

Federalism: The case of Switzerland

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Summary

Together with the United States and Canada, Switzerland is one of the three classical federations. Its institutional structure consists of three levels of government: the federation, 26 cantons and about 2500 communes. The cantons as well as the communes are characterised by a full political organisation with the separation of powers, by a constitutionally guaranteed political autonomy and by their right to impose taxes for their responsibilities. Historically speaking, the Swiss federation can be considered as a case of „non centralisation“: When founding the federation in 1848, the cantons kept their statehood, their constitutions and most of their political autonomy. Today, the central government is controlling only about 30 percent of the over all public budget; thus the Swiss federation has remained one of the most decentralised countries.

In a historical perspective, federalism has allowed Swiss nation building as a bottom up process. As an element of political power sharing, federalism protected regional and linguistic minorities, the cultural heritage and diversity of the cantons, and helped to integrate the different segments of Swiss society. Federalism is remaining as one of the most important elements of modern statehood. It allows for highly decentralised governance close to the people, for public services and goods of high quality at low tax-level for the citizens, and for a civic culture trusting the capacities of small political units. Even though, federal structures have their price in Switzerland, too: political particularity makes it sometimes difficult for the central government to realise political innovations in time or to implement federal policies. Economic inequalities between the cantons are compensated for by a system of financial compensation but persist.

In a comparative perspective, Switzerland belongs to the cases in which federalism has helped to deal peacefully with multicultural conflict. Moreover, the Swiss case illustrates the possibility of successful nation building despite cultural fragmentation. Both points are important today, as many young democracies of developing countries are facing similar conditions. The success of Swiss federalism depended on many particularities of history and economy and can therefore not be copied as a model. Even though, its functioning may be instructive from a comparative perspective.

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A. Switzerland in the European context

Switzerland is a small country situated in the centre of Western Europe. Geographically, 60 percent of its surface of about 42'000 km² belong to the mountain region of the Alps; flat land counts for only about 30 percent. Switzerland's eight million inhabitants constitute only two percent of the population of Western Europe. With almost 200 inhabitants per km², it has one of the highest densities of population in Europe. Once a poor region of mountain farmers without natural resources, Switzerland has in the last 70 years become one of the richest OECD-countries. Its gross national income per capita was more than 50'00 USD in 2011. Most important industrial branches are banking, chemistry and pharmaceuticals, machine industry, watches and electronic devices, and tourism. With high import and export rates Switzerland is strongly dependent on the European and world market.

The Swiss society can be considered multicultural in several aspects. Native people have a different history and culture. They speak four different languages: 65 percent German, 20 percent French and 10 percent Italian. The fourth language group, the Romansch speakers, are a tiny minority of less than one percent. By religion, the country is divided in 48 percent Catholics and 44 percent Protestants, the rest being of other religions or non-believers. Today, 22 percent of the resident population of the country are foreigners. This is the result of a strong immigration of the last 50 years, mainly due to the working force demand of the growing Swiss industry.

Switzerland is known for its political stability. For more than forty years the Federal Council, the seven-member head of the Swiss government, was composed of a coalition of the same four political parties, and still today, the executive is composed by an oversized coalition representing about 75 percent of the electorate. Switzerland thus belongs to the type of consensus democracies characterised by political power sharing. Political solutions are not found by majority decisions but through negotiation and compromise among the important political parties. Beyond elections, the Swiss people participate directly in the most important political decisions. Using the instrument of the referendum and the popular initiative, they can have the last word on the parliaments' decisions and hand in proposals for constitutional amendments, which then become subject of a popular vote. Direct democracy, rather than bringing about a revolution, has contributed to political stability, integration and to consensus democracy (Linder 2010, 92-107).

