

3RD POLISH LAW & ECONOMICS CONFERENCE

Fiscal Legal Framework in Switzerland: Lessons for Poland

Jarosław Kantorowicz¹

(University of Hamburg, University of Bologna, Erasmus University of Rotterdam; European
Doctorate in Law & Economics)

Abstract

This essay looks at fiscal legal frameworks from the law and economics perspective with a special focus on Switzerland. It documents the fiscal performance of Switzerland during the last 20 years. After the soaring debt ratio in 1990s, Switzerland was able to reduce significantly its indebtedness in the last decade. This is in contrast to the majority of OECD countries. Improvement of fiscal stance in Switzerland was due to the successful operation of a fiscal rule called debt brake. The rule was enshrined in the Swiss Federal Constitution after its approval in a referendum in 2001. This guaranteed the rule's prestige and ensured credibility. The debt brake à la Swiss explicitly determines the expenditure according to revenue adjusted for economic conditions. It further implies the nominal debt to be stable and debt ratio to decrease over time. Recently Swiss fiscal rule has gained international recognition. Germany used it as a benchmark for fiscal framework reform in 2010. Since the current fiscal institutions in Poland are not able to promote satisfactory budget performance (i.e. the general government deficit in Poland reached 7.8% of GDP – the highest level since 1991), the introduction of the Swiss rule with its institutional specifications should be considered also in Poland.

¹ E-mail: jaroslaw.kantorowicz@edle-phd.eu