Fiscal Policy

Army Funding: Now it's time to seal the deal.

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At a glance

- There is no question about it: Switzerland must modernize its military in light of the global security situation.
- This could be achieved during the winter session without tax increases, which would ease the burden on the public and the economy.
- Now it's time to seal the deal. After all, security is also a key prerequisite for a strong economy and for the well-being of us all.

Sometimes you can be terribly wrong. One such mistake on my part began a good twenty years ago at my late grandfather's lunch table. As a World War II veteran, a long ordeal toward the end of the war had led him to Switzerland. He hoarded considerable emergency supplies and hardly ever threw anything away. In response to my youthful lack of understanding, he said that life had taught him that things could change very quickly.

I admired my grandfather immensely, but I thought he was still mentally stuck in the long-gone years of the war. A war in Europe, let alone in Switzerland? That's no longer a serious option.

War in Europe Again

Twenty years later, I have to admit: I was spectacularly wrong. A bitter war is raging just 890 kilometers away. NATO is facing a challenge. The Federal Council speaks of a "drastic deterioration" in the security environment and warns of hybrid attacks that could also affect us.

Of course, I wasn't the only one who was mistaken. In 1965, nearly one in three Swiss francs went toward defense; today, it's still about one in fifteen. Over the same period, the share of social spending rose from 15 to over 35 percent. We have invested the peace dividend in social security rather than military security. Now we face new dangers and are ill-prepared—and, unfortunately, in the truest sense of the word.

The order of the day: Close the deal now

There is little dispute that more money needs to be allocated to defense. However, there has been a major tug-of-war over how to do it. For a long time, the elephant in the room was a VAT increase. Given the importance of security and the time pressure, the business community would have accepted this, even though neither companies nor the general public are happy about higher taxes.

But now a path is emerging that doesn't even require tax increases—thanks in part to unexpectedly high tax revenues. This comes as a relief: It would allow us to move forward with defense spending without further burdening the population's purchasing power or the competitiveness of businesses. This path is also more viable from a security policy perspective. After all, it is unclear

whether the public would accept a tax increase. And time is running out for another round of special measures. From an economic perspective, therefore, the order of the day is: let’s get this done now.

Security is a central pillar of our prosperity

After all, security is also a key prerequisite for a strong economy and for the well-being of us all. This is especially true for Switzerland. As former Chief of the Armed Forces Thomas Süssli aptly noted: “Being both rich and weak is not a good starting point in this new world order.” Switzerland must begin procuring military equipment as soon as possible.

Let's hope that policymakers take to heart what youthful recklessness disregarded back then: You build up emergency reserves before you need them.

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