

Economic policy action plan to tackle the Corona crisis

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At a glance

There is still a long way to go, but Switzerland is gradually returning to normality. In the coming months, all efforts will be focused on preventing a second partial lockdown. In addition, the costs of the crisis must be managed without endangering the country's prosperity. *economiesuisse* has developed a comprehensive action plan showing how these goals can be achieved.

The Corona pandemic hit Switzerland with full force. During the Corona crisis, government interventions and financial support measures for the economy have reached a level, the country has not experienced since the Second World War. After the phase of emergency measures, Switzerland will now enter a phase of "limited normality", with fluctuating case numbers and continued restrictions in everyday life. Economic policy measures taken during the new phase must pursue two main objectives:

1. Economic costs of the Corona crisis must be kept as low as possible without overburdening the Swiss health system.
2. Measures must have a positive long-term impact on the competitiveness of the Swiss economy so that Switzerland and its population can maintain prosperity. Despite the pandemic, the state footprint must remain constant. Effective competition in the markets should be maintained.

Preventing a second partial lockdown has absolute priority

Keeping all businesses open is the best economic stimulus package and the most effective way to reduce the economic costs of the crisis. For this reason, a maximum level of economic activity must be made possible. However, if due to a second wave of rising COVID-19 infections, restrictions should again be necessary in order to avoid overburdening the healthcare system, targeted measures with the lowest economic costs must be chosen. To this end, a plan of measures to control a potential second wave should be published in order for the economy and the population to prepare themselves adequately.

Improving framework conditions is the key

The primary goal of keeping the economy open should be complemented by targeted economic policy measures. Policymakers should focus on improving the framework conditions for companies that can operate during "limited normality". The emergency measures taken by the Federal Council must be phased out as soon as possible. Travel activities should again be permitted to a limited extent. There must be a reduction of burdens on business (e.g. in terms of customs duties and raising capital) as well as a moratorium on cost-driving regulations. In addition, investments are to be promoted so that demand shortfalls do not spill over to previously less affected companies, and the framework conditions for the export industry are to be improved. Traditional economic stimulus packages should be abandoned. These do not take effect in a timely manner or in the wrong place and generate large scattering losses and deadweight effects. Regulatory sins (such as the creation of a sovereign wealth fund) should be avoided and a moderate structural adjustment be allowed.

Balanced budget amendment as a proven instrument

The financial measures taken in the context of the Corona pandemic will increase the government deficit in 2020 by 30 to 50 billion Swiss francs. These are extraordinary expenses and must be amortised. Both the mechanism and the duration have yet to be defined. The balanced budget amendment is a flexible tool and provides a long period for debt reduction, which does not put pressure on the ordinary budget at the wrong time. Despite the current crisis, the Swiss parliament is asked to take a long-term growth perspective and to strengthen the competitiveness of our country. This should be based on the successful, liberal Swiss economic policy with its proven instruments.

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