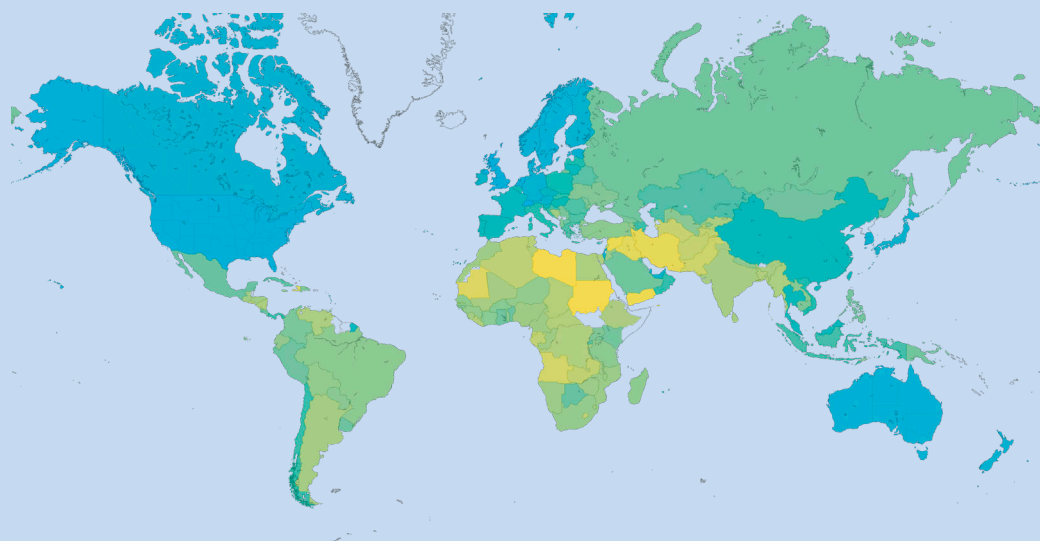


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ELITE QUALITY REPORT 2021

Switzerland: COVID-19 challenges a political economy tuned for high value creation

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Switzerland: COVID-19 challenges a political economy tuned for high Value Creation

Switzerland's high Elite Quality scores are not surprising (EQx rank # 2): the country is one of the wealthiest in the world with a strong international orientation; its citizens enjoy not only stability and a high quality of life (as measured, for example, by life-expectancy: LEW, iii.7, rank # 4 & LEM, iii.7, rank #1) and environmental conditions (EPI, iii.9, rank # 1). They also have a large and direct say in the political economy due to strong democratic institutions, which prevent elite businesses from Value Extraction.

The more interesting question is whether the Elite Quality construct has explanatory power for a country's performance during crises such as economic recession or the current pandemic. While Switzerland escaped the effects of 2008 Financial Crisis quickly and surprisingly undamaged, especially considering its large banking sector, the mediocre scores directly related to the pandemic (*COVID age-adjusted excess deaths*, COV, iii.7, rank # 25; *COVID age-adjusted fatalities*, COF, iii.7, rank # 25 & *COVID growth differential*, CGD, iii.7, rank # 103) convey a different message. Switzerland's COVID-19 death rate has been relatively high, and its economic performance mixed (though the latter is probably too pessimistic an assessment, especially for the long-term recovery).

The contrast between the 2008 Financial Crisis and the onset of the pandemic is more nuanced, however. Adequate responses to both crises required speedy decisions, effective measures and bold moves (such as bailing out a huge bank). Switzerland managed the first wave of the pandemic very well, bringing case numbers down quickly despite looser lockdown measures than surrounding EU countries. Simultaneously, well-designed economic support packages and the extension of established social insurance schemes, including for part-time work, kept the economic damage at bay.

Such a quick and adequate reaction would not have been possible without the high level of trust that political and economic decision-makers enjoy, which is mirrored in the EQx pillars (Political Power, i, rank # 9; Economic Power, ii, rank # 15; Political Value, iii, rank # 1 & Economic Value, iv, rank # 2). One should add that in Switzerland, the population itself is a separate elite category. As an implicit and explicit decision-maker, the Swiss citizen significantly contributes to the success of crisis management measures (e.g., by strong adherence to regulations).

In the medium term, however, the outlook is more complex. During the 2008 Financial Crisis solutions were based on well-established procedures, but business as usual does not work in a pandemic. That is especially true if there are significant regional and intertemporal spillovers. Switzerland's direct democratic institutions produce a high level of inclusion and legitimacy (as reflected in the Political Power rank of # 9), but both of these qualities come at the cost of speed and agility. In the current crisis, the culture of avoiding political mistakes might have led to missteps (such as imposing a shutdown instead of a lockdown at too late a date during the second wave). Most disappointingly in terms of economic Value Creation and elite business models, the 'laboratory' of Switzerland has produced little in terms of innovation to address the pandemic.

