

Current Concerns

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English Edition of *Zeit-Fragen*

A Greek doctor's report: "Those who have no money, die"

Interview with Dr Giorgios Vichas* by Harald Schumann

Greece needs to save, and it looks like this: cancer patients remain without help, polio returns, diabetic patients go blind. Dr Giorgios Vichas reports from the field.

Harald Schumann: Mr Vichas, don't you worry about having a heart attack?
Dr Giorgios Vichas: No, why should I?

Because you are doing two full-time jobs at the same time. You are a salaried cardiologist in a hospital and furthermore, you conduct a facility where you and your colleagues voluntarily treat thousands of patients who otherwise would no longer get any medical help. No one will go like that for long.

I work a lot and I sleep just five hours per night, that's right. But I'm fit, and I would definitely get really sick if I did not do it and stood on the sidelines, while many of our compatriots have to fight so hard.

Your family is supporting this?

My daughters stopped asking when the crisis will come to an end, six months ago. And my wife is also working with us, since she sees how badly we are needed.

How did you come to found a clinic with volunteers for free medical treatment?

I had been working for many years in a public hospital, and therefore, in spring of 2011, I saw the consequences what it means when hundreds of thousands of people suddenly lose their jobs and therefore their health insurance, as well. At that time I had a 52-year-old heart patient who nearly died because he couldn't get the necessary drugs for half a year. That struck me deeply, I felt guilty.

Why? It was not your fault?

I saw how the people suffered, and I couldn't do anything about it, because I did not know what to do. This changed in August 2011.



Dr Giorgios Vichas. (picture ma)

I was at a concert with Mikis Theodorakis, our great composer. He gave an impassioned speech saying, among other things, what I had been thinking all along, that doctors in particular should do something at last to care for the people in their distress and anxiety without insurance coverage. That shook me up deeply. The concert took place here on the site of the old airport, and that was where I got the idea: There were all these empty buildings, and I thought that it might be possible to set up an outpatient clinic with free medical treatment in one of these buildings. Luckily, the mayor of the district supported us. He gave us this house, electricity and water are being paid for.

Does your employer let you do another job on the side?

The managing director of our hospital was the first one whom I convinced. He saw the misery and even set to work with us, as well. The funding for the National Health Service has been cut by more than 40 per cent due to the requirements of the creditors and their Troika of International Monetary Fund, ECB and EU Commission. Half of all doctors in the public hospitals and outpatient clinics were fired. At the same

time about one quarter of the population lost their health insurance together with their jobs. And even those who are still getting wages or pensions, often have so little money that they cannot pay the high additional costs for drugs or treatments.

What is the practical implication for somebody who has no longer any insurance?

Imagine, you became ill and should go to a hospital for an operation or medical treatment. Later on you receive a bill about some thousand euros. If you were not able to pay, the Tax Office would declare it as your debt to the state. The officials might initiate proceedings against you and your house or your pension would become put in pawn, or you would be thrown into prison.

Did this really happen ever before?

Luckily, only very seldom. Nevertheless, this threat is real and has bad implications: the people try to avoid medical treatments as long as possible. Due to this, many illnesses become aggravated and more severe than they would have been with an early treatment.

In Greece people die, only because they no longer have an insurance?

Yes, that is right. But this is not documented statistically. However, we have seen it in our daily practice. During the first three years we treated two hundred patients suffering from cancer. Ten per cent of them came to us in a very late stage of the disease. Half of them had to die because they were treated much too late. Our colleagues from other volunteer medical centres report the same experiences. We have to keep in mind that thousands of people have died because they received no medical treatment.

Are there disorders which are typical for the crisis?

AIDS, tuberculosis, and hepatitis. The infected persons are mainly the poor ones who cannot afford a medical treatment. Due to this, they transmit the infection to

* *Giorgios Vichas is physician and heart specialist in an Athens hospital. Next to this engagement he has headed a polyclinic for four years, where doctors and other medical personal supply medical help to patients without a health insurance, in their free time and free of charge. Giorgios Vichas is married and has two daughters.*

"A Greek doctor's report: ..."

continued from page 1

other people and the infection spreads. It is also hard for people with diabetes when they cannot keep on their diet or do not get enough insulin: there is the risk of blindness or amputation. And, increasingly, we can see malnourished mothers, babies, and children. This will damage many children for their whole life.

If this is the truth, then the financial restrictions themselves, analysed by economical criteria, are completely irrational.

Yes, that's the strange thing. In the end, the financial restrictions will cost the Greek national economy much more, than the Greek treasury will benefit from. The money which was "saved" in the case of diabetic patients during the three years from 2010 will create a rebound of additionally 200 million euros. This was precisely shown by a study.

And the responsible parties really don't worry about that?

Listen, last year until August we had a Health Minister who gave the order that hospitals should not hand the newborn babies to their mothers as long as the mothers did not pay the bill. He did not worry!

You exaggerate!

No, this really happened. It was practised for six months in public hospitals. Even worse is the fact that money for vaccinations was restricted. Most children who come to us are not vaccinated. Due to that we will have to expect a new breakout of

polio, the infantile paralysis. This bears a risk across Europe. The pathogens don't respect borders.

Did you ever talk to lenders' representatives from the Eurozone or to the Troika about how counterproductive these cutbacks are?

I did so but only with parliamentarians of the national parliaments and of the European Parliament. Only once a delegation of the German "Bundestag" was here. They then admitted that they themselves had bad experiences with austerity measures, and the latter had to be taken back because of that experience. I told them that they please should persuade the government of Ms Merkel to urge for the withdrawal of economy measures, meaning cutbacks in the Greek health system. I received the answer that the Troika was responsible for this, not the German government.

But it is the German government, isn't it, together with the governments of the other euro states which instructed the Troika to enforce those measures in Greece.

That's right. Nevertheless the parliamentarians didn't feel responsible.

Not even those of the ruling parties CDU (Christian Democratic Party) and SPD (Social Democratic Party)?

No, not even them. Instead they offered us donations for our clinic.

There were good reasons to thoroughly reform the old system. After all, it was highly wasteful and corrupt.

Sure, reforms were urgently necessary, but it was not reformed, the whole system was destroyed. One should have better distributed doctors and practices all over the country, one should have made the purchase of medical drugs cheaper and push back the influence of the pharmaceutical companies. And of course corruption had to be combated. All this has not happened, there were simply cutbacks and dismissals.

But was this the fault of the creditors from Germany and the Eurozone? The responsibility rather lies with the former Greek government of conservatives and social democrats.

Sure, formally the main responsibility lies with the former Greek governments. And the officials of the Troika will always say just that. Only, if you read the memoranda and the reports of the Troika, you see, that they have planned this brutal programme down to the last detail.

Why should unconcerned officials in Brussels or Washington want things like this if there is no advantage to take of them?

I often asked this myself. Why do they enforce such radical spending cuts although it leads to even more debts? In the end there was only one explanation left: It is a matter of implementing an ideology which says: Who owns money is allowed to live, who doesn't, dies.

Earlier Greek doctors demanded money from their patients additional to their state salary. Are you doing that as well?

No, I never did. It is unbearable that this happens even today – and none of them was brought before court up to now – not even one! I have been trying for months to persuade the responsible commissions of the Medical Association to take action against that. But up to now unfortunately without success.

At the same time, there are many who are trying to mitigate the misery. How many doctors are doing unpaid work here?

We are 100 doctors here, from all fields, plus 200 nurses and assistants.

And how many of these free outpatient clinics for needy persons do exist?

There are 50 all over Greece, eight of them in Athens.

How are you financing this?

As a principle, we are not accepting money, only donations in kind. Fortunately we are getting a lot of them from citizens all over Europe, mostly from Germany and Austria. A smaller fraction is also coming from France and Italy. Last month we were able to hand over two full truckloads to public hospitals.

The donations are coming from Greek citizens abroad?

No, not from the Greek, our donors are normal people from other European countries.

So these citizens practise solidarity where their governments are refusing to do so?

Also in Germany and France there are those who reject this policy. I have met many who feel embarrassed by what their governments have imposed on Greece.

Are you and your colleagues in the other volunteer health centres now able to provide the care which is lacking in the public system, due to the cutbacks?

Oh, we dare not even think of that. We can mitigate the misery, but this does not replace a decent health care. It is really a tragedy. The public hospitals are lacking everything, not only doctors, but even dressing material or disinfectants. This has severe consequences. Last year, for example, no real umbilical clamps were



Entrance to the hospital. (picture ma)

continued on page 3



Metropolitan Community Clinic (picture ma)

"A Greek doctor's report: ..."

continued from page 2

available in a birth clinic in northern Greece. This almost killed a lot of babies.

If the situation is so bad, there are probably a lot of people calling you every day, asking urgently for help. How do you cope with that?

Sometimes it is terrible. Then I wake up in the middle of the night, thinking of the mother who cannot save her child or the cancer patient who is in need of an expensive treatment which we cannot provide. There are days when I am very frustrated and depressed.

The new left-wing government has promised to tackle this humanitarian emergency situation. Hasn't the situation improved since February when it took office?

Well, when a car is going downhill with full throttle, and you change the driv-

er, the downhill course will not immediately be changed. At least there are now food vouchers and electricity for the really poor. The new government has also passed a law which provides access to public clinics also for non-insured persons. In practice this does not really help because the public system is completely overstrained, lacking staff and equipment.

