federalism represents the historically oldest part in the 'structural' dimension of the Swiss power-sharing system.

Our analysis of Swiss federalism focuses on the role of the cantons. The first part gives an account on the functioning and the political outcome of the most important institutions of Swiss federalism. In taking advantage of the growing empirical research on Swiss federalism, the second part examines comparative findings of the political-institutional variations in 26 cantons, both their systematic interaction and their impact on policy outcomes. The final part discusses the needs and possibilities of reforms of Swiss federalism.

THE INFLUENCE OF THE CANTONS ON FEDERAL POLITICS

Division of Power between the Federation and the Cantons

Switzerland, up to the present, has remained one of the most decentralised countries. Despite growing responsibilities over the last decades, the central

government controls only about one-third of public revenue and expenditure. In contrast, the cantons and the communes control for about two-thirds of public financial and personnel resources, are the main responsible actors in a wide range of policy programmes, and play a prominent role in implementing most federal programmes.

One reason for this non-centralisation is obvious: according to the basic constitutional rule, every transfer of power to the federation requires a constitutional amendment which is, as already mentioned, subject to a popular vote. The double majority of the people and the cantons is a high hurdle to be surmounted. Indeed, from 1848 to 1997 almost one-third of the 140 constitutional amendments proposed by the federal chambers failed in the vote. The success rate of the 121 popular initiatives was less than ten per cent.⁵ Moreover, parliament is conscious of the difficulty of winning a majority among the politically heterogeneous cantons and therefore is cautious in its proposals for new federal competences.

A comparative look at the United States tells us, 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 competences 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 competences. Instead of seeking formal changes of the constitution, the US government found a way round: it appealed to the Supreme Court which, under legal concepts of 'implied powers' or the 'interstate commerce clause', acknowledged many new competences of the central government. Neither government nor parliament in Switzerland have chosen this way of by-passing formal amendment of the constitution. Instead, they extended central powers by many modest amending steps that had a chance of being approved by the heterogeneous cantons and by the people. Thus, if both federations in the last 150 years have considerably extended the powers of their central government, they have done so in different ways: the US through authoritative judicial review that produced 'new' competences from the same constitutional document; the Swiss authorities through the political way of formal amendments approved by the people and the cantons. This may be the second reason why the Swiss federal system has so greatly resisted centralisation.

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 law-making, this is not

a particular problem. If the National Council and the Council of States end up with different propositions on the same bill, they engage in a common procedure to eliminate differences. This procedure cannot be applied in a popular vote, when a particular constitutional amendment may win 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 30 years. Evidently, the risk of a collision between the democratic principle of 'one person one vote' and the federalist principle of 'every canton an equal vote' is growing. There are two reasons for this development. The first, the number of propositions for constitutional amendments – stemming either from parliament or from popular initiatives - is growing. The second, the difference in population size between cantons is increasing because of migration from rural to urban cantons. Whereas in 1848 one vote from the small canton of Uri cancelled out 17 votes from the largest canton of Zurich when the majority of the cantons was counted, today it is 34 votes. When the 11.5 smallest cantons vote together, they constitute a blocking federalist majority representing a small democratic minority. Theoretically, the smallest federalist veto power (51 per cent of the votes in the smallest cantons against all the other votes) in 1880 was more than 11.5 per cent of the Swiss population; today, it represents just nine per cent. Raimund Germann⁶ therefore speaks of a change of balance: the weight of the federal principle is increased, while the weight of the democratic principle is reduced.

An analysis of the collision cases is revealing. The votes concerned important and controversial issues in national economic policy, federal energy, immigration and cultural policy. In eight of the ten collision cases, it was the federalist side that overruled a democratic majority. Adrian Vatter and Fritz Sager⁷ have analysed the winners and losers of the double-majority rule: it is the preferences of small and medium-sized, mainly conservative Catholic cantons in German-speaking parts of Switzerland which are protected through this rule, whereas the urban cantons with the largest populations, like the canton of Zurich, were on the losing side in all eight cases.

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, become a member of the UN, and abandon its old neutrality or foreign policy stance of 'economical integration without political participation'. 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 this is not a case of direct collision, 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. It has even more political impact than in 1847 when it was designed for the losers of the 'Sonderbund War', those who were against centralisation, state intervention and policy changes. But one can doubt whether this historically biased federalist overrepresentation is a wise institutional design in matters of foreign policy in the twenty-first century. Moreover, the growing risk of collision leads us to the fundamental question: to what degree can it be justified that a small minority of the electorate can overrule a democratic majority?

Bicameral Law-Making and Cantonal Interests

Law-making 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 federal law has to be approved by a relative majority in both chambers. How does this strong element of federalism work out in law-making? On the one hand, 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. On the other hand, empirical research has sometimes found that the Council of the States is not at all a federalist institution because it defends mostly the same group interests as can be identified in the National Council.8 Indeed, there is a strong theoretical argument for this second opinion: the Council of States, unlike the German Bundesrat, is not a representative of the executive of the member states and therefore is responsive to the cantonal constituencies rather than to government interests. And these constituencies are the same for the National Council and the Council of the States. From the point of view of representation, however, we can identify clear differences between the two chambers which are due to different modes of election:

 Whereas the number of representatives in the 200-member National Council depends on the population size of a canton, every full canton elects the same number of senators (two) to the smaller chamber (46 members). In the Council of States, the small cantons, which are more rural, are overrepresented. Theoretically, the 23 senators of the smallest cantons which represent only 20 per cent of the population have a veto power on any decision of the Swiss parliament. According to Lijphart, Switzerland, together with the US, ranks highest on a Gini index of inequality among nine federal chambers.

