

Press Release

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KOF-NZZ Economists Survey: large majority of Swiss economists against rapid debt reduction

In April, KOF and Switzerland's *Neue Zürcher Zeitung* (NZZ) newspaper surveyed economists on the subjects of state aid during the coronavirus crisis and the future of public finances. They found that there are hardly any economists who think that the debt brake should be applied very rigorously. There is also agreement among the 167 survey respondents that cuts in social security, education and research should be avoided.

Ever since the beginning of the coronavirus crisis there has been a debate about whether the overall level of government support for firms and employees in Switzerland is appropriate. Most of the research economists surveyed were in favour of extensive state aid such as short-time working, guarantees for businesses, and income support for the self-employed. Just under half of respondents consider the amount of state aid provided over the course of the pandemic so far to be appropriate. Almost half consider this amount to be too little. Only a small proportion consider the measures adopted to be too extensive.

Most economists favour a fiscal stimulus

A fiscal stimulus package such as that launched in the US is not currently under discussion in Switzerland. Whether such a package makes sense depends on the further course of the recession, how the economy recovers, whether additional government spending is justifiable and whether the stimulus could cause inflationary pressures. The opinions of the economists surveyed differ, with almost half considering a fiscal stimulus package to be (fairly) sensible. More than a third (tend to) reject the idea, while the remainder do not wish to commit themselves one way or the other.

Economists advise patience with debt reduction

The debt brake, which came into effect in 2003, requires Switzerland's federal government to stabilise nominal government debt over the business cycle. Economists were asked how, from an economic perspective, the Swiss government should best deal with the increase in debt resulting from the coronavirus crisis. The first option is to reduce the debt within six years, which would require large structural surpluses. However, it is questionable whether such high surpluses would be feasible at all and, in addition, the pressure to save could slow down the economic recovery. Consequently, only about 6 per cent of economists recommend this option. Alternatively, Switzerland's Federal Assembly can extend the deadline for debt reduction in special cases under the Financial Budget Act, which would mean that structural surpluses would not need to be quite so high but would be spread over a longer period of time. This is the most frequently chosen option, accounting for over 40 per cent of responses. On the other hand, around one in five survey respondents favours offsetting the coronavirus-related debt against the equalisation account so that the debt would only have to be partially reduced. Another popular option is to suspend the debt brake and, accordingly, not to require structural surpluses in subsequent years. Almost 30 per cent of economists chose this option.

Cutting spending on social welfare, education and research is not an option

A further question asks what one specific measure the Swiss government should ideally take to reduce debt. While a good fifth of economists prefer spending cuts, more than half are in favour of increasing revenues. Raising the profit tax is seen as the most suitable option. A relatively popular measure on the expenditure side is to reduce spending on public administration. Cuts in spending on social security, education and research are not recommended at all by survey respondents.

The KOF-NZZ Economists Survey covers topics relevant to economic policy in Switzerland and provides a means of making the views of research economists visible to the public. KOF's media partner in the preparation and interpretation of the Economists Survey is Switzerland's *Neue Zürcher Zeitung* (NZZ) newspaper. In April, KOF and the NZZ conducted a survey on state aid during the coronavirus crisis and the future of public finances. 841 economists were contacted and responses were received from 167 economists at 16 institutions.

Further information on the Economists Survey and a graphical representation of the findings is available here: <https://kof.ethz.ch/en/surveys/experts-surveys/economists-surveys.html> →

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