There is a lack of physicians and nurses? Sure. 4,000 physicians have gone abroad, 2,500 of them to Germany. And even if people get an appointment, it does not mean that they can be helped. Often the necessary equipment is missing or the pharmaceuticals are excessively expensive. So we have to go on fighting, all the time, putting pressure on the government.

Chances are not high for an improvement of the situation?

Frankly, I do not expect much from governments; neither here nor in the rest of Europe. The situation is too messy and heated. What gives me the biggest hope is

the immense solidarity of the people here and the big support from our friends in Germany and the other European countries. This is what encourages me.

Have you ever considered going into politics in order to change the system?

Yes, I have. More out of despair than out of conviction. In the recent elections, I have even been nominated for SYRIZA because I felt I was obliged. But I did not tell any journalist about it, I did not conduct any campaign and so I did not get elected. But I am not sad about this. I should be with those who are ill, they need me the most.

You can find more about the "Metropolitan Community Clinic" on the website: www.mkiellinikou.org/en/

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Greece, Germany and the Eurozone

Speech delivered by Prof Dr Yanis Varoufakis, Finance Minister of Greece at the Hans-Böckler-Stiftung, Berlin, 8 June 2015

cc. Since the Greek position has hardly a chance to be heard in general, *Current Concerns* publishes the speech of Yanis Varoufakis as documentation in full.



Yanis Varoufakis
(picture wikipedia)

Thank you for inviting me. Thank you for being here. Thank you for the warm welcome. Above all thank you for the opportunity to build bridges, to pave common ground, to bring harmony in the face of blatant attempts to sow the seeds of discord between peoples whose historic duty is to come together.

Since the end of the war Greeks and Germans, together with other Europeans, have been uniting. We were uniting despite different languages, diverse cultures, distinctive temperaments. In the process of coming together, we were discovering, with great joy, that there are fewer differences between our nations than the differences observed within our nations.

Then came the global financial disaster of 2008 and, a year or two later, European peoples, who were hitherto uniting so splendidly, ended up increasingly divided by a ... common currency – a paradox that would have been delightful if only it were not so fraught with danger. Danger for our peoples. Danger for our future. Danger for the idea of a shared European prosperity.

History does seem to have a flair for farce, judging by the way it sometimes repeats itself. The Cold War began not in Berlin but in December 1944 in the streets of Athens. The Euro Crisis also started life in Athens, in 2010, triggered off by Greece's debt problems. Greece was, by a twist of fate, the birthplace of both the Cold War and the Euro Crisis. But the causes run much wider, spanning the whole of our continent.

What were the causes of the Euro Crisis? News media and politicians love simple stories. Like Hollywood, they adore morality tales featuring villains and victims. *Aesop's* fable of the Ant and the Grasshopper proved an instant hit. From 2010 onwards the story goes something like this: The Greek grasshoppers did not do their homework and their debt-fuelled summer one day ended abruptly. The ants were then called upon to bail them out. Now, the German people are being told,

the Greek grasshoppers do not want to pay their debt back. They want another bout of loose living, more fun in the sun, and another bailout so that they can finance it.

It is a powerful story. A story underpinning the tough stance that many advocate against the Greeks, against our government. The problem is that it is a misleading story. A story that casts a long shadow on the truth. An allegory that is turning one proud nation against another. With losers everywhere. Except perhaps the enemies of Europe and of democracy who are having a field day.

Let me begin with a truism: One person's debt is another's asset. Similarly, one nation's deficit is another's surplus. When one nation, or region, is more industrialised than another; when it produces most of the high value added tradable goods while the other concentrates on low yield, low value-added non-tradables; the asymmetry is entrenched. Think not just Greece in relation to Germany. Think also East Germany in relation to West Germany, Missouri in relation to neighbouring Texas, North England in relation to the Greater London area – all cases of trade imbalances with impressive staying power.

A freely moving exchange rate, as that between Japan and Brazil, helps keep the imbalances in check, at the expense of volatility. But when we fix the exchange rate, to give more certainty to business (or, even more powerfully, when we introduce a common currency), something else happens: banks begin to magnify the surpluses and the deficits. They inflate the imbalances and make them more dangerous. Automatically. Without asking voters or Parliaments. Without even the government of the land taking notice. It is what I refer to as toxic debt and surplus recycling. By the banks.

It is easy to see how this happens: A German trade surplus over Greece generates a transfer of euros from Greece to Germany. By definition!

This is precisely what was happening during the good ol' times – before the crisis. Euros earned by German companies in Greece, and elsewhere in the Periphery, amassed in the Frankfurt banks. This money increased Germany's money supply lowering the price of money. And what is the price of money? The interest rate! This is why interest rates in Germany were so low relative to other Eurozone member-states.

Suddenly, the Northern banks had a reason to lend their reserves back to the Greeks, to the Irish, to the Spanish – to nations where the interest rate was consider-

ably higher as capital is always scarcer in a monetary union's deficit regions.

And so it was that a tsunami of debt flowed from Frankfurt, from the Netherlands, from Paris – to Athens, to Dublin, to Madrid, unconcerned by the prospect of a drachma or lira devaluation, as we all share the euro, and lured by the fantasy of riskless risk; a fantasy that had been sown in Wall Street where financialisation reared its ugly head.

Put differently, debt flows to places like Greece were the other side of the coin of Germany's trade surpluses. Greece's and Ireland's debt to German private banks maintained German exports to Greece and Ireland. This is similar to buying a car from a dealer who also provides you with a loan so that you can afford the car. Vendor-finance, is the term used.

Can you see the problem? To maintain a nation's trade surpluses within a monetary union the banking system must pile up increasing debts upon the deficit nations. Yes, the Greek state was an irresponsible borrower. But, ladies and gentlemen, for every irresponsible borrower there corresponds an irresponsible lender. Take Ireland or Spain and contrast it with Greece. Their governments, unlike ours, were not irresponsible. But then the Irish and the Spanish private sectors ended up taking up the extra debt that their government did not. Total debt in the Periphery was the reflection of the surpluses of the Northern, surplus nations.

This is why there is no profit to be had from thinking about debt in moral terms. We built an asymmetrical monetary union with rules that *guaranteed* the generation of unsustainable debt. This is how we built it. We are all responsible for it. Jointly. Collectively. As Europeans. And we are all responsible for fixing it. Collectively. As Europeans. Without pointing fingers at one another. Without recriminations.

Before 2009 the Greek media were ever so proud that Greece was growing faster than Germany. They were wrong. It was Ponzi, pyramidal, debt-fuelled growth. When our bubbles burst, the German press accused the Periphery of profligacy and of being bad European citizens who got what they deserved. It was the turn of the German press to get it wrong. The Periphery's exorbitant debts were *essential* for the industrial machinery and the banking systems of Germany and France to prosper given the problematic bank-based recycling system that we had.

Economies without boundaries – a pitfall for all

by Reinhard Koradi

The financial and economic crisis relentlessly uncovers the shortcomings of the current state of the economy. An economic system which renounces all regulations and refers in principle to a “global world”, will inevitably lead the involved states to the national inability to act and violates their sovereignty. The different geographical, cultural, political, social and economic framework conditions are being rigorously hidden. The leveling associated with this process inevitably creates a power vacuum, which leads all too quickly to imbalances. The dominance of the strongest prevails and also includes many abuses of power.

Actually, the goal of an economy that is acting responsibly and serves the people, should be the creation of an equilibrium. In terms of foreign trade, the volume of exported and imported goods and services should be balanced between the various national economies. If a country exports more goods than it imports, then it is strengthening its economy at the expense of other countries. Likewise, in terms of employment policy, it is ultimately about reaching a balance between the supply and demand of jobs. Similarly, the compensation principle must be applied to monetary policy (money supply must not be extended arbitrarily) and fiscal policy (income and expenditure). The failure to comply with the requirement to reach a balance between outflows and inflows through regulatory intervention in the individual markets, together with the

beneficiaries of deregulation and globalization of power concentration, are at least partially the cause of the current crises.

One of the main instruments for creating this necessary equilibrium is an independent national currency for each state. The common currency Euro has incapacitated the national economies of Europe and deprived them of the autonomous influence on their economies. New centers of power (WTO, IMF, ECB, Brussels, London, New York, etc.) dictate the economic order of the once independent national economies. The centralization of the organization of the economic order has significantly accelerated the breakthrough of the neo-liberal economic theory. The definition of the global market, deregulation, privatization of basic services and the rigorous application of cost management, weaken the nation state and rob it of the chance to correct macroeconomic aberrations. The present balance of power promotes the evasion of national states through comprehensive transnational FTA (TTIP, TiSA), etc..

Those who are presently preaching to Greece, should put their own house in order first

Ultimately, the Greeks are the victims of the global economic order. They should have never let themselves become integrated into this globally-oriented economic system. But also the growth policy, which was financed by an exuberant

flood of money caused aberrations, which inevitably led to the debt crisis. Of course, the Greeks have committed macroeconomic errors at the national level – as have other countries as well. Blinded by the neo-liberal “gospel”, they have deviated from the course of the aforementioned economic virtues.