- The National Council is elected on a proportional base. This leads to a fairly 'true' representation of electoral forces (see the account by Kriesi in this volume). The Council of States, however, is elected on majority rule. As no political party today has the necessary electoral backing of 50 per cent to win seats alone, the results of elections mainly depend on electoral coalitions. The latter are mostly found among the three bourgeois parties which form tickets with highly successful alliances. The Social Democrats can rely only on the small Green Party, or else have difficulty in finding a ticket-partner at all. Therefore the political Left is highly underrepresented, and the political Centre and Right are overrepresented in the Council of States.
- Proportional representation is generally more favourable to women's electoral success. Indeed, the National Council, in all elections since 1971 when women's suffrage was introduced, showed a comparatively higher proportion of women (24 per cent against 15 per cent in 1999) than the Council of States.

From these differences of representation one could theoretically expect a systematic bias of the Council of States in favour of rural interests or those of the small cantons, and against the political Left and group interests of women. An empirical comparison of all parliamentary decisions in the period of 1995-97 on the conflict dimensions Left-Right, Federalism-Centralism, Interventionism-Liberalism and Materialism-Postmaterialism gives some surprising findings. Congruent with the expectations, the National Council is more on the postmaterial side. Yet for the rest, not only the Council of States but both chambers modify government proposals in the same direction: in favour of the Right, of liberalism and of federal solutions. Empirical evidence for a 'federalist' and 'party' effect of the Council of States is only found in the 60 per cent of the cases where deliberations of the two chambers produce different propositions which have to be reconciled through bargaining in a formal procedure. In these cases, the Council of States' proposals were more to the Right, more liberal, more federalist - and more successful."

These findings only partially confirm the traditional image of the Council of the States as a stronghold of cantonal sovereignty. Indeed, the small chamber may have lived up to this image only in the nineteenth century when the strong Catholic-Conservative deputation of the Council of States prevented power shifting to the Radical and Protestant central government. In the twentieth century, the main division is between bourgeois forces - often uniting Catholics and Protestants on one side, and the Social Democrats, concentrated in industrial and urban regions, on the other. Under the dominant Left-Right cleavage, 'federalism versus centralism' is no longer a principal issue but has become a pragmatic question in which all political parties sometimes favour centralism or federalism. For several reasons, then, we cannot expect to get a clear-cut profile of decision-making differences from the viewpoint of representation alone. Firstly, political parties now mobilise on more than one cleavage. In the Left-Right dimension, the Radicals as well as Christian Democrats do not represent a single block but are open to different tendencies. This variation offers chances of compromise and log-rolling with shifting coalitions among the governmental parties. Secondly, the Swiss government cannot be forced to resign on a vote of confidence. This makes the members of the Swiss parliament somewhat independent from the instructions of their factions. Thirdly, different decisions made by the two chambers may also result from differences of size and decision-making conditions. So it is often said that the Council of the States, whose members are older and have more political experience, adds a different quality to law-making as a 'chambre de réflexion' or as the 'legal conscience of parliament' that has more distance from daily political concerns.

We might conclude that the Council of States has not primarily subscribed to the federal ideal of maintaining decentralisation or the prerogatives of the cantons. A more convincing perspective is that different political forces – the Catholics, the bourgeois coalition and the rural cantons – used their overrepresentation in the Council of States to their own advantage. Thus, the Council of States has often in the past played a conservative role, protecting the status quo against innovations proposed by the government and the other chamber. Yet this is an effect of the specific political composition of its majority, and not of the system itself. If the Council of States does not live up to its attributed function of representing the interests of its member states, this does not mean that it must lose its legitimacy: Conservative parties may praise bicameralism or the Council of States even more as it serves their interests. As George Tsebelis and Jeannette Money¹² found in their comparative study, the common effect of

bicameralism is a bias towards the status quo. Or, in the formulation of Thomas Jefferson: if the tea is poured from a first into a second cup, it is less hot to drink. For the Swiss system, this could mean that important role of the Council of the States, as a second 'chambre de réflexion', is to strengthen political stability and the consensual mode of politics.¹³

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, we can find that in the two phases of policy formulation and implementation the influence of the cantons is quite strong. Let us turn to the policy formulation first. In the Swiss decisionmaking process, policy formulation is tied to an extensive 'preparliamentary' 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 organisations give their views on the draft of the bill. The function of this pre-parliamentary stage is to prepare a consensus for the bill and to reduce the risk of a future defeat in a popular vote by securing participation of all societal organisations affected by the issue. Thus, when the Federal Council nominates a committee of experts to evaluate the various options of a new bill, it is especially concerned to appoint members who represent the standpoints of the different interest groups, parties and cantons affected by the proposed legislation. As Germann¹⁴ showed in his extensive study, the cantons, especially the representatives of urban regions, were called on to participate on average in more than three out of four extra-parliamentary commissions in the 1970s. A similar result can be found for the consultation procedure. On average, the cantons participate in no fewer than nine out of ten consultation procedures. 15 However, in contrast to this relatively advantageous picture of the cantons' participatory power, Gerhard Lehmbruch¹⁶ concludes that:

the cantons themselves, as institutionalized corporate actors, have no strong influence in federal policy making – contrary to some preconceived ideas. They certainly play a role in decentralized issue areas, such as education policy, and ... cantonal actors may exert some influence in specific fields, such as territorial planning, but their role is relatively marginal to the central domains of economic and social policy.¹⁷

