

Swiss Franc and Euro

The Economist¹ asked which Swiss lessons could be made for the Euro zone.

There exist similarities, but also differences between Switzerland and the European Union (EU). On the one hand, Switzerland and the EU have different religions, languages and cultures. Both have a Germanic north and a Latin south.

On the other hand, apart from different sizes, many differences exist:

	Switzerland	European Union
1	The Swiss Franc was introduced after centuries of a political union.	The Euro was introduced before a future political union.
2	All three levels of government (confederation, cantons and communes) decide on taxing and spending, usually by referendums, but restricted by balanced budget-rules. The budget of the confederation is at 11 % of GDP.	The fiscal policy is made by the member states , restricted by a fiscal pact. The budget of the EU is at less than 1 % of GDP.
3	There exists a transfer system from rich to poor cantons, according to the tax base (not actual taxes or spending).	There does not exist such a transfer system. The aid to poorer regions is made by agricultural subsidies.
4	Switzerland is a single market : Free movements of people, goods, services and finance. The single market works fairly well.	The aim of the EU is to be a single market. In reality, borders exist: Unemployed people in the south do not move easily to the north.

¹ Charlemagne, Hail Helvetia, The Economist July 19th 2014, p. 29