Greece has to find its own way. Adapted to the aforementioned conditions, the return to a stable and responsible national policy is to be implemented. But this also means: The Greek people must regain their freedom to decide how to structure the Greek economy.

But also the other European countries have no reason to point their finger at Athens. It is time that the national economies across the globe build on their specific skills and cultures and recognize the need to set up economies for the good of the people in their countries. The resulting diversity will lead to far greater independence and will stimulate competition to find the best solutions.

Future challenges can be solved neither by egalitarianism nor by demonstrations of power. Self-responsibility – and that includes the sovereignty of individual states – is the key to escape the global chaos that was caused by a small powerful elite. We must succeed in overcoming centralism by decentralized structures. Decentralized and regionally oriented structures do promote the capacity and the willingness of people to act and stand up for their common interests.

“Greece, Germany and the Eurozone”

continued from page 4

In summary, our Eurozone’s surpluses recycling was at the heart of the problem. Greece and Ireland took a big hit on behalf of a Eurozone that was not designed well. We took a hit to save the banks that did all the recycling so badly. To save a Eurozone economically incapable of absorbing the shockwaves of the large financial crisis that its design had brought on and politically unwilling to re-design our surplus recycling mechanism.

For five years now, Europe and three different Greek governments have been pretending that they solved the crisis while extending it into the future. Pretending that the nation’s bankruptcy can be dealt with by ever increasing loans on conditions of further income-sapping austerity that undercuts the nation’s capacity to repay. Meanwhile, a Great Depression has taken hold, the political centre has im-

ploded, children faint at school from malnutrition and Nazis are coming out of the woodwork.

As I already said: It is truly pointless to play the blame game. Whose fault was the crisis? We are all at fault. We created a Eurozone with a surplus recycling mechanism which with mathematical precision led to a crisis with victims everywhere. The longer we take to realise this the greater our collective fault.

Earlier I referred to the Aesop fable that has done so much damage to our peoples’ understanding of their relation and to their appreciation of each other. Allow me to retell it in a manner better suited to the economic circumstances of the Eurozone.

To begin with, I hope you agree that the idea that all the ants live in the North of Europe and all the grasshoppers have congregated in the South, in the Periphery, would have been comical if it were not so offensive and so destructive of our shared European project.

What happened in Europe after we established the euro, during the good times, was that the ants worked hard everywhere, in Germany and in Greece. And the ants were finding it hard to make ends meet. Both in Germany and in Greece. In contrast, the grasshoppers both in Greece and in Germany were having a finance-fuelled party.

The flow of private money from Germany to Greece allowed the grasshoppers of the North and the grasshoppers of the South to create huge paper wealth for themselves at the expense of the ants – of the German and the Greek ants. Then, when the crisis hit, it was the ants of the North and especially the ants of the South, of Greece, that were called upon to bailout the grasshoppers of both nations.

These bailouts cost the ants dearly. Especially the Greek ants lost their jobs, their houses, their pensions while the German

continued on page 6

"Greece, Germany and the Eurozone"

continued from page 5

ants felt cheated, hearing about all these billions going to the Greeks while their living standards refused to rise despite their productive efforts. As for the Greek grasshoppers, some of them also suffered but the big, fat ones had nothing to worry about: they took their ill gotten monies to Geneva, to London, to Frankfurt. And they laughed all the way to the bank.

This is what was so wrong with the bailouts. It is not that Germans did not pay enough for Greeks. They paid far too much. For the wrong reasons. Money that, rather than help the Greeks, was thrown into a black hole of unsustainable debts while people suffered everywhere. From debt fuelled growth we went full circle to debt fuelled austerity.

It is this vicious cycle that our government was elected to put an end to.

Since 2010 our party, and I personally, opposed the bailouts that piled new debt on the existing, unsustainable Greek public debt on condition of stringent austerity bound to reduce all incomes thus sinking Greece deeper into insolvency, depression, misery. We warned that it was pure folly to shift the Greek state's debt from the books of private banks onto the shoulders of Europe's taxpayers. It would turn one nation against another without doing anything to address Greece's insolvency.

The past five years proved us right. And this is why we were elected. From the first day in office I have been making a simple proposal to our partners, in the Eurogroup and elsewhere: Given that we have been elected to challenge the program that you believe in, and which you want us to abide by, the negotiations will be protracted. Let us negotiate in good faith. But, also, let us agree in the meantime, as quickly as possible, on a number of reforms that we all agree are absolutely necessary and which the previous governments refused to implement. Let us pass through our Parliament three or four, commonly agreed, bills that deal with tax evasion, that set up an fully independent tax authority, that strike a blow at corruption, that reform the income tax code, that regulate and tax television channels etc. etc.. Let us implement immediately these reforms while the "larger", "comprehensive" negotiation continues.

The answer I received was unequivocal: "No! You must not pass anything through Parliament until and unless the complete review of the Greek Program is successfully completed. Any such legislation will be considered to be unilateral action and will jeopardise your relation with the institutions." And so it was that the negotiations have dragged on and on, draining our energies while the economy stag-

"It is not that Germans did not pay enough for Greeks. They paid far too much. For the wrong reasons. Money that, rather than help the Greeks, was thrown into a black hole of unsustainable debts while people suffered everywhere. From debt fuelled growth we went full circle to debt fuelled austerity."

nates, while important reforms are still awaiting legislation.

I am often asked: "Be that as it may, why have you not concluded the negotiations with the institutions? Why are you not agreeing with them quickly? There are three reasons why.

First, the institutions are insisting on economically unsustainable macroeconomic numbers. Consider three such crucial numbers for the next seven years: The average growth rate, the average primary surplus and the average magnitude of fiscal measures (e.g. new taxes, benefit or pension reductions). The institutions propose to us actual numbers that are inconsistent with one another. They begin by assuming that Greece should achieve an average growth rate of about 3%. That's fine and good. But then, in order to remain consistent with their "goal" of showing that our debt can come down to 120% of our national income by 2022, they demand primary surpluses in excess of 3%, with large fiscal measures to achieve these primary surpluses. The trouble here, of course, is that if we were to agree to these numbers, and impose upon our weak economy these highly recessionary fiscal surpluses, we will never achieve the above 3% growth rate that they assume. The end result of agreeing with the institutions on their unsustainable fiscal numbers is that Greece will, yet again, fail miserably to achieve the promised growth targets, with appalling effects on our people and on our capacity to repay our debts. In other words, the past five years of spectacular failure will continue into the future. How can our new government consent to this?

Secondly, we may be an ideological government of the Radical Left but, unfortunately, it is the institutions that carry ideological fixations that make it impossible to reach an agreement. Take for example their insistence that Greece should be a labour protection-free zone. Two years ago, the troika and the government of the time disbanded all collective bargaining. Greek workers are left to their own devices to bargain with employers. Labour rights that took more than a century to win were swept away in a few hours. The result was not increased employment or a more efficient labour market. The result was a labour market in which more than one third of paid labour is undeclared,

thus condemning pension funds and the government's tax take to permanent crisis. Our government has tabled a highly sensible proposal: To take the matter to the International Labor Organization and to have them help us draft a modern, flexible, business-friendly piece of legislation that restores collective bargaining to its rightful place in a civilised society. The institutions rejected that proposal, branding our stance "backtracking from reforms".

The third reason why we have not been able to agree with the institutions are the social unjust and unsustainable measures that they insist upon. For example, the lowest of pensions in Greece amount to 300 euros, of which more than 100 euros are made up by what is known as "solidarity pension", or EKAS. The institutions insist that we eradicate EKAS while at the same time proposing that we push value added taxes on pharmaceuticals (that pensioners rely upon) from 6% to 12% and electricity from 13% to 23%. Put simply, no government that has a smidgeon of sensitivity toward the weakest of citizens can ever agree with such proposals.

I could go on and on, listing a litany of unacceptable demands by our creditors. I won't. You get the gist of it, I am sure.

Some ask me whether we are prepared to risk Grexit so as not to sign up to the institutions' demands. Our answer is that it will be a sad day for Europe when its integrity becomes a football to be kicked around in a game whose purpose is to force a sovereign people to accept an impossible deal. In any case, if such a terrible deal is to be imposed on our people, well at least it will not be with our signature. *Immanuel Kant* taught us that the majesty of duty has nothing to do with the calculus of expediency. It is an irony that it may take a Greek government to remind Europe of the great German philosopher's dictum.

Coming back to the reforms that Greece needs, in a sense, what our government is asking our partners for is to give us a chance to reform. To do our homework. Please let us reform Greece deeply. For if you continue to insist on logical inconsistent numbers, on ideological fixations and on socially unjust measures we shall not be able to carry the Greek peo-

continued on page 7

"Greece, Germany and the Eurozone"

continued from page 6

ple along the reform path that the country needs. Greece will remain unreformable if the institutions prevail. It is that simple.

To recap, we need to agree on proper, deep reforms and to embed them in a larger package, a larger agreement, which ends the Greek crisis once and for all. Besides the deep reforms, the other two elements of this broader agreement, must be a mechanism for rendering Greece's public debt sustainable (without haircuts and without new monies for the Greek state) and an investment package that kickstarts the economy and crowds in private investment.