In line with this somewhat apodictic argument, several studies conclude that not the cantons but other actors such as some of the economic interest groups and the federal agencies exert significant influence.18 This is not surprising, as we know 19 that the most important criterion for being selected to participate, and to be heard, in the pre-parliamentary procedure is the capacity to mount a successful referendum challenge. This corresponds to the main function of the preparliamentary stage to find a broadly supported compromise against which well-organised interest groups and parties will not launch a referendum. But interest groups are not always powerful. The influence of private vested interests varies significantly from one policy field to another. Thus, from a theoretical point of view, the variing relative bargaining power of private organisations and the cantons depends as well on their political capacity to mobilise a common group interest and to withhold their support.20 With such a perspective, we understand why, according to many empirical findings, cantonal influence varies despite high formal participation. Small and structurally weak cantons, on the one hand, often lack the necessary expertise to judge complex federal drafts and are in many cases restricted to expressing the opinions of cantonal interest groups. Larger cantons, on the other hand, which are equipped with sufficient administrative resources, in some cases come to play a crucial role in the pre-parliamentary process.²¹ This is particularly the case in policy fields in which the central government depends on the implementation resources and experiences of the cantons.

Co-operative Federalism

The arena with the uncontestably highest influence over the cantons is to be found in the implementation of federal policies. Today, this process is characterised by a high degree of co-operation between the subnational units and the federal government. Most federal programmes 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 co-operative federalism. In many policy fields, one of its main characteristics is the shift of basic legislation competences to the centre while the cantons regulate the implementation process and its modalities. Institutionally, it involves different levels of government co-operation in the same policy programme. 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.²² A further consequence of the strong position of the cantons during the implementation process is the absence or only very reluctant use of coercive means by the federal authorities which leads in many cases to a strong variation across the cantons in the way the processes of implementation are organised.23 Sometimes, minimal legal standards in the application of federal law can only be ensured by review through the Federal Court: a prominent case was Appenzell I.Rh. When women's suffrage was introduced in 1971 on the federal level, Appenzell men refused to implement it in their canton. It was only in 1990 by decision of the Constitutional Court that the canton fulfilled its obligation.²⁴ While the highly decentralised implementation may strengthen innovation, the system's conflict-resolution capacity, as well as its flexibility and adaptability, it does not ensure consistent policy outcomes. It weakens the centre's governance capacity. Multi-level finance compensation reduce the responsibility of one single actor. In this context academics emphasise the ambiguous function of the Swiss way of policy implementation:

The trade-off between legislative powers attributed to the center and implementing powers assumed by the cantons assures a certain power balance without which the cantons would be expected to make persistent use of their veto-power. Possible deviations of the policy outcome from the federal norms are considered to be the price to pay for the maintenance of this equilibrium.²⁵

Self-Coordination between the Cantons

Thus far, we have considered the 'vertical' instruments of Swiss federalism that concern the relations between the federation and the cantons. In this section, we give an account of instruments of self-coordination between the cantons, or of the 'horizontal instruments' of 'co-operative' federalism which allow the cantons to take collective action without the involvement of the federation. There are two types: inter-cantonal organisations and agencies, and 'concordats', a form of contractual co-operation.

The most important elements of horizontal co-operative federalism are the concordats, that is, inter-cantonal treaties functioning as instruments of regional co-operation.²⁶ The concordats allow the subnational units to regulate administrative, legislative and juridical matters among themselves. However, there are severe limits to 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. Other concordats can work with only some of the cantons participating. Whereas the eastern cantons have signed a high number of concordats, the cantons of French- and Italian-speaking Switzerland are less interested in co-operation through concordats. Nevertheless, the growing importance of this form of inter-cantonal co-operation becomes increasingly evident. Besides geographic, economic and integrationpolitical reasons, it is also related to the fact that the cantons adopt this strategy - for traditional as well as new issues - increasingly in order to defend their own competences and to prevent the imposition of a central state decree. On the whole, the effects of inter-cantonal treaties prove to be ambivalent. On the one hand, regional concordats, in particular, enable the creation of specific solutions adapted to local needs. On the other hand, inter-cantonal agreements are severely affected by their insufficient democratic legitimacy and their bureaucratic character and unwieldiness. since their success depends on the unanimity of all members involved.27

Inter-cantonal organisations play an important role as consultative institutions. They provide a forum to share experiences and to co-ordinate tasks between cantonal politicians and officials. In total there are more than 500 inter-cantonal organisations, with the Conference of Cantonal Ministers traditionally being the most influential.²⁸ In the process of European integration, the Conference of Cantonal Governments was established as yet another organisation. 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 co-ordinated definition of problems. In the 1990s, these direct negotiations between cantonal and federal executives have, especially in the issue of European integration, thrust other channels of influence into the background. To conclude, the horizontal instruments of federalism have to be judged critically. Especially in recent years it has become clear that they hardly serve as effective means to prevent new federal competences. At the same time, they impede co-ordination with the federation and are unlikely to produce viable solutions, mainly due to the increasing differences between the cantons' administrative structures and interests. Traditional weak points of horizontal federalism institutions such as their technocratic and unwieldy character further add to this problem. Nevertheless, new bodies such as the Conference of Cantonal Governments have gained importance under the pressure of European integration and have thus introduced alternative and extended forms of horizontal cooperation favouring a distinctly executive federalism.

