National Post (Canada)

**April** 27, 2012 Friday
National Edition

# Nota bene

SWISS 'DEBT BRAKE'

From "How the Swiss 'Debt Brake' Tamed Government," Wall Street Journal Online, April 25, by Daniel J. Mitchell, **Cato Institute.**

Americans [and Canadians] looking for a way to tame government profligacy should look to Switzerland. In 2001, 85% of its voters approved an initiative that effectively requires its central government spending to grow no faster than trendline revenue.

The reform, called a "debt brake" in Switzerland, has been very successful. Before the law went into effect in 2003, government spending was expanding by an average of 4.3% per year. Since then it's increased by only 2.6% annually.

The Swiss debt brake does not require a balanced budget in the traditional sense. Tax receipts, as we know from the American experience, tend to increase rapidly when the economy is doing well and fall off when the economy stumbles.

To smooth out the ups and downs, Switzerland's debt brake limits spending growth to average revenue increases over a multi-year period (as calculated by the Swiss Federal Department of Finance).

This feature appeals to Keynesians, who like deficit spending when the economy stumbles and tax revenues dip. But it appeals to proponents of good fis cal policy, because politicians aren't able to boost spending when the economy is doing well and the Treasury is flush with cash.