Greece's crisis began with public debt unsustainability. It will only end when public debt becomes sustainable again. Here is what we propose:

Greece acquires now a new liability of 27 billion to the ESM which allows us to buy back from the ECB the old SMP (Security Market Programm of the ECB to buy state securities and private bonds) bonds that the ECB purchased in 2010, and whose face value is precisely 27 billion. Then we retire these bonds immediately. Thus the ECB will be repaid in full for Greece's remaining debt to it. The result will be an elimination of our short term funding gap and the opportunity for Greek bonds to participate in the ECB's quantitative easing program, thus helping us return to the money markets in a manner that eliminates the need for more official sector loans in the future. Once the ECB SMP bonds have been repaid, the ECB will return to Greece, as has already been agreed, the "profits" (approximately 9 billion euros) it made due to having purchased them below par initially (as per the existing arrangements for returning to

Greece the ECB's SMP program "profits"). Greece uses up this sum to repay, in part, its remaining debt to the IMF (19.96 billion). The remaining debt to the IMF (approximately 11 billion) will be refinanced through our regained market access.

An obvious objection to this swap is that, while no new money will be received by Greece, the ESM will have to acquire a new liability and, for this reason, a new set of conditions is necessary. This is true. But a simple solution presents itself readily: The same conditionalities, i.e. reform package, that we shall agree upon to complete the current program can also serve as the conditionalities for this new arrangement with the ESM. A common set of conditionalities, that our Parliaments approve, as the basis for concluding the current program and beginning the new arrangement. That way neither Chancellor *Merkel* nor PM *Tsipras* will have to go to our Parliaments twice. A simple, efficient and effective arrangement is, therefore, in sight.

Debt management is a necessary but insufficient condition for ending the Greek crisis. Greece's economy needs to be kick-started. While long-term recovery will need to be financed privately, getting the flow of investment funding going will require an initial boost. It will also require a vehicle for dealing efficiently with the voluminous non-performing loans that currently block the credit system. Here is our proposal on this front:

The European Council gives the "green light" to the *European Investment Bank* (EIB) to embark upon a Special Investment Program for Greece that is fully funded by a special issue of EIB bonds (waiving the requirement of national co-funding), with the ECB providing secondary market coverage for the latter (in the

context of its QE program) – to be administered by the EIB and the EIF (*European Investment Fund*) in cooperation with a new public Development Bank, in collaboration with EFSI, the Hellenic Investment Fund, the EBRD, KfW and other European investment vehicles, and in conjunction with new privatisations (e.g. ports, railways).

The great merit of this proposal is that it will come at no cost to Greece's creditors. The EIB operates on purely banking criteria and, on this occasion, stands to benefit from Greece's rapid economic growth and the inevitable rise in asset prices. The very "announcement effect" of this package of reforms, debt management and an EIB investment package will, even before any investment funding is provided, crowd in substantial investments and, inevitably, end the Greek crisis.

With the Greek crisis behind us, Europe will still need to look at itself in the mirror and deliberate on how to solidify our monetary union so as ensure that the next crisis is not an existential one.

Clearly we need political union. But what type? Let us not forget that the Soviet Union was a political union, albeit not one that we wish to emulate. No, what Europe must aim for is a democratic political union that will appeal to its peoples.

Europeans must ask ourselves an important question: Do we want a liberal political union that engages with those (like our government) who are critical of the current European policies, but committed to the EU? Or do we want a political union that has no tolerance for dissent to neoliberal policies and which tries to snuff out "inconvenient" pro-Europeans like the SYRIZA government at the expense of European democracy? Permit me to guess that if Europe opts for the latter it will end up being dominated by anti Europeans who hate Europe and all it stands for, and who want to drag Europe back towards the nationalistic tribalism that has caused so much human loss for so many centuries.

Some leading Europeans unfortunately think that sacrificing Greece as a latter day *Iphigenia* will help the rest set sail toward Political Union under a regime of Iron Discipline forged by the fear Grexit will have put into other Europeans' hearts and minds. I fear that this would be an attempt to keep to an unsustainable model by means of increasing degrees of authoritarianism and recessionary macroeconomics. In then final analysis, it would split the union and bring untold economic and human costs.

Let me suggest another heroine of the Ancient Athenian tragedy repertoire: *Antigone*. Antigone symbolised the just challenge of unjust rules; of rules that clash

"By the way our wages came down by 38 per cent, not by 17, not by 18, not by 28 – 38 per cent. Some may say, you have lived beyond your means, you did not produce enough, you were lazy, you had long holidays and long lunch brakes. Maybe. Okay. I don't want to counter this argument. The point I want to make is this: 38 per cent reduction of wages, substantial reduction of costs of doing business, and yet, exports are flat. That has never happened before. At any time, anywhere. That is a major failure. People say that the reason is that the Greek didn't reform. Even if nothing happened. It is not true that we didn't reform. But let's say so for the argument's sake that I accept. The fact that you have such a great reduction in labour costs and yet, no export growth means that something went really badly wrong. What was it? The banks. We have export-oriented companies in Greece with a full order book, with profitability and they can't get loans. So they can't buy raw materials to provide the customers outside of Greece, with the output that the customers want. They go to the banks and the banks say, we can't lend you because of the very high levels of non-performing loans. They come to Frankfurt or go to Paris. You know what they are told? Shift your headquarters here and then we will lend you. This is not how to run a monetary union."

Statement of Prof Dr Yanis Varoufakis in the panel discussion after his lecture at the Hans Böckler foundation on 8 June 2015. (Listen to it on <http://livestream.com/dmake/zukunft/videos/89664402>)

"Greece, Germany and the Eurozone"

continued from page 7

with basic principles of propriety and justice. She was, of course, no anarchist. She believed in rules. Alas, she believed that when one is faced with bad rules, with rules that are detrimental to the human condition, it is our duty to challenge them and to replace them with other rules, better suited to human purposes.

Which do you think is best suited to the European project? Agamemnon's strategy of sacrificing Iphigenia? Or Antigone's penchant for better rules? The idea that Greece should be amputated from the Eurozone, in order to discipline the rest? Or the idea of bringing everyone closer together on the basis of sound, sensitive, humanist policies?

The major problem we are facing is that this crisis has sapped the political will to bring our asymmetrical monetary union's economies closer together and with respect for national sovereignty. Citizens turn their back to the monetary union, understandably, and begin to recoil not behind national sovereignty but behind national chauvinism and stereotyping.

So, the great, big question becomes: Is it possible to give the peoples of our asymmetrical monetary union *more* sovereignty while, at once, introducing an effective, non-toxic surplus recycling mechanism?

I think it is. But it would take another long meeting to discuss explain how.

On September 6th 1946 US Secretary of State *James F. Byrnes* travelled to Stuttgart to deliver his historic *Speech of Hope*. It marked America's change of heart vis-à-vis Germany and gave the fallen nation a chance to re-imagine recovery, growth, and a return to normalcy.

Until Byrnes' *Speech of Hope* let rays of optimism pierce through occupied Germany, the allies were united in their commitment to convert "Germany into a country primarily agricultural and pastoral in character." Byrnes' speech signalled to the German people a reversal of the punitive de-industrialization drive that, by the end of the 1940s, had seen to the destruction of seven hundred and six industrial plants.

Germany owes its post-war recovery and wealth to its people, their hard work, innovation and commitment to a united, democratic Europe. However, they would not have been in a position to stage a magnificent post-war renaissance without what the *Speech of Hope* signified.

Prior to Byrnes speech, and for a while afterwards, America's allies were not keen to restore hope to the defeated Germans. But once Washington had decided to rehabilitate Germany, there was no turning back. Its renaissance was on the cards, facilitated by the Marshall Plan, the US-

sponsored 1953 debt write-down, as well as by the infusion of migrant labour from Italy, Yugoslavia and Greece.

Europe could not have united in peace and democracy without that sea change. Someone had to put aside moralistic objections and look dispassionately at a nation locked into a set of circumstances that would only reproduce discord and fragmentation across the continent. The United States, having emerged from the war as the only creditor nation, did precisely that.

Seven decades later, another nation is locked into a frightful trap that is sending ripples across Europe and from which it cannot escape without a variant of Byrnes' *Speech of Hope*: Greece! Moralistic objections abound and stand in the way of affording the Greek people a shot at achieving escape velocity. Greater austerity is demanded for an economy that is on its knees due to the heftiest dose of austerity any nation has had to endure in peacetime. No offer of debt relief. No plan for boosting investment. And certainly no *Speech of Hope* for this fallen people.

The Greek government has tabled a set of proposals for deep reforms, debt management as well as an investment plan that will kick-start the economy. Greece is indeed ready and willing to enter into a compact with Europe that will eradicate the malignancies which were responsible for Greece being the first domino to fall in 2010. We are ready to play our part in designing a proper, sustainable [surplus] recycling scheme for the Eurozone, to do our homework and stick to the rules that we co-author with our German friends.

But to implement these reforms successfully Greeks need a missing ingredient: Hope!

A *Speech of Hope* for Greece is, therefore, precisely that which would make all the difference now.

A *Speech of Hope* for Greece would, in fact, also benefit our creditors, as our renaissance eliminates the probability of default.

What should it include? A *Speech of Hope* for Greece does not have to be technical. It should simply mark a sea change, a break with the past five years of adding new loans on already unsustainable debt on condition of more doses of punitive austerity.