Policy Outcomes of Swiss Federalism

General characteristics of federal policies. Comparative studies show that Switzerland has one of the lowest rates of state consumption of all OECD countries. The proportion of revenue and public expenditure between the federation, the cantons and the communes is about 30:40:30 per cent, which means the central government controls less of the public budget than all other federal countries. 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.²⁹ Representatives of this approach emphasise that counter-majoritarian institutions such as federalism and direct democracy function as particularly powerful institutional veto-points which set limits to the scope of actions of the central government. Subnational actors, on the one hand, use their veto power in order to block centralisation 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, to promote their own preferences which have not yet found a majority on the national level, or even to hand over unpopular responsibilities to the central government. In both cases, federal and subnational actors have to engage in negotiation and co-ordination processes in which the lowest common denominator between many actors has to be sought. If subnational units have heterogeneous interests and resources of their own, federalism tends to favour decentralised 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.

Such effects can be demonstrated in particular by looking at the development of the Swiss welfare state. In his study, Herbert Obinger³⁰ comes to the conclusion that the close interplay between direct democracy and federalism generated three major effects on 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 competences 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.

Secondly, the lack of comprehensive federal social policy induced by the defeat of several social policy projects was compensated by private welfare organisations. Since the federation's policies were vetoed, the central government, as well as the cantons, began to subsidise the social security programmes of these private carriers. This led to the emergence of a peculiar public-private mix in the field of social policy.³¹

Third, the federal government had only limited fiscal capacity and a narrow tax basis which reduced its ability to fund welfare state programmes in a generous and constant way over a longer period of time. Political scientists and economists generally agree that the institutional veto points of direct democracy and federalism were the decisive factors that set limits to the expansion of public policies, confined centralisation and hindered expansive public spending as well as high taxes in the federal system.³²

Implementation of federal policies: the structural factor. High subnational autonomy implies numerous responsibilities of the cantons in the implementation of federal policies. These responsibilities are the same for all cantons. But the cantons differ in population size. The needs as well as the capacity to implement ecological standards are not the same in Uri with its 30,000 inhabitants as in Zurich with its population of more than one million. Thus, in many cases administrative federalism results in lax and inconsistent implementation of policy standards because small cantons in particular are not sufficiently equipped with financial, personnel and administrative resources to fulfil these tasks.³³ Moreover, we find considerable differences of socio-economic development between 'poor' and 'rich' cantons. To a certain extent, economic deficiencies as well as lack of cantonal capacities to implement federal policies are compensated for by a complex system of financial perequation. This explains why transfers to the cantons occupy a comparatively high proportion of the federal budget.

Implementation of federal policies: the political factor. Unequal capacities are not the only reason for inconsistent federal policy outcomes in the cantons. New case studies³⁴ have confirmed the earlier results of Wolf Linder³⁵ 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 'co-operative federalism', the level of consensus can be different at the federal and the cantonal level. Innovations of federal programmes, even though supported by a high federal consensus, can be compromised through cantonal vetoes. But certain cantons may have

strong preferences for their own innovations which do not find a majority at the federal level. This leads to different implementation chances of federal policies that can be conceptualised in Figure 1.36

Field I is the least problematic: under the condition of high consensus on the federal and cantonal level, policy programmes are implemented with a high rate of success. There is ample empirical evidence that under this constellation the system of 'co-operative federalism' can prove its qualities: the cantons compensate for eventual weaknesses of 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 some 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 programmes or employment programmes for refugees depends less on the housing or job market of a canton than on the strength of political parties for or against these programmes.³⁷ One could say that this field shows the critical weakness of a federal system in which even clear decisions of the central government cannot overcome subnational veto positions – as in the abovementioned Appenzell case of women's political rights.

Field III is characterised by 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 insufficient power to overcome subnational vetoes. On the other hand, one could argue that it is precisely 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 1980s in the conflict over continuing or stopping nuclear energy, it was some cantons that developed different pilot programmes of energy saving. This was a highly innovative process in which pioneer cantons with similar preferences

FIGURE 1
CONSENSUS CONSTELLATIONS AND IMPLEMENTATION CHANCES

	Cantons: Strong consensus	Cantons: Weak consensus
Federation: Strong consensus	I Full implementation	II Partial implementation of federal programme
Federation: Weak consensus	III Deviation from federal programme	IV Poor or no implementation

were engaged in a co-operative learning process that prepared for a consensus on the federal level.

Field IV finally is characterised by weak consensus on both the federal and the cantonal levels. 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 élites. 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.