Switzerland's foreign policy is characterised by its long standing armed neutrality. It was particularly important in the twentieth century, when Switzerland was one of the few European nations involved neither in the First nor the Second World War. On the one hand, Switzerland is actually well integrated in international organisations of European and world economy such as UN, OECD, WTO or the Bretton Woods institutions. On the other hand, Switzerland, because of its policy of neutrality and its will for national autonomy, is very reluctant with regard to political integration in Europe. It is not a member of the European Union. Its relations with Brussels are regulated on the base of bilateral treaties. As economic relations between Switzerland and the EU market are intense, a more stable institutional arrangement would be useful for both sides. For the moment, however, Switzerland prefers to formally keep its full national autonomy (Trampusch/Mach 2011).

B. Origins of the Swiss federation

The origins of Switzerland date back to the 13th century when three tiny alpine regions, later followed by some cities, declared themselves independent of the Habsburg regime. They were able to maintain this independence during centuries through mutual military assistance. After the French revolution, 25 cantons, considering themselves as sovereign states, re-established a treaty to guarantee collective security by mutual assistance. This system of a loose confederation did not prove efficient for a majority of the cantons. They wanted a central government keeping up with the requirements of state building, modernisation and economic development that took place in the surrounding countries of Germany, France, Italy and Austria.

In 1848, the Swiss federation was created through a Constitutional Act, which was approved by the majority of the cantons. The creation of the federation was a political compromise between the two major political forces: The Radicals, the innovative force, mainly from urban and protestant cantons wanted industrialisation and a strong central government. The Conservatives, the opposing force, mainly from rural and catholic regions, feared being overruled in a central state by the protestant majority. Thus, federalism was the durable power-sharing arrangement between those wanting a strong central state and those wanting to maintain the status quo. By all means, to find a compromise was not easy. In earlier centuries, Catholic and Protestants had fought four civil wars against each other. Moreover, the inhabitants of the Swiss cantons spoke four different languages, had different histories and cultural heritages. They were deeply segmented and partly divided; a real Swiss society did not exist.



Fig. 1: The Swiss Cantons

How was it possible to create a nation-state despite these unfavourable factors? Besides political pressure from the outside and the economic advantages of co-operation within a larger territorial state, four institutional points made Swiss nation building successful:

a) A political nation-state for a culturally segmented society

The Swiss nation-state was a multicultural nation-state from the beginning. It was created not on the principles of a common language, religion or ethnicity but on the abstract principle of citizenship. The Constitution of 1848 defined that it is the cantons and their *peoples* who constitute the Swiss Federation. Thus, the Swiss nation-state is a political, not a cultural nation-state.

b) Bottom-up nation building respecting regional and local autonomy

Under the condition of deep conflict between opponents and protagonists of a central state, the federal constitution was a possible solution because it allowed a political compromise. Only a few competencies were given to the central government, such as the military, money and the foreign relations, while the cantons kept utmost political autonomy and statehood with their own constitutions, their own rights of taxation, and their own responsibilities. Until today, the central government cannot acquire any new responsibilities or competencies without the explicit consent of the cantons. This means a bottom-up nation-building which is characterised by non-centralisation. Federalism, in this context, means a vertical power-sharing device. It allowed the cantons to keep their own traditions, their cultural as well as their political identity.

c) Strong political participation of the cantons in federal decisions

Following Duchacek (1985,44), "decisive participation (of the subnational units) in amending the constitution" is one of the yardsticks of all federal systems. Swiss federalism goes far beyond. The Swiss cantons participate in all federal affairs, be it amending the constitution, new legislation, or the implementation of federal policies.

Through full bicameralism consisting of two legislative chambers, the cantons have their say in federal legislation. The cantons are represented in the Council of the States, the second chamber of the Swiss parliament. It resembles the role of the Senate in the bi-cameral US parliament. To become valid, a parliamentary decision needs the majority of the Council of the States and the National Council representing the people. Each chamber has the same competencies and deliberates all issues one after the other. Thus, all important federal decisions are subject of a double decision rule: the democratic rule after the principle "one person one vote", and the federalist rule after the principle: "one vote for each member state".

d) Proportional representation of the different political cultures

From the beginning, many federal institutions were designed for proportional representation of different languages and cultural segments of the cantonal peoples. Thus, the executive branch consists of a collegiate body of seven members, who decide collectively on all important government matters. In order to integrate the different linguistic regions, the parliament elects representatives of all of the three important regions of the country. Proportional representation of the different linguistic groups, today, is practice in all branches and for all hierarchical levels of the federal government and its administration.