Who should deliver it?

In my mind, it should be the German Chancellor.

Where? In Athens or in Thessaloniki or any other Greek city of her choice.

She could use the opportunity to hint at a new approach to European integration that starts in the country that has suffered the most, a victim both of Europe's faulty monetary design and of its society's own failures.

On a practical note, let me ladies and gentlemen inform you that in our midst today we have my great friend and colleague *James Kenneth Galbraith* – the son of the actual author of Byrnes' *Speech of Hope*, *John Kenneth Galbraith*. If need be, I am sure he could help in the drafting on a *Speech* that could change Europe. Just like Byrnes' speech do in 1946.

Allow me to end on a very personal note.

One of the enduring memories from my early childhood is the crackling sound of *Deutsche Welle* radio transmissions. Those were the bleak years of our 1967–1974 dictatorship when *Deutsche Welle* was the Greeks' most precious ally against the crushing power of state oppression.

Mum and dad would huddle together next to the wireless, some times covered by a blanket to make sure that nosy neighbours would not get a chance to call the secret police. Night after night these "forbidden" radio programs brought into our home a breath of fresh air from a country, Germany, that was standing firm on the side of Greek democrats. While I was too young to understand what the radio was telling my mesmerised parents, my child's imagination identified Germany as a source of hope.

And there you have it. I end this speech on this note, as a tribute to my German friends who keep the memories of those *DW's* crackling sounds alive, pertinent and permanently inspiring. •

Source: <http://yanisvaroufakis.eu/2015/06/09/greeces-future-in-the-eurozone-keynote-at-the-hans-bockler-stiftung-berlin-8th-june-2015/#more-8001>

Yanis Varoufakis

Yanis Varoufakis (born in 1961) studied mathematical economics at the University of Essex and mathematical statistics at the University of Birmingham. In 1987, he received his PhD in economics in Essex, from 1986 to 1988 he was a fellow and lecturer at Cambridge University, lecturer at the University of East Anglia in Norwich/UK (1986–88) and Glasgow (1995–96). From 1988 to 2002 he was lecturer and senior lecturer at the University of Sydney. In 2000, he was appointed professor of economics at the University of Athens. Since 2013 he has been a visiting professor at the Lyndon B. Johnson Graduate School of Public Affairs at the University of Texas in Austin, USA.

In 2004, he was appointed economic advisor to the party by *Giorgos Andreada Papandreou*, President of PASOK. In December 2006, however, he dissociated himself from Papandreou, because he did not want to share the responsibility of PASOK's economic-political stance. In 2015, he was elected to the Greek Parliament for SYRIZA and appointed Minister of Finance by *Alexis Tsipras* on 27 January 2015.

“Du sollst nicht töten – Mein Traum vom Frieden” (Thou shalt not kill – My dream of peace)

Book review by Dr phil. Henriette Hanke Güttinger



I became aware of Jürgen Todenhöfer due to his report on the last war against Gaza. He wrote about the consequences of the bombardments for children,

women and men, a description as it is found in only a few media. It touches the reader deeply and makes him sympathise with what such attacks mean for the lives of every human. In March, I found Todenhöfer's paperback edition “Du sollst nicht töten – mein Traum vom Frieden” (Thou shalt not kill – My Dream of Peace) in a shop window. Whenever I found some time, I have been reading it. In Jürgen Todenhöfer we find a man whose deepest conviction is expressed in the simple lines of the book title. While reading, the development, which led to his courageous standing up against the war and for a more peaceful world, becomes emotionally understandable for the reader. Born in 1940, he experienced the horrors of war: “What I will never forget, is the shaking of the earth, the burning people, my parents' scarlet illuminated, dying city. So this is war. We Germans went to war. But is it therefore allowed to burn cities and kill children? [...] In those days I may have guessed for the first time that there are no decent wars.” (p. 34)

Since then Todenhöfer has always been moved and motivated by the question of war and peace. When he witnessed the massive struggles for and against the French colonialism in Algeria in Paris as a student, he travelled to Algeria in 1960 “to find out about the situation on site for himself”. (p. 35) On the train from Algiers to Constantine he overheard English and German Foreign Legionnaires boasting about their massacres of the Algerian people and the FLN rebels, which shook him

“The demonisation of the enemy”

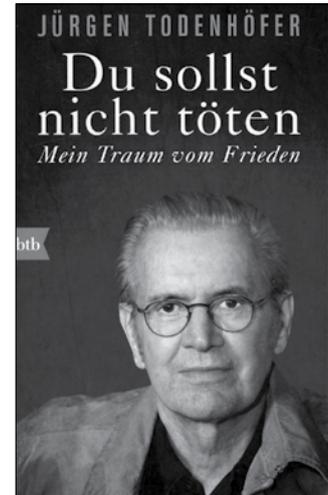
“The preparation of a war usually begins with the demonisation and criminalisation of the enemy. [...] The demonisation of opponents is often systematically worked out for years. Especially if the enemy's ‘main crime’ is, that he does not submit to the strategic objectives of the US empire. [...] Often whole groups of peoples and cultures were demonised. Previously Jews, today Muslims. Although no Muslim country has ever attacked the West over the last 200 years [...]” (Du sollst nicht töten, p. 114)

deeply: “Why is that what is considered a shameful crime in one's own country regarded a heroic deed beyond the borders? That question became one of the most important issues of my life. (p. 39)

When in 1973 the “London Times” reported an army massacre in the Portuguese colony of Mozambique, Member of the “Bundestag” (German Parliament), Todenhöfer, travelled into the region and carried out local research. Back in Germany, he confirmed the responsibility of the army for the massacre. But at the same time he also condemned the violence of the liberation movement Frelimo against the civilian population. Even those who are fighting for a just cause, have to respect international humanitarian law – that was Todenhöfer's insight. (p. 45–49)

By means of other travel descriptions Todenhöfer portrays the eventful history of Afghanistan from the invasion of the Soviets in 1979 to the present day and embeds it in the geo-political context of Western interests. (p. 64–67) Todenhöfer always has tried to enter into discussion with the local people. Thereby he gives the reader touching insights into the life, thoughts and feelings of the Afghan people and into their immense suffering. However, he does not stop there. He always makes a constructive, forward-looking contribution to improving the situation as is shown by the following examples.

In Kabul in 2008, Todenhöfer reads in an Afghan newspaper that the US army had killed 30 Taliban in Asisabad. Pictures of the Afghan television show a different picture; killed children and killed old people. Since the spokesman for the US Army maintains his view, Todenhöfer conducts research himself and learns that in the village Asisabad a commemoration was to take place for *Gul Ahmad's* brother, who had been killed by *ISAF* troops some time ago. The night before the commemoration the village had been bombarded with “grenades and rockets”. “Then some GI's arrived. For hours they kept the survivors from helping the injured and from digging out the dead from the rubble.” – So Gul Ahmad, who lost 75 relatives that night. The next day Todenhöfer speaks with President *Karzai*, whom he has personally known since 1989, and calls on him to protest towards the Americans against such massacres. “From that day on *Karzai* has protested even more uncompromisingly against *NATO* attacks on Afghan civilians. And from then on, leading American politicians increasingly have declared him a problem.” (p. 71)



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In 2009, two tanker trucks that had been captured by the Taliban, got stuck in a ford of the river Kunduz. From the surrounding villages adults and children came running. In the nearby camp of the German armed forces, Colonel *Klein*, “commander of the ‘regional reconstruction team’” supervised the process on the screen.

“He untruthfully reported ‘enemy contact’ and called on US bombers. The Jets transmitted film recordings in real time to *Klein's* command post. The Colonel saw a large number of people moving between the two tanker trucks. At times, there are several hundred destitute Afghans – both adults and children. There is fuel. Many have not been able to afford something like that for a long time. They had rushed to the site from more than a dozen village. Five times the crew members of the US-Jets suggested to Colonel *Klein* to disperse the people by low-level flights.” Colonel *Klein* refused and insisted on bombing. He later reports that 54 insurgents were killed and that civilians were not affected. (p. 84)

At the occasion of a talk show on German television, Todenhöfer documented this egregious occurrence with photographs: “I showed the photos in that show, in order to demonstrate the true face of war. [...] The ‘Collateral Damage’ is the true tragic of war. Colonel *Klein* has since been promoted to a brigadier general. What incredible mockery of the victims, of our country's basic values and of the army! [...] To date, no member of the Federal Government has got in touch with the victims' families of Kunduz. No minister has ever apologized to the relatives. What a shame!” (p. 87) But Todenhöfer was not content with that. He felt that he too had a responsibility

continued on page 10

On the significance of direct democracy to ensure social peace (part 3)

How can we protect direct democracy in difficult times?

by Dr rer. publ. W. Wüthrich

In Part 2 of this series of articles the reader learned about the economic constitution of Switzerland in the Federal Constitution of 1874. Basically it still rests on three columns: 1. On the freedom of trade (now economic freedom) as a civil liberty of the citizen; 2. on the principle of freedom of trade and commerce as a guiding principle for the development of the economic system; and 3. on direct democracy – to provide a voice of the people in defining the key elements of the regulatory framework and setting the course for the future. The interwar period with the Great Depression of the 1930s and also the time of the Second World War were special epochs, because the foundations of the economic constitution were under discussion at that time. Peace agreements in the metal industry were settled and a total of ten popular initiatives were launched: five alone were about the preservation of direct democracy – especially in the economic field. The other five initiatives raised fundamental questions of economics. Are Adam Smith's ideas still suitable even in these difficult times? Or is John Maynard Keynes the new shining light showing the way to the future? Or do Karl Marx or the Pope have ideas on how the grave economic crisis could be solved? Is it possible to implement the human right of the "right to work" in a liberal economic order? If so, how? Such matters were severely discussed and debated and finally voted on.