Federalism and the Solution of Multicultural Conflicts

The constitution of 1848 replaced old historical treaties for mutual assistance between the cantons by a modern common government. Yet at that time the cantons were deeply divided by four different languages, two religions and ethnicity. A 'Swiss society' barely existed; the constitution of 1848 consequently speaks of the 'peoples of the cantons'. Federalism, therefore, has been the structural element of power-sharing that offered the societies of the cantons the utmost autonomy for keeping their own government, ample opportunities to live differently and to maintain their regional tradition and culture as well. In the last 150 years, the cleavages of religion and language have cooled. To a large extent, Swiss society is a product of its political institutions, which led Karl Deutsch³⁸ to speak of a 'paradigmatic case of political integration'.

Today, the peaceful solution of multicultural conflicts and the integration of fragmented societies is one of the most difficult problems in many countries world-wide. 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. Lijphart, in his seminal work on power-sharing, insists that consensus democracy is superior to the majoritarian model when it comes to the solution of conflicts in culturally divided societies.

With regard to federalism – which can be seen as the structural part of power-sharing – other theorists are not so shure as to its good effects on the solution of multicultural or minority conflicts. They argue: (a) 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; (b) that 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; and (c) that federal systems of segmented societies with few subnational units – such as Belgium or the former Czechoslovakia – are unstable.⁴⁰

The first argument is valid also for the Swiss case. Many minorities - the Jews, the foreigners (which account for 20 per cent of the population), or gypsies were never protected by Swiss federalism. Moreover, federalism protects the Swiss linguistic minorities only on the national level, where the authorities accept the four languages of German, French, Italian and Romanisch as equal. A German speaker in 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 mentionend in the other arguments? According to Jörg Steiner⁴¹ and Wolf Linder,⁴² we find three factors generally favourable to minority protection in federal systems. Firstly, linguistic, ethnic and religious segmentation, until recently, was characterised by not too many, and not too small minorities. Secondly, economic, religious and linguistic fragmentation of the cantonal societies did not coincide socially or geographically. Some German-speaking cantons are mainly Catholic, some Protestant. There was only one case, the region of the Jura, which was poor, French-speaking and Catholic, and which felt discriminated against by the mainly Protestant, German-speaking and rich canton of Bern. Here, three cleavages coincided socially and geographically. This explains why the Jura is the sole case of a secession in the Swiss federation: after long political struggles, the Jura became an autonomous canton in 1978. Thirdly, in many cantons, there was no clean geographical separation of religious or linguistic 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 different religious and cultural groups: A liberal French-speaking politician in the canton of Valais is in a minority position in questions of party politics but belongs to the linguistic majority in his canton. As a member of the National Council, however, he 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. Co-operative federalism implies a constant process of negotiation. As coalitions change from one question to the other, the different actors need each other and have to accept each other. This favours win-win situations, learning processes and coexistence.

Thus, we can conclude from the Swiss case that structural federalism can indeed be favourable to peaceful solutions of multicultural conflicts, but only under specific circumstances.

COMPARATIVE ANALYSES OF POLITICAL INSTITUTIONS AND OUTCOMES AT THE CANTONAL LEVEL.

Institutional Characteristics of the Cantons

Swiss cantonal systems, developed and refined over the past 170 years, represent a mixture of different, sometimes opposing, elements of direct and representative democracy. Strong cantonal executives, elected by the people, are more independent from their parliaments than on the federal level. Further characteristics of the cantonal institutions are the decentralised organisation of the cantons that have a high degree of local autonomy, well-developed popular rights with various kinds of initiatives and referendums, all-party executives, non-professional and weak parliaments compared with government and administration. The combination of these elements allows Swiss cantonal political systems to be described as power-sharing or consensus democracies with the features of a strong direct democracy. However, important differences exist among the language regions: both direct democracy and local autonomy are less developed in the French-speaking region than in the German-speaking one.⁴³

At the federal level, the structure-building function of the optional referendum has been described most convincingly by Leonhard Neidhart.⁴⁴ This fundamental finding is even today generally regarded as one of the most important, but not the only explanation, for the development of powersharing structures on all levels in the Swiss federation.⁴⁵ Little attention has been given, however, to the compensatory power-sharing functions of optional referendums and initiatives which take effect in established consensus democracies. Under these conditions optional referendums and initiatives function as substitute power-sharing instruments for insufficiently integrated minorities. A comparative analysis of the Swiss cantons⁴⁶ shows the following interdependence: the less 'perfectly' a consensual system is organised, the sooner optional referendums and initiatives will be used by underrepresented minorities as alternative instruments to power-sharing. Or, in other words, the more inclusive the government coalition and the greater the local autonomy of the population, the less opposing popular rights are used. However, in cantons where the parliament is elected by a majority rule and high electoral thresholds apply, popular rights are not used more often than in cantons with purely proportional representation and low electoral thresholds. This finding, surprising at first, is actually quite plausible when given further consideration. Moreover, it is even possible that such a result actually

complements the findings of comparative democracy research. According to Linder,⁴⁷ influence by means of referendum is maximised in consensual systems with direct democracy, while at the same time the importance of elections is minimised due to the impossibility of a transfer of power. The low salience of parliamentary elections in the semi-direct consensual democracies of the cantons helps to explain why the proportionality effect of the electoral system, a basic element of power-sharing in representative democracies, does not have any influence on the use of optional referendums and initiatives.

