

A view from Switzerland

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Tokyo, July 14, 1998

1. Introduction

These days, you find yourselves in the eye of the hurricane. Naturally, you know well what the world looks like from a Japanese perspective. I shall therefore refrain from speaking about things that you are already familiar with. It seems more attractive to me to present a few thoughts from a Swiss point of view in order to give you an idea of what concerns us at home.

In keeping with the occasion, I shall essentially limit my comments to economic problems in a wider sense. You should not, however, conclude from this that I overestimate the significance of economic performance. While a balanced development of the economy is a necessary condition for achieving common goals, it is not sufficient in itself. General well-being in a comprehensive sense not only has economic aspects, it also has social and cultural dimensions.

It is important to understand that promoting the public welfare must be a concern of all citizens. They have a twofold contribution to make: as citizens and as economic subjects. A question of central importance is therefore to what extent it will be possible to deal with the underlying tension between individualistic inclinations and communal spirit. This is not a new challenge; it is one that comes up time and again. In a narrow economic context, the challenge lies in the creation of human and material conditions for adequate and sustainable growth with moderate inflation and low unemployment. As you know, these are fairly classic demands. In keeping with the present state of our economic and social development, the issues of social equilibrium and environmental compatibility have for good reasons become added concerns in recent times.

As regards people, it is imperative to pay constant attention to qualification and motivation. While skills are primarily acquired through education and training, the will to act is the result of upbringing and the influence of the economic environment.

2. Where do we stand?

At the end of the twentieth century, Switzerland is once again at a turning-point of its economic and social development. In the past decades, both the economy and society have undergone profound changes. Prosperity and welfare have increased to a remarkable extent. Never before has such a large section of the Swiss population been so well off in material terms as today. At the same time, and probably related to this achievement, social ties have become looser. Even though our age likes to call itself the era of communication, contact between individual human beings in all its facets has not become any easier. The pollution of the environment has become a problem which, in a climate of economic stagnation, has been pushed into the background in recent years. Moreover, the awareness is increasingly gaining ground that the growing international involvement not only offers opportunities, but also bears risks. Many fellow citizens thus feel that the gratification at what has been achieved is overshadowed by insecurity and fears with respect to the future.

Nevertheless, there are clear rays of hope. After an unusually long period of stagnation in the nineties, which took its toll in terms of personal and material sacrifices - a fact that naturally affected the general mood - we are now at the beginning of a new upswing.

Both the favourable monetary framework - interest rates, inflation rate, exchange rate - as well as the adjustment of outdated structures have created a sound basis for such a development. As usual, the improvement in the economic situation of our neighbouring countries then provided the decisive stimulus.

To my mind, it is quite remarkable that economic difficulties, taken overall, are typical neither of individual branches nor of certain parts of the country. Instead, the dividing line between light and shade runs right across the entire economic landscape. It is the superior performance characterised by innovation, flexibility and

productivity that is decisive for a sustained success. An increase in value creation must be the guiding principle of our economic performance.

Re-establishing sound public finances remains important. The public sector was gradually expanded in the course of the economic and social developments of the postwar years. Originally, the aim was to meet an obvious backlog of demand. The development, however, became more and more critical. Given the limited resources, all questions pertaining to the type and extent of state activity as well as to the consistency and efficiency of the performance of the public sector have become more urgent. For some time now, an intensive debate on these questions has been under way, which will certainly lead to concrete results.

Above and beyond the financial domain, the efforts to create favourable competitive conditions must be continued. Experience shows that this is a never ending story. However, some progress has been made in recent time. This is remarkable in so far as large sections of the public remain sceptical with regard to the principle of free competition. Quite obviously, people still need to be convinced that the free play of market forces provides the best conditions for a meaningful use of production factors, thereby creating both prosperity and welfare. It must, however, be pointed out that this positive effect of competition will only make itself felt in a stable economic environment.

Other important factors are increased flexibility with respect to conditions of employment and greater mobility. On a human level, education and training need to be further promoted. As a matter of fact, the imbalance still existing in the labour market is primarily a question of qualification. It seems striking that even in a period of stagnation with a relatively high level of unemployment, at least by Swiss standards, the lack of suitably qualified staff was always deplored. All in all, care must be taken to achieve a healthy balance between market-related incentives and social cohesion.