The following lines are an introduction into the topic of how to preserve direct democracy in difficult times. The other topics will follow in the next article.

"Du sollst nicht töten ..."

continued from page 9

to contribute to the reparation. He initiated the construction of orphanages in Kabul. In 2012, "13 girls and 17 boys, who had lost their fathers or brothers in the airstrike on Kunduz commanded by Colonel Klein", are able to move into the second one with the telling name "House of Hope". (p. 98) At the inauguration Todenhöfer tells the children that "many people in Germany were sad about the attack in Kunduz". "I apologized on behalf of these people. [...] Then I told them what I expected of them: diligence and kindness towards their fellow human beings. I ask them to help create a better world."(p. 106)

Is direct democracy possible in the field of economy?

There were doubts about and even attacks on direct democracy after the First World War, not by extremists, but by the Federal Council and Parliament. Many federal politicians raised the question: Is the people – even in difficult times – really able to have a direct say in demanding and sometimes complicated economic issues and to decide on them?

The constitutional starting point of this dispute, which should last for the next 30 years, was as follows.

Article 89 of the Federal Constitution of 1874 regulated the optional referendum as follows:

"Federal acts and generally binding federal decrees that are not urgent must be submitted to the people for approval or rejection if 30,000 Swiss citizens entitled to vote or eight cantons so demand."

This per se important detail of "urgent" federal decrees in the Constitution had not been taken note of for a long time, because it had almost never been applied before the First World War. That changed after the First World War.

Federal Council and Parliament declared more and more business drafts as urgent, and exempted them from the referendum and thus from the decision of the people. The problem was that nowhere had there been clearly defined what "urgent" actually meant. The proposals and drafts declared as "urgent" were usually limited to two or three years. The deadline, however, was often renewed repeatedly so that such a law or a regulation often remained in force for years –

Todenhöfer talked to President Karzai and various leaders of the Taliban in order to initiate peace talks between the war parties (p. 76–82). Todenhöfer's forward-looking attitude is a spiritual benefit for the reader and encourages him, not only to describe abuses, but also to actively support a change. Todenhöfer's detailed description of journeys to the war zones in Libya and Syria as well as Egypt and Iran provide important insights into both, the political situation as well as every day life of the people there. Moreover, Todenhöfer describes his efforts to mediate between the US and Iran. Todenhöfer's conversations with Syrian President Assad about a possible peace settlement are also an issue. Despite revealing the facts in the war zones without euphemism and although Toden-



Referendum poster 1974. (picture ma)

without a referendum. This was contrary to the basic principle of direct democracy. Alfred Kölz, professor for constitutional law, wrote in his book "Neuere Schweizerische Verfassung" (Modern Swiss constitutional history) of 2004, "Right was set which for years remained in force without full legitimacy." He counted 151 proposals in the 1920s and 30s, which Parliament had declared a matter of urgency and implemented them bypassing the people without a referendum, which were exclusively of economic nature – a fact that was particularly striking. In the years 1929 to 1933 alone, there were 92 of such proposals. The "back door" that would allow Parliament to implement a proposal without referendum had become a wide "barn door". Alfred Kölz writes,

continued on page 11

höfer's travel descriptions include the great sufferings of the civilian population in war-torn Syria and Libya, his book "Du sollst nicht töten" is a deeply encouraging one. As Todenhöfer lives for a No to war and violence, and stands up for solving conflicts at the negotiating table, the reader's courage and confidence is strengthened to the effect that a more peaceful world is possible and everyone can contribute. This corresponds to Todenhöfer's optimistic perspective: "We have overcome slavery, the burning of witches, colonialism, racism and apartheid. If we succeed in outlawing war, humanity will have taken a big step forward."

Jürgen Todenhöfer. *Du sollst nicht töten. Mein Traum vom Frieden*. Munich 2015

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(Quotations translated by Current Concerns)

"On the significance of direct ..."

continued from page 10

"Thus, a significant portion of federal decrees on economic issues was unconstitutional in three respects: They were exempted from the referendum, they contradicted the principle of freedom of trade and commerce and they were contrary to the federalist order of competences." (p. 768) The main argument supporting this unconstitutional practice was – according to Kölz – that economic measures should not be exposed to the "randomness of a plebiscite". This idea was also expressed in a debate that took place in the National Council at that time. (Protocol National Council 1933, p. 217) It was justified from the perspective of civil rights – according to Kölz – to speak of a "partial collapse of the political system".

Some examples: In order to protect the retail trade, the opening of new stores was banned in 1934. This decree was clearly directed against *Gottlieb Duttweiler*, who had begun to build up the *Migros* chain of stores. As a profiled personality in business and politics *Gottlieb Duttweiler* would certainly have taken the referendum against this decision. However, it was denied to him because this decree was classified as *urgent* by Parliament. With the same manoeuvres the imports of goods were limited, tariffs raised, the "*Eidgenössische Darlehenskasse*" (Federal Credit Bank) established, prices monitored, private railways and ship companies subsidized, the watch industry and the embroidery industry supported and much more. The respective decrees were limited, and were then partially renewed repeatedly. *Gottlieb Duttweiler* was not discouraged by the official ban but drove his mobile *Migros* shop into towns and urban quarters.

The Federal Council explained its attitude to the Council of States in 1937 as follows, "The economic crisis of hitherto unsuspected extent has shaken the basis of existence for large sections of the population and undermined the foundation of our economy so that a serious danger is threatening our country. In such times, extraordinary measures must be taken for the preservation of the state. Everything is focused on the capacity of acting rapidly and thoroughly without being obliged to comply with all the normal constitutional means." (quoted in Kölz 2004, p. 827) This is blatantly obvious. In order to uphold the rule of law and protect the rights of the people, an emergency article with a clearly defined procedure would have had to be introduced in the Constitution.

Alarm among the population – many popular initiatives

When the Federal Council's and Parliament's practice of emergency legislation became increasingly blatant, the popula-

tion was alerted. Numerous popular initiatives were submitted. The policy "bypassing the people" should be terminated and a stop should be put to the attempt to introduce representative democracy through the back door. The founders were assisted by a part of the constitutional law professors – especially by *Zaccaria Giacometti* from Zurich. The list of five popular initiatives that all pursued this goal, is so impressive that I would like to list them below. The many citizens who collected signatures did not want to abolish the emergency legislation but reform it so that the people's law and the rule of law were observed.

1. 1934: A civic committee submits the popular initiative "In order to safeguard the people's right in tax matters" successfully. The Federal Council deferred it – in political jargon, this meant to put it on cold storage. (It was withdrawn in 1953 (!) because it was out of date.)
2. 1936: A committee with the *Migros* founder *Gottlieb Duttweiler* launched the popular initiative to "Safeguard the constitutional rights of citizens". The initiative was rejected by the people on 22 January 1939.
3. 1936: The Communist Party of Switzerland collected signatures for the initiative "Urgent federal decrees and safeguarding the democratic rights of the people". It was clearly rejected by the people on 20 February 1938 – especially because certain passages in the text sounded somewhat Marxist. Among others it spoke of the "werktätiges Volk" (working people).
4. 1938: The "*Landesring der Unabhängigen*" (Ring of Independents) – also with *Gottlieb Duttweiler* – submitted the popular initiative "Emergency legislation and urgency". The initiative was withdrawn many years later.
5. 1938: Different groups of social democratic and trade union circles collected almost 300,000 signatures (six times as much as necessary) for the initiative "Restriction of the urgency clause's usage". They demanded a qualified majority in Parliament for urgent, generally binding federal decrees, i.e. two-thirds would have had to agree and such a decision was to remain in effect only for three years. This popular initiative prompted the Federal Council and Parliament to draft a counter-proposal and to meet the legitimate concerns of its founders at least a little. This counter-proposal significantly lowered the obstacles for an emergency legislation decree. The people voted on 22 January 1939 only on this counter-proposal and agreed. The popular initiative itself was not put to the vote on that day, which must perhaps not be held against the federal authorities in the uncertain times before the Second World War. The initiators withdrew their original initiative after the war.

Conclusion: Of the five popular initiatives aiming at reforming the emergency legislation, three did not come to vote because the Federal Council postponed them or because the Second World War broke out. The last was withdrawn in 1953. Two initiatives were rejected. Only a toothless counter-proposal of Parliament was adopted. It turned out that it was not so easy to find a convincing legal basis for the emergency legislation.

Should judges decide the constitutional conflict?