The 26 cantons also provide an excellent opportunity to test the impact of direct democracy on political parties. The often-cited thesis that direct democracy weakens political parties cannot be maintained after carrying out a comparative analysis of the 26 Swiss cantons.⁴⁸ In cantons with an extensive use of referendums and initiatives, political parties are not weaker than in cantons with a low record of popular people's participation. On the contrary, direct democracy seems to lead to more professional and formalised party organisations. It is true, however, that in cantons which favour direct democracy, party systems are more fragmented and volatile and small parties receive a larger share of the vote. An empirical examination of the causes of such party fractionalisation in the two dozen cantons shows that the number of parties at the sub-national level is on the one hand a function of the religious heterogeneity of the cantons, and on the other hand a function of the effective electoral threshold.49 Furthermore. socio-structural characteristics, such as urbanisation and population density, are a predictor both for the number of parties and the use of the popular rights.50

Policy Output and Outcomes

Earlier studies indicate that the differing sizes of the cantons have a strong influence on the way in which policies are developed and implemented.⁵¹ As the population size of the cantons varies from one million to 20–30 thousand, this finding is not surprising. Whereas large cantons with professional and sophisticated administrative structures have been able to handle new and complex tasks (such as environmental protection), small cantons with little technical, organisational, professional and financial resources, not to mention part-time elected officials, have been overwhelmed. For an effective implementation of policy, three strategies remain for small cantons. The first is co-operation with other cantons, which offers economies of scale. The second concerns outsourcing: small cantons buy complex public services from bigger cantons able to produce them in sufficient quality and quantity.

The third, more often used in the last decade of liberalisation, applies to the privatisation of public services. These three strategies helped to maintain a highly decentralised system of cantonal policies, for instance in education and public health. But large cantons set the standards and take on a pioneering role which leads to their political predominance and market strength, while the small cantons are forced to find external support and are thus less autonomous. In this way it becomes clear that the practical meaning of cantonal autonomy depends on resources and capacities.

In general, the price to pay for a decentralised political system is in inequality of public goods. Swiss federalism tries to compensate for this by setting federal minimal standards and by a broad system of financial compensation between the federal government, the cantons and the compensation between the federal government, the cantons and the communes. Education is a good example. The cantons have the main responsibility for education, but, since the nineteenth century, the federal constitution has required that the cantons provide sufficient basic education. This obliges the cantons to offer a minimum number of years' schooling free of charge but compulsory for everybody. This particular federal standard greatly influenced the evolution of the Swiss educational system, and the provision of equal, basic education became the common concern of all cantons. In higher education, however, great inequalities existed. In the 1960s, the federal government begun to subsidise higher education in the cantons. The federal objective to give talented students from rural areas a better chance at higher education was only partly successful. While the development of a decentralised system of cantonal schools has facilitated access to higher education in peripheral regions, social inequalities still persist. An illustrative example of this is gender. While in urban cantons such as Geneva, Basel and Zurich the percentage of women getting degrees of higher education is sometimes higher than that of men, women's proportion in small rural cantons such as Nidwalden, Obwalden and Appenzell Innerrhoden is often less than half that of the men. As in every country, social differences in access to higher education are more difficult to overcome than barriers set up by geographical boundaries. For Swiss federalism, we have to add the fact that regional equality is considered politically to be a more salient issue than equality between the social strata.

The above example illustrates that the implementation process in the cantons depends not only on the various administrative capacities and social structures, but on political intentions as well. As shown earlier, the implementation of federal government programmes cannot be taken for granted and consensus is required at different levels of government (see Figure 1). Programmes almost unanimously welcomed by the Federal

Assembly may be controversial in certain cantons. For example, an analysis of federal housing-programme subsidies in the 1980s has shown that money was not spent where housing was most needed, but in cantons where political forces willing to protect tenants were the strongest.⁵² Another example is the implementation of the federal regulation limiting the acquisition of land and real estate by foreigners. Whereas in some cantons the sale of land and houses to foreigners stabilised or even fell, it rose sharply in others. 53 In some cantons the objectives of the federal law coincided with the canton's own strategies, as in Lucerne, which wanted slow and gentle development of tourist sites. In other cantons, such as Valais, the objectives of the federal regulation were compromised because the Valaisans needed foreign capital to finance their plans for the development of new tourist sites. Today, similar observations can be made on the implementation of a federal law restricting access to the labour market for asylum seekers.54 All these cases, illustrate that the federal government has only limited influence on the cantonal governments to comply with federal law. The cantons, making use of their powers of legislation and implementation, are able to adapt the federal law to their own political needs.

Effects of Direct Democracy

Let us turn finally to the effects of direct democracy on the social and economic performance of the cantons. Unfortunately, there has been little research done by political scientists on this issue. A few economic studies have examined whether direct democracy would have a positive or a negative impact on economic growth and fiscal performance in Swiss cantons and cities. Most of these empirical studies at the sub-national level find empirical evidence that the institutions of direct democracy lead to positive outcomes. Gebhard Kirchgässner, Lars Feld and Marcel Savioz⁵⁵ conclude that public expenditures have lower growth rates in Swiss cities that have a well-developed direct democracy. Werner Pommerehne and Hannelore Weck-Hannemann⁵⁶ demonstrated that the willingness to finance government is higher and tax evasion is lower in cantons with more rights of direct participation of the people. Feld and Savioz⁵⁷ recently presented empirical evidence that cantonal systems which favour direct democratic elements have better economic performance than cantons which are based on a more representative democracy. These empirical studies have certain shortcomings in the fact that the validity of measuring direct democracy is questionable and that they omit some important control factors, not to mention their use of simple theoretical assumptions. To a certain degree, these studies stand in strong contrast to other studies by Swiss economists

which ascertain that direct democracy is the main reason behind Switzerland's slow economic growth.⁵⁸ However, they confirm the veto player thesis⁵⁹ that direct democracy is an effective counter-majoritarian institution against public spending, taxation and public debt.⁶⁰

IS THERE A NEED FOR AN INSTITUTIONAL REFORM OF SWISS FEDERALISM?