In the near future, the EQx paints a brighter picture. As is already apparent, Switzerland's economy is recovering quickly due to its high degree of Creative Destruction (ii.6, rank # 9) and overall strong Economic Value performance (iv, rank # 2) which is mirrored by its top ranking in openness for business (OFB, iv.10, rank # 1), R&D activities (RDR, iv.10, rank #1) and a low level of import protection (IPM, iv.10, rank # 1). What also stands out is that economic benefits are shared with workers (Labor Value iv.12, rank # 7). It is to be hoped that the disruption and loss of trust apparent in the second and third waves of the pandemic do not jeopardize the important economic and political values upon which Swiss elites have built inclusive and Value Creation business models.

Prof. Monika Bütler,
Independent Economist

Switzerland

EQx2021 Country Scorecard

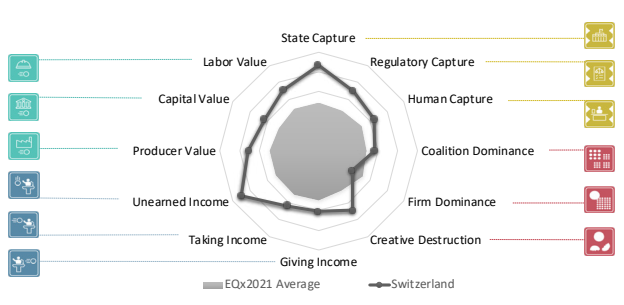
Population **9 million**
 GDP (nominal) **703 billion USD**
 GDP per capita **81'994 USD**



Level 1 - Index	EQx Rank / 151 2	EQx Score 67.6	Very High Quality Elites
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Level 2 - Sub-Indices & Index Areas	EQx Sub-Indices				EQx Index Areas							
	Power		Value		Political Power (i)		Economic Power (ii)		Political Value (iii)		Economic Value (iv)	
	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score
	11	64.7	2	69.1	9	74.8	15	59.7	1	69.9	2	68.7

Level 3 - Pillars		Rank / 151	Score
Political Power (i)	State Capture	1	86.8
	Regulatory Capture	22	70.4
	Human Capture	28	64.9
Economic Power (ii)	Coalition Dominance	42	56.7
	Firm Dominance	138	39.4
	Creative Destruction	9	69.2
Political Value (iii)	Giving Income	16	60.8
	Taking Income	11	63.8
	Unearned Income	1	90.4
Economic Value (iv)	Producer Value	2	71.1
	Capital Value	14	63.6
	Labor Value	7	71.4



Level 4 - EQx Indicators		Rank / 151	Score
State Capture (i.1)	COR Political corruption	4	90.4
	MOB Social mobility	51	55.9
	PDE Political decentralization	1	100.0
	ADE Administrative decentralization	1	98.5
	PGL Political globalization	8	86.8
	WPI Women's Power Index	15	87.2
	RTC Government's responsiveness to change	12	88.9
	EPR E-Participation Index	18	78.2
	PFDP Press freedom	8	90.4
	COC Control of corruption	1	100.0
Regulatory Capture (i.2)	DBI Institutional quality	33	72.1
	CRO Crony capitalism	49	49.1
	PMI Protecting minority investors	89	44.3
	ECR Ease of challenging regulations	1	100.0
	EDB Digital institutional quality	8	71.9
	PRI Property rights	8	90.7
	GSI Global Slavery Index	19	68.1
	WBL Women, business and the law	45	63.8
	LIN LGBT+ Inclusiveness	36	68.0
	GRI Religion - Government Restriction Index	48	63.4
Human Capture (i.3)	SHI Religion - Social Hostilities Index	108	38.0
	WSB Women self made billionaires	5	78.1
	HRI Human Rights Index	11	92.4
	FDP Forcibly displaced population as % of population	1	56.2
	AFI Academic Freedom Index	9	77.0
	IEE Top 3 industries exports as % of GDP	19	50.8
	ECI Economic Complexity Index	1	100.0
	IVA Top 3 industries as % of VA	65	37.3
	CON Construction as % of GDP (dev. fm optimum)	29	53.7
	MIL Military expenses as % of GDP (dev. fm optimum)	110	37.9
Coalition Dominance (ii.4)	UNI Unionization rate (dev. fm optimum)	25	63.3
	CBC Collective bargaining coverage	40	40.2
	BSN Barriers in service & network sectors	12	67.2
	PRO Top 10 firms profitability	84	50.7
	SME SMEs per 1,000 people	22	51.0
	BIW Billionaires' wealth as % of GDP	140	16.4
	FKG Top 10 firms market cap as % of GDP	63	40.5
	FRG Top 3 firms revenues as % of GDP	82	40.3
	FRR Top 30 firms revenues as % of GDP	66	22.3
	TUL Listed firms turnover, long run 15 years	30	20.7
Firm Dominance (ii.5)	TUS Listed firms turnover, short run 3 years	26	33.6
	ENT Entrepreneurship	1	100.0
	YCK Venture capital finance	12	76.2
	RND R&D as a % of GDP	28	70.1
	ENR Firm entry ratio	28	70.1
	EXR Firm exit ratio	3	82.2
	BCD Billionaire's creative destruction	42	38.7
	IWE Index of Women Entrepreneurs	3	82.2
	VCA Venture capital availability	13	88.8
	GSE Governmental support to entrepreneurship	10	84.2