Maintaining an equilibrium between economic and social development is, to my mind, of crucial importance, a fact that has been impressively demonstrated by recent events in Asia. The countries concerned are quite obviously communities that are very different in type and size. Nevertheless, it is possible to make a few statements of general significance. An unbalanced economic development, weak financial systems and insufficient supervision of the financial markets are merely symptoms of deeper-lying causes. Today's difficulties show clearly that a sustained development is only possible on the basis of stable social conditions. The experience of past decades has taught us that such conditions must first and foremost be created by individual countries themselves. Only in this way can a solid basis for lasting international cooperation be created.

3. Where are we heading?

What is happening today has its roots in the past and, at the same time, has effects on future events. Contrary to a widespread belief, development has been remarkably constant from a long-term point of view. There are valid reasons for this, both on a human and a material scale. Since human beings are at the centre of the world's happenings, it is an experience of some consequence that they are by nature capable of changing and adapting, while at the same time instinctively seeking stability, continuity and security.

If, in the final analysis, we want to maintain the prosperity we have achieved as a precondition for more comprehensive social objectives, adjustments will continue to be indispensable. These must, however, take place in a way that will not threaten the social cohesion. Such a highly balanced development requires a rhythm that will make it possible to maintain an equilibrium - precarious by its very nature - between persistence and flexibility, circumspection and daring, cautiousness and boldness.

Finding a balance between prosperity, social cohesion and political freedom will be one of the major tasks in the coming years. Only such a balance will lead to self-confidence, confidence in the opportunities offered by the environment and confidence that the community will be in a position to guarantee certain basic rules of co-existence.

We have seen that a favourable framework for the economy as a whole is an important condition for organic development. I have already mentioned the significance of sound public finances and competition policy. Naturally, I neither can nor wish to deny the significance attaching to monetary policy in this connection.

The central role of monetary policy is formulated in the mandate of the Swiss National Bank, namely to pursue a monetary policy in the general interest of the country. With a supply of money that is adequate in relation to real economic development, monetary policy can ensure a stable long-term price trend. Price stability, however, is not an end in itself. Rather, it represents the best contribution which monetary policy is able to make in the long term to creating favourable conditions for a balanced overall economic development. Moreover, price stability is also an eminently social issue, since the weakest members of society suffer the most from inflation.

Occasionally, the question arises whether price stability is, in fact, still seriously threatened. To my mind, such a question reveals a rather poor historical awareness. Admittedly, impressive results have been achieved in fighting inflation in the last few years. It is also true that price stability is hardly jeopardised in the current economic environment. But to conclude that this will remain so in future does seem to me somewhat daring.

Finally, monetary policy represents a social as well as an economic challenge. Numerous examples show that neither the results of scientific research nor the endeavours of the central bank in themselves suffice. Of decisive importance is a basic and widespread understanding of the significance of a stability-oriented policy. Such insight must continually influence the attitudes of the people, parliament and the government. This includes a willingness to take account of the experience that a central bank which is an independent institution within the limits of its mandate is in the best position to pursue a successful monetary policy with due regard to scientific teaching and experience.

Such a policy is, of course, in large measure dependent on the international environment. In the coming years, the efforts to create a European Monetary Union will be of primary interest to us too. If the present concepts can be successfully realised, the conditions for economic development in Europe will be significantly improved. What is of decisive importance is whether the participating countries will succeed in pursuing a consistently convergent stability policy. In this connection, the fact may not be overlooked that there will be increasing demands of flexibility on the markets - particularly the labour markets - in a single monetary area.

Switzerland's prime task in the coming years will be to keep her own house in order. Of primary importance is the desire to find a sustainable balance between economic flexibility and social cohesion and thus to bring stability and change in harmony with each other. Beyond this, we must preserve and strengthen our traditional openness towards other countries. It is not for the first time that our relations with our neighbours, both near and far, must be renewed and adapted to a changing environment. The conditions for this, however, must first be created, especially within the country. In this way we can make the best contribution to international solidarity.