For some scholars, the 150-year-old institutions of Swiss federalism and the unbalanced resources and sizes of the 26 cantons are at the roots of an inconsistency of policy outcomes, a weak centre's capacity for governance, a systematic bias for the status quo and a weak innovation record of Swiss politics. It is therefore not surprising that the call for reforms to Swiss federalism has grown louder in the last few years. There are four fundamental reform strategies that will be discussed here in brief.

The Territorial Reform Strategy

Reducing the number of cantons. As many problems of federalism are due to the fact of too many small units, the advantage of merging the cantons of fewer and more homogeneous units seems reasonable. In order to ensure that Swiss politics are democratic, effective and 'Europe-compatible', some critics call for, above all else, a fundamental change in the basic structures of Swiss federalism, namely the rearranging of the borders of the component units and creating larger functional regions. René Frey,61 for example, proposed the replacement of the 26 cantons by six or seven regions, each with more or less the same population size and economic power. This proposition seems promising from an economic viewpoint in that it would allow for economies of scale, reduce unnecessary redundancy as well as improve the competitive position of the Swiss member states against other European regions. However, this reform of Swiss federalism could disturb the long-standing balance of power among the cantons and between the sub-national units and the central government. Their selfprotection as a cultural and regional minority would suffer. Furthermore, there are also economic arguments against the reduction of the number of member states, such as the increased planning costs and a lower competition among cantons, which restrict organisational and political innovation.

Creating new political bodies for urban regions. The migration of people from rural regions to the cities significantly shifts the demographic structure of the cantons, regions and communes. Old cities have been transformed into

urban regions or agglomerations in the last 50 years which cross traditional communal boundaries and are composed of central cities with around 30 or more peripheral communes. There is no political body for the common needs of their inhabitants. Agglomerations constitute, in some way, the 'lost dimension' in Swiss federalism. In some agglomerations, the administrative co-operation among big cities, the canton and peripheral communes works well, in others it fails. The shortcomings of merely administrative cooperation lie in the fact that political conflicts cannot be resolved because of too many veto positions. Moreover, there is no planning authority for the agglomeration as a whole. Should there be a metropolitan authority for all shared services and public goods in urban areas? There is a strong theoretical argument for it in the idea that electoral and fiscal responsibility for a public good should coincide with those who benefit from it. In Switzerland, the idea of a political statute for agglomerations runs counter to the tradition of local autonomy. One could argue that the country does not need a fourth tier in a federal system that is already too complex. But the problem remains. European urbanisation is transgressing national boundaries and pushing for larger dimensions. This pressure will probably help the Swiss in finding their own solution. Such institution-building could occur in one of two ways: either the cantons and communes will see a revitalisation of historical districts, with the advantage that the old geographical patterns will be able to be utilised. Or a consolidation of urban government will be achieved by the statutory creation of a special region as is the recent attempt in the Fribourg canton. Urban regions can be designed effectively to cover the common geographical range of public goods, yet they may be considered artificial because their boundaries do not represent patterns of common political culture or reflect a sense of political community. If both methods are unsatisfactory, a third option has been proposed for the agglomeration of Berne. 62 It consists of a flexible organisation in which only those communes that are willing to share part of their facilities and public services co-operate. Prices for common public services are higher for non-members than for members. Thus, the organisation helps to keep eventual benefits of cooperation among members and creates incentives for initial non-members to become members.

The Sisyphus of Functional Reforms: Clear Separation of Responsibilities and Powers

Since territorial reforms are politically difficult and otherwise not very feasible, theorists and politicians prefer another strategy: functional reform, which is currently sought in two different ways.

Separation of powers and responsibilities. The current networks of fiscal federalism and political co-operation between the cantons and the federal government are complicated, not transparent, have many dated incentives and weaken political responsibilities. These disadvantages of co-operative federalism are not recent. The federation and the cantons therefore sought ways and means to separate powers and responsibilities over the last 20 years. In theory, a clear separation of responsibilities offers considerable advantages. It allows for financial equivalence of public goods, which means a clear definition of identical groups of payers and users, and minimises externalities if responsibilities follow the classic principle of subsidiarity. In practice, however, all political reforms for a clear separation of responsibilities have failed. There are several reasons for this. In the small-scale geography of Swiss federalism, spillovers of most cantonal policy programmes are unavoidable. Factual interdependence between federal and cantonal responsibilities cannot be cut off.⁶³ Finally, every federal system has in-built incentives for shared financing of political programmes. Therefore, the separation of responsibilities is like the rock of Sisyphus which, after being pushed up, rolls down the hill again.

Intensifying co-operation. If one accepts the fact that territorial reforms are impossible and the success of the separation of responsibilities is limited, one can try to make the best of handling the interdependencies. This means trying to find better forms of co-operation between the federation and the cantons and among the cantons themselves as well.

