The Debt Brake - A Swiss success story

① **What** is the **debt brake**?

It is a mechanism to prevent the Swiss Confederation from having chronic deficits and incurring new debt.

② **How** was it **introduced**?

On 2 December 2001, 85 % of the Swiss voters accepted such a brake in a **referendum**. The brake is part of the **constitution**, but refers only to the finances of the **Confederation** (not of the cantons and not of the communities).

③ Are there **exceptions**?

a The budget must be balanced in the course of the **economic cycle**: Deficits during the recession must be compensated by surpluses during the boom.

b In addition, there is an **exemption clause**: In extraordinary situations, such as natural disasters or severe recessions, deficits are possible. However, these deficits must also be compensated in the subsequent years.

4 Was the debt brake **successful**?

This seems to be the case, as the following statistics are suggesting:

Debt (percentage of GDP)	2005	2010	Change
Switzerland	53	40	**- 13**
Germany	68	78	**+ 10**
France	66	85	**+ 19**
United Kingdom	42	78	**+ 36**

5 **Link** to the **flyer** of the Federal Department of Finance:

http://www.efd.admin.ch/dokumentation/00737/00782/02006/index.html?lang=en