Another popular initiative must not be omitted. A committee including a number of constitutional law professors – including *Zaccaria Giacometti* and *Fritz Fleiner* – proposed the establishment of a constitutional court to resolve this and other similar conflicts. A bench of judges should decide what was urgent and what not. This committee, too, collected signatures and submitted a popular initiative. It was voted upon on 22 January 1939. We do not want a state ruled by judges, was the tenor of the opponents' statements. Especially in *Hitler's* Germany one could observe how quickly judges aligned with the *zeitgeist*. It was the people that was the best guardian of the Constitution and the fundamental rights. This task belonged to the people's right to self-determination and to their sovereignty. It should not be handed over to someone else. With a 71 per cent majority the voters said a clear No to a constitutional court. Also all cantons voted No.

Plenipotentiary regime during the Second World War

During the Second World War, the situation deteriorated. On 30 August 1939, Parliament unanimously adopted the so-called *Plenipotentiary Decree* (Federal decree on measures to protect the country and for the maintenance of neutrality), which provided mainly the Federal Council as executive with far-reaching powers so that it could take necessary measures in times of war and put them into effect immediately. Federal Council and Parliament adopted about 600 plenipotentiary resolutions at that time – exempted from the referendum. Especially *Zaccaria Giacometti* monitored this practice critically. Whilst during the First World War the people were still able to vote on the introduction of the so-called War Tax (income and property tax) and approved it by more than 90 per cent, Parliament introduced the "*Wehr- und Warenumsatzsteuer Wust*" (military tax and the commodity sales tax) (today's direct federal tax and VAT) during the Second World War without asking the people. As an emergency measure, the people still had the Constitutional Initiative at their disposal. The Federal authorities, however, dared not to ignore popular initiatives de-

continued on page 12

"On the significance of direct ..."

continued from page 11

spite the plenipotentiary regime, which is why even during the war signatures were collected and referendums were held. So in 1943, when one of the most brutal battles in world history was going on in Stalingrad, signatures for two popular initiatives on the "right to work" were collected in Switzerland. The soldiers in active service helped the two initiatives to come about and be voted on immediately after the war, with an impressive number of signatures.

Overall, the population largely accepted the limitation of the people's law during the war as inevitable.

Return to direct democracy

The debate on the emergency legislation and the safeguarding of the people's law was immediately revived after the war because the Federal Council and Parliament refused to refrain from emergency legislation, immediately. On 6 December 1945, the Federal Assembly passed a "Federal decree on the elimination of the extraordinary powers of the Federal Council". In it, the Federal Council was authorized to adopt urgent measures only exceptionally if they "cannot be taken by way of ordinary legislation because of their urgency". (Kölz 2004, p. 780) The term "exceptionally" aroused suspicion. Vaud Liberal Unionists and the Liberals (*Ligue Vaudoise*) launched the people's initiative "Return to direct democracy" a few weeks later and submitted it on 23 July 1946. Its text reveals the handwriting of Professor Zaccaria Giacometti, who was a member of the initiative's committee. The text of the popular initiative was adopted unchanged when in 1999 the Federal Constitution underwent a total revision. It reads:

Art. 165 Emergency legislation

- 1 *Federal acts whose coming into force cannot be delayed (emergency federal acts) may be declared urgent by an absolute majority of the members of each of the two Federal Constitution Councils and be brought into force immediately. Such acts must be of limited duration.*
- 2 *If a referendum is requested on an emergency federal act, the act must be repealed one year after being passed by the Federal Assembly, if it has not in the meantime been approved by the People.*
- 3 *An emergency federal act that does not have the Constitution as its basis must be repealed one year after being passed by the Federal Assembly, if it has not in the meantime been approved by the People and the Cantons. Any such act must be of limited duration.*
- 4 *An emergency federal act that is not approved of in a popular vote must not be renewed.*

"Human Rights, these are freedom rights, they are supposed to protect the freedom and dignity of man against the state's power, to enable the free development of the personality, and thus form a protection barrier against the omnipotent state. Yes, Switzerland represents a unique case of democracy, where the people itself as the legislator is the guard of human rights and thereby she delivers the living proof of the possible existence of a genuinely free and democratic state."

Excerpt from the commemorative speech "Die Demokratie als Hüterin der Menschenrechte (Democracy as the guard of human rights)" by rector Zaccaria Giacometti at the 121st endowment celebration of the University of Zurich in 1954

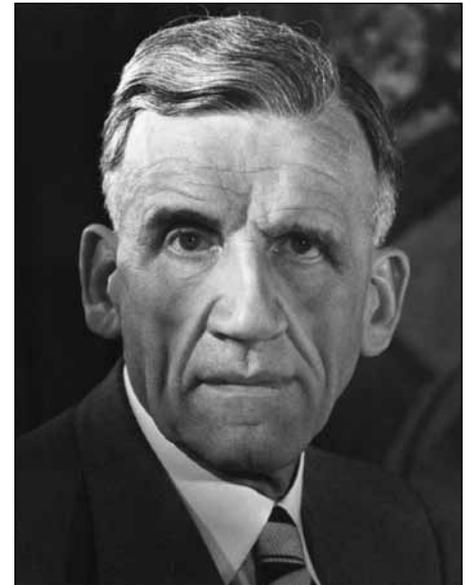
(Translation Current Concerns)

The initiative met with no agreement in "Federal Berne". The National Council significantly rejected it by 84 to 43 votes without drafting a counter-proposal. The Council of States rejected it even more clearly with 19 to 1 votes. All four government parties expressed their strong opposition to the initiative. The referendum was held on 11 September 1949, and a situation came about which is not at all exceptional in Switzerland. Although the entire "political class", that is all major parties, the parliament and the government, spoke up against it, the people and the canton said Yes to the initiative, ending an at least 20-year-long wearing discussion on the protection of direct democracy in difficult times. This popular initiative enshrined the emergency legislation in the Constitution, which is still unchanged. It is a milestone, and even more so a lighthouse in the history of direct democracy.

**Zaccaria Giacometti –
Appreciation of a great personality**

The role of Zaccaria Giacometti (1893–1970) has to be highlighted and appreciated. The Zurich constitutional law professor who comes from the famous Bergell family of artists, had significantly influenced the discussion since the 1920s. Giacometti saw himself as a guardian of freedom and democracy and repeatedly committed himself to the Swiss national character in his works. The argument of the Federal Council (according to which the circumstances justify emergency legislation) was contrary to the constitutional principles of Switzerland. He spoke of the corrosion of Switzerland's federalist and democratic-liberal system of government.

Over twenty years, Giacometti always supported direct democracy courageously, loudly and clearly and called for a constitutional article about emergency legislation that did not undermine the rights of the people but involved them. If higher reasons of state required emergency legislation, the pro-



*Zaccaria Giacometti (1893–1970)
(picture University of Zurich)*

cedure would have to be regulated. He spoke vehemently of a "chaotic, unprincipled practice" that would lead to a "parliamentary absolutism", even to a "parliamentary dictatorship". Again and again he warned against the "abuse" of emergency legislation. For Giacometti the reason was that the federal authorities ultimately distrusted the people and did not want their laws to be jeopardized by a referendum. The authorities ultimately distrusted the people. The referendum – Giacometti said – had always fully proven successful in the state's practice. It did not prevent the necessary adjustment to necessities. The referendum had also proven "the cantons' protection against a strong centralization" and "a cement to cohere national unity". It was "doubtful whether the urgency practice would be able to pass before the forum of history". Switzerland would lose its inner sense with the abandonment of the "co-operative, individual and political freedom. That would, however, mean for the Confederation that its reason for existing would fall apart and it would therefore be hardly viable in the long run."

Such strong language at a time when democracy was little appreciated should give reason to pause for thought today. Giacometti was appointed Rector of the University of Zurich in the 1950s.

(Read more in Giacometti Zaccaria, "Staatsrecht der Kantone", Zurich 1940, pp. 552, 769, 776; Alfred Kölz, "Neuere Schweizerische Verfassungsgeschichte", pp. 768; Andreas Kley, "Von Stampa nach Zürich – Der Staatsrechtler Zaccaria Giacometti, sein Leben und Werk und seine Bergeller Künstlerfamilie.")

Living democratic culture

One thing needs to be added here: Giacometti could express his massive

continued on page 13

“On the significance of direct ...”

continued from page 12

criticism of the policies of the Federal Council and Parliament without being reprimanded. The freedom of expression and press freedom were not affected by the emergency legislation, which was not at all self-evident in these times. During the Second World War there were indeed attempts to restrict the freedom of the press, so as not to provoke those in power in Berlin, as the Federal Council explained. In general, however, the freedom of expression and press freedom were maintained even in those years.

The constitutionally supported regulation of the emergency legislation – as a result of the 1949 popular initiative – was a major step in the history of direct democracy. This great achievement would not have been possible if the citizens had not repeatedly expressed how important popular law was for them. The number of signatures, with which the most popular initiatives were filed in the 1930s, may serve as a proof. They were often a multiple of the number required by the Constitution. When it was about the preservation of direct democracy, the entire population collected signatures – even with communists under Moscow’s spell and with Frontists aligned to Germany. Even a lost vote was quickly forgotten and made interested citizens soon think about the next project with which they wanted to make a difference in the world. – This common concern proved to be the pin that held the population together and let them go in the same direction. “Collecting signatures” moves the people emotionally. They are active, talk to their fellow citizens and try to convince them. Politics thus becomes a living thing, with the people being directly involved and sharing responsibility. The leader-ideology of *Hitler*, which transferred one hundred per cent of the responsibility to a parent person or entity and obliged the individual citizen to absolute allegiance, had therefore never had a chance in Switzerland.