C. Swiss Federalism today

1. Basic structures of the federal system

As shown in Table 1, the Swiss federal system consists of three levels. The Federation, the (today) 26 cantons and about 2500 communes elect their own political authorities (Lutz/Strohmann 1998). At each level, we find a separation of powers with the executive, the legislative and the judicial authorities.

Table 1: Basic structure of the Swiss federal system

	<i>Executive Power</i>	<i>Legislative Power</i>	<i>Judicial Power</i>
<i>Federation</i>	Federal Council Seven Federal Councillors elected by the Federal Assembly for a period of 4 years One of the Councillors acts as President. Rotation every year	Federal Assembly National Council 200 National Councillors elected by the people. Number of representatives of each canton depends on population size of the canton	Council of the States 46 State Councillors elected by the people. Each (half) canton elects (one) two representatives Federal Supreme Court About 75 Supreme Judges Elected by the Federal Assembly
<i>Cantons</i>	Cantonal Council 5-7 members, elected by the cantonal people every 4-5 years	Cantonal Parliament, elected by the cantonal people every 4-5 years	Cantonal Court Elected by Cantonal Council or Parliament
<i>Communes</i>	Communal Council Elected by the people	Large Communes (cities) Parliament elected by the people Small Communes General Assembly of all citizens	District Court Elected by authority or the people of the district

(Source: Linder 2010, 9)

The political autonomy of the sub-national units is ample. It is guaranteed through different institutional devices.

- *The cantons*: They have their own constitutions. Cantonal constitutions must respect principles of democracy, must guarantee fundamental rights and the rule of law as prescribed in the federal constitution. But they allow the cantons to have their own political organisations, their own political authorities free from influence of the federal government, and give them an ample autonomy in legislation, in preferences for their own policies of public goods and services, for taxation and financial policies as well.
- *The communes*: Much what is said on the cantons applies also for the communes. They have a right of existence protected by the Supreme Court. Communes have their own political organisations, their own policies with regard to the production and distribution of local

public goods. Most important, they have a large autonomy in questions of local taxes and in their financial policy.

2. Intergovernmental relations

a) Responsibilities of the federation, the cantons and the communes

New public responsibilities are first introduced at the local or the cantonal level. As already mentioned, they can be transferred to the national level only if the people and the majority of the cantons approve such a proposal in a popular vote. Roughly, the communes, the cantons and the Federation control each about one third of total public revenue and expenditure.

The central government is mainly responsible for foreign policy, national defence and social security, national infrastructure and services like telecommunication, and legislation for commerce, for civil and penal law. The canton's main competencies lie in the police, the schools and the public education, while the communes are responsible for all local infrastructure, social services, land use planning and natural resource management. Originally, competencies between the three levels were sharply separated. Today, we find an intensive co-operation between the three tiers. For instance, parts of the social security system is national, others are local. In many policy fields, the federation is responsible for the general legislation while cantons and communes are in charge of special legislation and implementation.

b) Financial compensation

The Swiss cantons are unequal in two respects. The first is the difference in the population size. While the biggest cantons like Zurich or Bern count for about one million people, the smaller ones, like Uri or Appenzell, have just a few ten thousand inhabitants. Second, we find economic inequality. Rural and mountain regions are relatively poor in comparison to some urban cantons. For both reasons, Swiss federalism provides financial compensation. It serves to adjust differences in financial revenue and expenditure between rich and poor cantons or communes, or to pay the bigger cantons for the services they provide for small cantons which the latter do not provide themselves.