Institutional Reforms: Finding a New Balance between Democracy and Federalism

The growing differences in population size between cantons due to migration from rural to urban cantons has led to the imbalance between federalist and democratic principles. A group of small cantons that represent less than a quarter of the people can block decisions of national importance both in all legislation taken by the Council of States or in cases of constitutional amendment, requiring the double majority of the cantons and the people in the popular vote. This double-majority requirement is especially in need of reform. While favouring small rural, more conservative and German-speaking cantons, the language minorities are not protected at all by this federal institution. Moreover, the double-majority requirement prevents important innovations and policy reforms at the federal level and makes the international integration of Switzerland very difficult. This can be illustrated by the referendum on Swiss membership in the

European Economic Area in 1992, where only 50.3 per cent of the voters but 19 cantons rejected the treaty: 30 per cent of all votes, coming from the small cantons, were enough to block the project. For the approval of the treaty, however, a very strong majority of 55–60 per cent of the people would have been necessary to reach a minimum majority of 12 cantons. It is therefore evident that future government proposals to join the European Union will encounter particular difficulty when it comes to the popular vote.

Evidently, one of the main reasons that the principle of federalism has an increased weight in comparison to the democratic majority rule is the migration among cantons. Then why not reassess the relative importance of federalism and democracy? Why not go back to the equilibrium of 1848 for instance? Solutions could be found by redistributing the votes of the cantons in referendums with the double-majority requirement. Given the increasing difference in the population size of cantons, one could give large cantons three votes, the medium-sized cantons two votes and the small cantons one vote. Another possibility consists of introducing new majority rules. One could propose that only a qualified majority of two-thirds of the cantons can block a democratic majority. While these propositions for reform appear efficient, their introduction will lead either to the de facto suppression of the double-majority rule or - by using weighted cantonal votes - to a violation of the federal principle of equal representation of cantons. Alternatively, one could argue for a 'qualified popular majority' rule: a strong popular 'yes' of 55 or 60 per cent, for instance, could wipe out a 'no' from the cantons. 64 Even simpler is the proposition that in cases of a collision between the democratic and federalist majority, the 'stronger majority' (that is, the majority with the larger share of 'yes' votes) would be decisive. 65 Furthermore, one could also imagine rules for a division of power that would allow the federation to undertake new activities without amending the constitution in every single case. Despite all these propositions, one should not forget that they all have a catch: changing the rules of the game has to be done under the existing rules of federalism, and there is no reason for minorities to renounce their long-held minority rights when asked to do so.

New Actor Strategies instead of Institutional Reforms: Changing the Players rather than the Rules of the Game

Many transformations of Swiss federalism in the last 100 years took place without institutional reforms. Sonja Wälti⁶⁶ especially points out that the cautious use of federal control over the cantons, and, conversely, the renunciation by the cantons of the use of potentially powerful institutions to exert influence over central decisions (cantonal referendum, summoning of

parliament) are due to the dominant strategies of decision-makers rather than a change of the institutional framework. Therefore, she comes to the conclusion that:

an institutional reform of the federal configuration in Switzerland does not appear to be very promising. On the contrary, institutional reforms of federalism do not seem necessary nor are they necessarily suitable in order to accomplish better policy outcomes and the desired increase in the centre's governance capacity. In other words, the game can be influenced by changing the players rather than the rules of the game.⁶⁷

Promising alternatives to institutional reforms in her mind are, on the one hand, more central intervention in the implementation process as well as a more extensive use of instruments of surveillance. On the other hand, Wälti proposes direct payments and assistance in the policy implementation of the federal government for the cantons with less financial and bureaucratic resources. Finally, she calls for the better integration of cantons in the entire policy formulation process, including the pre-parliamentarian stage, in order to reduce the danger of a successful veto in the final decision.

CONCLUSION

Our short overview of four reform scenarios shows that improving federal governance can be made from very different approaches and perspectives. Most proposals signify a radical change of federal traditions. The political feasibility of reform projects such as reducing the number of cantons, making a clear separation of responsibilities and powers is low. Thus, federal reforms will most probably be limited to less incisive measures. Each approach makes specific contributions to the sensible further development of Swiss federalism and can lead to improved governance in Switzerland. However, the possibility of implementing such radical federalist reforms is low. While radical reform projects such as the rearranging of cantonal boarders, making a clear separation of responsibilities and powers or making institutional changes, in the end cannot fail due to strong federal powers, less considerable, such as the intensification of co-operation or improved utilisation of existing instruments, are more uncertain. As Ulrich Klöti68 points out, this means pragmatic and punctual adaptations. Unfortunately, this also means that Swiss federalism has to live with shortcomings that can easier be identified in theory than in practice.

NOTES

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- 2. The majority of the people is calculated from the votes of all Swiss people voting. The cantonal majority is calculated on the votes of the people of every canton. On this basis, each of the 20 'full' cantons counts for two votes, each of the 6 'half' cantons for 1 vote. Thus, a cantonal majority is reached with 12 votes.
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- 66. Wälti, 'Institutional Reform of Federalism'.
- 67. Ibid., p.134.
- 68. Klöti, 'Regieren im verflochtenen dreistufigen Föderalismus', p.28.