		Rank / 151	Score
Giving Income (iii.7)	SNT Subsidies and transfers as % of expenses	105	7.0
	REG Regional redistribution as % of government budget	112	28.5
	EDU School life expectancy	23	66.8
	GPS Expenditure on general public services as % of GDP (dev. f	18	62.7
	INT Internet access	11	81.3
	NRI Network Readiness Index	5	97.0
	LEW Life expectancy women	4	82.8
	LEM Life expectancy men	1	88.1
	FSQ Global Food Security Index - availability, quality and safety	8	86.3
	COV COVID-19 excess deaths, age-adjusted	25	53.5
Taking Income (iii.8)	COF COVID-19 fatality rate, age-adjusted	25	60.9
	CGD COVID-19 growth differential	103	51.9
	COM COVID-19 mortality rate, age-adjusted	97	33.4
	CLS COVID-19 lost schooldays	1	100.0
	OSI Online Service Index	35	73.0
	DCT Corporate tax rate (dev. fm optimum)	114	29.6
	HOM Homicide rate	12	79.0
	INE Top 10% share of pre-tax national income	10	86.1
	FDE Fiscal decentralization	9	75.4
	DTR Tax revenue as % of GDP (dev. fm optimum)	11	78.0
Unearned Income (iii.9)	BRD Battle-related deaths per 100,000 people	1	53.8
	GCI Global Cybersecurity Index	37	74.6
	SUI Suicide rate per 100,000 people	135	17.9
	SUB Death rates from substance use disorders per 100,000 pe	94	54.4
	OCR Organized crime	10	85.4
	DUT Dutch disease propensity	1	100.0
	EPI Environmental Performance Index	1	100.0
	DBT Government debt as % of GDP	15	71.1
	TRF Trade freedom	12	76.2
	FDI FDI net inflows as % of GDP	94	42.8
Producer Value (iv.10)	BTF Barriers to FDI	47	55.0
	EGL Economic globalization	1	95.8
	HEI Health Efficiency Index	17	65.8
	OFB Open for business	1	100.0
	ESG ESG company scores	6	70.9
	RDR R&D as % of revenue Top 10 firms	1	100.0
	FSA Global Food Security Index - affordability	17	74.5
	PAT Number of patent applications per 100,000 people	37	44.0
	IPM Share of imports targeted by protectionist measures	1	60.7
	DGI Share of discriminatory government interventions as % of	35	77.5
Capital Value (iv.11)	DNI Neutral interest rate (dev. fm optimum)	14	57.0
	DOI Inflation (dev. fm optimum)	89	55.9
	GOL Gold demand as % of GDP	20	34.9
	DMA M&A as % of investment - 3 yrs. rolling average (dev. fm. c	63	42.5
	DKI Delta capital gains tax vs income tax	85	23.5
	UNC Unicorns per 1 million people	1	100.0
	BSG Billionaires self-made number per 1 million people	1	100.0
	BSM Billionaires self-made as % of total billionaires	39	43.5
	FMI Financial Markets Index	1	100.0
	UEM Unemployment rate	41	56.2
Labor Value (iv.12)	LFP Labor force participation rate	39	64.2
	WLP Delta real wage vs labor productivity increases	2	79.1
	LDR Labor dependency ratio	10	76.7
	YUN Youth unemployment rate	45	66.1
	GWG Gender wage gap	39	64.4
	BRN Net brain drain	3	92.2
	LFR Labor force participation ratio - male vs female	37	67.0

The Elite Quality Report 2021 (EQx2021) provides Country Scores and Global Rankings for 151 countries
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