Financial compensation has two dimensions. Horizontal compensation works between units of the same federal level, i. e. between the cantons or the communes. Vertical compensation consists in transfers from an upper to a lower level, for instance from the federation to the cantons. Politically speaking, vertical transfers serve to facilitate or to stimulate horizontal compensation between the cantons or the communes.

3. Some general effects of federal governance: Advantages and disadvantages of decentralised production of public goods and services

In international comparison, Switzerland is one of the most decentralised countries, as is shown in the following table:

Tabke 2: Central government tax share and expenditure as part of total tax receipts and public expenditure (in per cent, 1995-2005)

	<i>Tax Share</i>	<i>Expenditure</i>
<i>Federal States</i>		
Switzerland	31.9	32.7
Germany	30	31.5
United States	43.9	58.4
<i>Unitary States</i>		
Denmark	64	65.1
United Kingdom	76.9	92
France	43.3	45.2
Netherlands	57.7	58.5
Spain	44.5	49.1

Source: Linder 2010:48.

The *advantages* of a decentralised production and distribution of public good and services can be described as follows:

- Cantonal and local governments are closer to the people and therefore more responsive to the preferences of the regional people. This is not only due to the fact of decentralisation but also to the institutions of direct democracy, which allow citizens to express their preferences in state and local legislation.
- Decentralised competences go hand in hand with decentralised responsibilities: The communes and cantons have their own competencies to collect taxes but are also responsible to finance their on tasks.
- As a result, decentralised production of public goods and services is highly productive. It escapes the risks of too much bureaucracy. Indeed, despite high quality of public services, government consumption in Switzerland is one of the lowest in OECD countries.
- Cantonal and local governments learn from each other. In new responsibilities, for instance in environmental policy, one can observe that some cantons take a pioneer role. The process of trial and error takes place, then the best practices are developed, and finally the other cantons share the experience of the pioneers. This process of innovation through learning processes among cantons or communes has become more and more important.

On the other hand, decentralised production has some *disadvantages*:

- Small cantons or communes lack resources and capacities to deliver technically complex services. The practice is that they buy them from the bigger cantons. The inconvenience is that the small cantons, in this case, can no longer live up to their political autonomy.
- Regarding certain public goods, small cantons are not large enough to profit from economies of scale. Some people claim that the Swiss polity is too much decentralised and that production of many public goods is suboptimal or ineffective. Moreover, cantonal differences can result in an unequal practice of basic rights, in an unequal level of taxation or in a different quality of public goods.
- While innovation in the interest of the cantons is effective through mutual learning processes, innovations of the central government are sometimes difficult. If cantonal or

local consensus for a federal innovation is low, it runs a considerable risk of being blocked or neutralised in the implementation process.

- A weak innovation pace of the federal government can be considered as the "price" of the Swiss preference for decentralisation. This price is valued differently: Some people deplore that Swiss politics is not capable, today, to keep up with the process of globalisation which demands quick innovation. Others insist that slow innovation is a virtue because it avoids the costly failures of rush-and-run or stop-and-go-policies.

4. The political process: The influence of the cantons on federal politics

a) Division of power between the Federation and the Cantons

As already mentioned, Switzerland, is remaining as one of the most decentralised countries. Despite some centralisation over the last decades, the cantons and the communes still control about two thirds of the public financial and personnel resources. They are the main responsible actors in a wide range of policy programs 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 of a popular vote. The double majority of the people and the cantons is a high hurdle to pass. Indeed, from 1848 to 2010 more than a quarter of the 220 constitutional amendments proposed by the Federal Chambers failed in the vote. Moreover, the parliament is conscious of the difficulties of winning a majority among the politically heterogeneous cantons and therefore is cautious in its propositions for new federal competencies.

A comparative look on 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 competencies 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 competencies. Instead of seeking formal changes of the constitution, the US government found a way-round: It appealed to the Supreme Court who, under legal notions of "implied powers" or the "interstate commerce clause", acknowledged many new competencies of the central government. In Switzerland, by contrast, neither government nor parliament have chosen this way of by-passing the formal revision of the constitution. Instead, they extended central powers by many modest amendments that had a chance to be approved by the heterogeneous cantons and by the people. In questions of revenue and expenditure at least, this had a higher braking effect on centralisation in Switzerland than in the US (Linder 1999). Keeping the way of formal revision by popular votes may be the second reason why the Swiss federal system so greatly resisted centralisation, and why the development of national economic and social policies was relatively late and modest.

b) The double majority rule in popular votes as a veto power device of small Cantons

The two different majority rules - democratic and federalist - can produce different results for the same decision. A decision of the National Council, representing a majority of the people, can be vetoed in the Council of States by a coalition of the 13 smallest cantons, representing only 22 percent of the population. In bicameral law-making, this is not a particular problem. If the two Houses end up with different decisions on the same bill, they engage a common procedure to eliminate differences. This procedure cannot be applied in a popular vote when a particular constitutional amendment may obtain 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 2004 there were 11 such collisions, seven of which occurred only in the last thirty years. The collision between the democratic principle of "one person one vote" and the federalist principle of "every canton an equal vote" can become problematic. It means that a majority of 13 small cantons - representing only 20 percent of the population - can block a democratic majority of 80 percent of the citizens. And it means in that the vote of one single citizen of the small canton of Uri can cancel out 34 votes of citizens from the largest canton of Zurich when the federalist majority is counted.

In sum, the double majority rule in direct democracy is an effective veto power device for the small rural cantons. Because of their relatively homogeneous against state intervention and Swiss engagement in international affairs, it has even more political impact than 1847 when it was designed for the losers of the Catholic minorities who were against centralisation. But one can doubt whether a federalist overrepresentation is a wise institutional design also in matters of foreign policy. Moreover, the fundamental question remains to what degree it is justified that a small minority of the electorate can overrule a democratic majority.

c) Bi-cameral 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 (Lüthi 1999). How does this strong element of federalism work out in lawmaking?

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. And, as we have seen, small cantons can occasionally form a coalition which has a strong veto power. Yet this is not the typical pattern of political conflict. The predominant federal conflict is that all cantons defend their competencies against the federation or that all cantons want to profit more from the central budget than is offered.

Empirical research shows that this "federalist effect" is not limited to the Council of States. The National Council is pushing cantonal interests as much as the Council of States, and with the same effect. Thus, both Houses defend cantonal interests to a similar degree against federal interests. This can be explained by the fact that the constituency of both Houses is the cantonal people.

However, due to different modes of elections, the party composition of the two houses is not the same. The National Council represents political parties proportionally. In the majority vote of the Council of States, centre parties are more successful in forming a ticket winning the two seats of a canton. Pole-parties of the political Left and Right, therefore, were underrepresented in the past. Thus, more than being a "federalist chamber", the Council of States is a chamber favouring centre-bourgeois policies.

Under the aspects of political legitimation, however, it is the Swiss Council of States who is the symbol of cantonal representation - the people believe this is and the Councillors also feel so. From a political science point of view, however, we might come to the same conclusions as Tsebelis and Mooney (1997) in their comparative study: The common effect of bi-cameralism is a bias for the status quo. Or, in the formula of Thomas Jefferson: if the tea is versed from a first into a second cup, it is less hot to drink.

d) The influence of the cantons on federal policy formulation

Looking at the whole policy-cycle, we can find two phases in which the influence of the cantons is particularly strong, namely the phases of policy formulation and of implementation. Lets turn to the policy formulation first. In the Swiss decision-making process, policy formulation is tied to an extensive "pre-parliamentary" 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 economical, professional and social organisations pronounce themselves on the draft of the bill. The function of this pre-parliamentary stage is to prepare consensus for the bill and to reduce the risks of a future defeat in a popular vote. Thus, when the Federal Council nominates a committee of experts, he is especially concerned with appointing members who represent the standpoints of the different interest groups. In many of the pre-parliamentary procedures, cantons have a strong position. They are well represented. In policy fields where the cantons are implementing federal legislation, the federation depends on the experience of the cantons and the latter's voice cannot be overheard (Linder/Vatter 2001). However, the cantons are not always as powerful. Other group interests, especially those of big business, are sometimes more influential than the cantons. Thus, the bargaining power of the cantons varies from one policy field to another.

e) Co-operative federalism I: The cantons and the implementation of federal policies

The arena with the highest influence of the cantons and the communes as well is to be found in the implementation of federal policies. The reason is that most federal programs are implemented by the cantons and the communes. With few exceptions, there is no parallel federal administration with own regional services, agencies or even courts, and only few federal services deal directly with the public. However, the complexities of modern infrastructure, economic intervention and social policies stimulated the development of "co-operative federalism". It involves different levels of government co-operating in the same policy programme, and schemes of co-funding by two or all three levels of government. In many policy fields, basic legislation is in the hands of the federation while the cantons regulate the implementation process and its modalities. As basic legislation offers considerable leeway, implementation can greatly vary according to the preferences of the cantons. Given the strong position of the cantons in the implementation process, federal authorities are reluctant to use of coercive means. Thus, the implementation of central government programmes cannot be taken for granted in every case. Much depends on the political will at the sub-national level. Sometimes, minimal legal standards in the application of federal law can only be assured by review through the Supreme Court. A prominent case was the canton of Appenzell I.Rh. When womens suffrage was introduced in 1971 on the federal level, Appenzell men refused to do so with respect to cantonal affairs. It was only in

1990 by decision of the Supreme Court that the canton fulfilled its obligation (Linder 1994:69).

f) Co-operative federalism II: Self-co-ordination between the cantons

Self-coordination between the cantons is the horizontal dimension of “co-operative federalism”. By way of this interstate co-operation, the cantons take collective action without the involvement of the federation. There are two types of them: inter-cantonal organisations and agencies, and ”concordates”, a form of contractual co-operation.

The traditional instruments of horizontal co-operative federalism are the concordats, i.e. inter-cantonal treaties. They allow the sub-national units to regulate administrative, legislative, infrastructural and juridical matters among themselves. Concordates are most effective if all cantons subscribe but it is difficult to reach unanimity. So, the particularity 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 concordate for a long time. Nevertheless, the instrument of the concordate has become more and more important: The cantons are driven by the same and permanent interest of defending their own competencies and of preventing a central government regulation.

Interstate conferences of cantonal ministers 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 1990s, the Conference of Cantonal Governments was established as yet another organisation. With the aid of this body, the cantons have successfully extended their direct influence on federal policies, especially in the field of foreign policy and in the relations with the EU.

On the local level, we find a similar pattern. Communes organise themselves to decide or to implement policies on a regional level, especially in the field of urbanisation. The leading motive is the similar: Communes prefer self-co-ordination rather than the delegation of competencies to the canton.

Concluding, the horizontal instruments of federalism have to be judged critically. On the one hand, they are an expression of the political will of the sub-national units to maintain their competencies through own efforts of co-ordination and to seek collective advantages through co-operation. The main weak point of the horizontal instruments, however, is the lack of political control by legislative authorities.

D. Meanings of Swiss federalism in a comparative view

1. Combining unity and diversity

The case of Switzerland is instructive for the realisation of political unity whilst maintaining cultural diversity. The 26 cantons, with their different cultures, languages and religions, most of them having enjoyed centuries of political autonomy, were able to create a territorial state. Without federalism and its principle of dividing power between the new central government and the cantonal authorities, and without the federal promise to respect regional differences and autonomy, this historical process of the nineteenth century would not have resulted in a successful nation-building. Moreover, federalism helped to overcome the strong political

cleavages of religion and language in a peaceful way. While the cleavage of religion between Catholics and Protestants has cooled out, political differences of the four linguistic groups subsist. However, the political parties, as national parties, want to get votes from all regions and therefore renounce on ethno-politics. Switzerland is one of the few multi-linguistic countries in Europe that today does not have political difficulties with linguistic minorities. Federalism was one of the instruments of political integration. To a large extent, Swiss society is a product of its political institutions, which led Karl Deutsch to speak of Switzerland as a "paradigmatic case of political integration".

2. Federalism as a political culture: The preference for decentralised government and democracy

Despite some complaints about weak innovation of central government, the Swiss would never dream of giving up their federalism. They like the formal autonomy of their 26 cantons and 2500 communes, which in many respects may be fictive and to the foreign observer may appear to be an institutional luxury for a country of just eight million inhabitants. Perhaps it was the historical background of a farmers' society, distrusting political power in general, that shaped a strong preference for "small government" and the idea of subsidiarity: Central government should not interfere in things that the cantons are capable of doing themselves and the cantons should not meddle with problems that the communes can handle. Subsidiarity can lead to too small solutions, because the lowest federal level defines what the problem is. However, it offers opportunities for living differently, and for regional traditions. This creates local identity.

In the 19th century, federalisation and democratisation developed hand in hand. Decentralised democratisation was a propitious opportunity for the development of civic culture: Local people learned to express their preferences for public services and goods through direct participation. At the same time they learned that they had to pay taxes for the collective goods they wanted, which stimulated citizens' interest for democratic control of the authorities. Becoming citizens, they learned to distinguish between public and private interest. Trust beyond the circle of the family is fundamental: it is the base of any effective political institution.

I think these connotations of a federalist culture go beyond the case of Switzerland and are meaningful in today's world. In the process of globalisation, we see two contrasting tendencies in politics at a time. The first is internationalisation through international and supranational organisations, the second is federalisation or decentralisation. One of the reasons for decentralisation is the following: Even in a globalised world, people identify with local societal structures, and they want more political control of the local world they live in. The process of globalisation is, in a first instance, a clash between world-wide penetration through capitalistic enterprises seeking new markets on the one hand, and subsistent local economies and cultures on the other. Federal or decentralised political structures open political choices for combining globalised and endogenous development.

3. Limits of federalism

In a comparative perspective, many political scientists doubt about advantages of federalism. With regard to the solution of multicultural conflict, they argue that:

- federalism protects only geographically segmented minorities that are able to control a sub-national unit, which can lead to a new minority problem in this unit;
- creating sub-national units for cultural minorities can lead to the separation of this minority as in Bosnia, and to a discriminating control through the majority;
- federal systems of segmented societies with few national units - such as Belgium or the former Czechoslovakia - are unstable.

The first argument is true also for the case of Switzerland. Many minorities - the non-Christian religions, or the foreigners- which account for 20 percent of the Swiss population - were never protected by Swiss federalism, because they were not able to constitute a political majority in one of the cantons. Thus, federalism is a rather incomplete instrument to protect minorities.

The reason why we still insist on the positive effects of federalism with regard to multicultural conflict is the following: In Switzerland, vertical power sharing of federalism is supplemented with horizontal power sharing among the political parties. In this combination, federalism can have beneficial effects also in other multicultural societies. The political scientist Arend Lijphart (1999), in his comparative analyses of more than 30 countries, finds that consensus democracy is a better institutional arrangement than the majoritarian model of Westminster democracy when it comes to the solution of conflicts in culturally divided societies.

This leads us to the following conclusion: One should be prudent to generalise the effects of federalism. Its effects depend on the combination with other institutional devices, and federalism can have different effects in different cultural or historical contexts. Moreover, federalism is not only a structure but also a process and a political culture (Linder 2010: 174-91). Finally, the development of Swiss federalism depended on many particularities of history and economy and can therefore not be copied as a model. Even though, its functioning may be instructive from a comparative perspective.

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