Anyone who follows the debate on direct democracy in the 1930s will inevitably think of today’s current debate. While the authorities then repeatedly referred to the difficult circumstances of the time to make decisions without the people or bypassing the people, there are arguments like “human rights”, “international law”, agreements with the EU among others that serve as a justification, today. Yet today it still takes many citizens who work with passion for direct democracy, as Zaccaria Giacometti then did in an outstanding manner, for decades.

Test for the new process during the economic boom

The new regulations for emergency legislation were soon to be tested in practice and Zaccaria Giacometti could experience how Federal Council and Parliament treated numerous submissions under emergency legislation by the new process. Many expected an economic development in 1949 similar to the one after the First World War – with inflation and a hesitant recovery. It turned out quite differently. An unprecedented economic boom occurred and the authorities were soon busy with the excesses of a booming economy. In the 1960s, temporarily less than a hundred people were registered as unemployed in the country. Those who lost their jobs usually found a new one within hours and were able to choose among ten offers. Working overtime became a steady condition with negative impact on family life. Economists spoke of a “Konjunkturüberhitzung” and over-employment. Hundreds of thousands of foreign workers were contracted to keep the economic engine running – at first from Austria, then from Italy and later from other southern countries. The housing problem assumed dramatic proportions temporarily. The entire infrastructure such as roads, sewers, schools, public transport and more could no longer meet the increased social demands and the necessities of a fast-growing economy by far. New schools and water treatment plants had to be built, public transport modernized, motorways built and much more. The authorities were greatly challenged. The water pollution, for example, had become so bad that people could no longer swim in the lakes of Zurich or Lugano. Due to the increasing demand at home and abroad prices rose massively, as well so that inflation assumed threatening proportions and increased by 12 per cent annually in the late 1960s. Flight capital and speculative funds from abroad exacerbated the situation.

Much like in the thirties the authorities resorted to emergency legislation. Only this time it was different: There were ten referenda. This time it was not about fighting unemployment but about slowing down the hot current “economic engine” and subduing the economy. Federal Council and Parliament enacted ten urgent federal resolutions, most of which were not covered by the Constitution, and each time there was a referendum.

– On 13.3.1964, the Federal Assembly adopted two urgent federal decrees on fighting inflation by measures in the fields of money and capital markets and the banking system as well as in the field of the construction market. The two decrees were limited to two

years and were approved by the people and cantons on 28.2.1965.

- In 1964, the people voted on a constitutional amendment which allowed the temporary continuation of price controls.
- In 1971, the Federal Assembly adopted two urgent federal resolutions – one to stabilize the construction market and the other to protect the currency (which enabled the introduction of massive negative interest rates on foreign speculative funds). Both were limited to three years and were approved by the people and cantons on 4.6.1972.
- On 20.12.1972, the Federal Assembly adopted four urgent federal resolutions (which were not covered by the Constitution) on monetary policy, on the monitoring of prices, wages and profits and the price monitoring. These four decrees were limited to three years and were also approved by people and the cantons on 2.12.1973.
- On 19.12.1975, Parliament adopted two urgent federal decrees (which were not covered by the Constitution) again on monetary policy and price monitoring. They were approved by the people and cantons on 5.12.1976.

Golden Years – a satisfied Swiss people

Democracy worked excellently. There was no one who complained. The people were called to the ballot boxes ten times, and rendered their approval to the measures of the Federal Council and Parliament each time. Although the voter turnout declined in individual votes to less than 30 per cent – far from the 85 per cent vote on the crisis initiative in 1935. Most of the Swiss men and women and also the immigrants had a good life. Wages were fine. However, the constant overtime was a burden to family life. Amenities in the home such as refrigerators, washing machines, for many the first car, the TV, bigger apartments and many more made life easier. More holidays and the transition to the five-day week changed life to what it is today. We, the post-war generation, knew the phenomenon of unemployment only from our parents’ and grandparents’ stories. We had the privilege of growing up in an altogether different world.

As a part of this series of articles we say goodbye again to the golden years of the post-war period and go back to the year 1937, when the peace agreement between the unions and the employers’ associations of the metal industry was signed. This agreement and numerous referenda in connection with the economic crisis helped to consolidate social peace – until today. Read more about that in the next article. ●

(Quotations translated by *Current Concerns*)

Sound small and medium enterprises guarantee sustaining our democratic state

by Thomas Kaiser

On Tuesday 16 June the general meeting of *SWISS LABEL* took place in Berne. At the beginning of the event the President of *SWISS LABEL*, National Councillor *Ruedi Lustenberger*, delivered a speech of highly political explosiveness. He determinedly and clearly opposed any aspirations that aim at abusing the Jubilee Year 2015 to dismantle the historical experiences of the Swiss as the basis for their unique political system and to turn the impact of history into its opposite. In his speech, *Ruedi Lustenberger* put the world back on its feet. He paid tribute to personalities who have played an important role in the history of Switzerland and in the development of our state, which forms the foundation of modern Switzerland. Moreover he mentioned that globalization, often depicted as a positive achievement of our time, has to be viewed critically. "Elementary principles, as they have been considered for generations, have been given too little attention." This especially referred to the financial industry, which was largely responsible for the crisis starting in 2008. He also criticized a fiscal policy that spent more money than it had ever earned. Consequently many states were facing financial hardships, the consequences of which were not yet over. If one considered the current situation in the euro zone and especially the situation in Greece, *Lustenberger's* words gain political topicality. The more important it seems to strengthen the national economy and to avoid mistakes that happened in recent years.

Ruedi Lustenberger thanked the Swiss enterprises "with a friendly confederate greeting" of the federal parliament house and joined this greeting "with a big thank you for your commitment to our country, our society, and of course, for your commitment to our national economy." As the owner of a commercial enterprise he knew all too well about the current requirements on an entrepreneur, he said. "Especially in the present age where the economic environment has become increasingly difficult it is important that there are enterprises which rely on Swiss quality and show this with the crossbow, with the *SWISS LABEL*." (see interview)

It is obvious that it is not just about economic aspects. So the statement "we are called up to increasingly remember our traditional values" is an important guide in a time when the nation-state and the related rules and laws of a country determined by the citizens, are increasingly under pressure from outside.



President SWISS LABEL National Councillor Ruedi Lustenberger, crossbow archer Monika Hurschler, Sepp Steiner as "William Tell" and executive director SWISS LABEL Dr Rudolf Horber. (picture thk)

SWISS LABEL has set itself the objective of strengthening the Swiss economy and aims at assigning Swiss products the importance they deserve, and that at a time when often a (lower) price is in the short term more relevant than quality. Paying homage to globalization paired with a "free market" actually helps only multinational groups, where extra money is flushed into the coffers. Smaller and medium-sized enterprises face thus a competition with cheap products, which has little in common with free competition because the conditions under which these goods are produced in other countries are not comparable with the high standard of production in Switzerland.

Since it has been founded, the symbol of *SWISS LABEL* is the crossbow; that is why the 19-year-old crossbow archer *Monika Hurschler*, from Steinhausen, was among the guests of the General Assembly. Despite her young age she is among the best at this sport and has already ranked high in national and international competitions. In the crossbow World Cup 2014 in Frankfurt she narrowly missed a podium finish in the individual disciplines 10 m and 30 m kneeling, but she earned a well-deserved bronze medal with her two comrades in the team competition. She expressed her thanks for the support she had received from *SWISS LABEL* when participating in this exceptional sport. In addition to her work as a businesswoman, she trains 20 hours a week and is preparing to take part in the World Championships in Crossbow shooting. In a personal conversa-

tion the modest young lady told us that she had come across archery due to her brother 10 years ago and since then had remained loyal to this particular (national) sport. She looks at this sport as a "Swiss label", because it belongs to the Swiss tradition and constitutes ultimately a symbol for Swiss freedom and independence.

For years the organization has been growing and has 700 members today. To the Association's delight new members join each year. According to the association's objective, it has to take in 10 per cent new members, annually. Last year it has exceeded this rate with 122 new members by a factor of two. According to association's Secretary *Stefanie Zehr*, 66 new businesses or companies have already registered until 15 June this year. If the trend continues, last year's number will be exceeded.

What was heard in personal conversations with members of the *SWISS LABEL*, reflects the concerns of entrepreneurs in a time with the greatest needs and highest requirements especially with respect to small and medium-sized companies. WTO rules and the bilateral agreements on public procurement particularly press on small firms. It is absolutely incomprehensible that state owned companies prefer foreign products, although the domestic Swiss products can keep up in regard to quality, but are a few per cent higher in price. The price differences are usually caused by the significantly higher wages in Switzerland, compared to those paid in foreign country regions

continued on page 15

Labelling high-quality Swiss products with the crossbow

Interview with National Councillor Ruedi Lustenberger, President SWISS LABEL



National Councillor
Ruedi Lustenberger
(picture thk)

Current Concerns: What is the objective, the idea behind SWISS LABEL? National Councillor Ruedi Lustenberger: SWISS LABEL was founded nearly 100 years ago. In the difficult period during the First World War,

the question was how the Swiss economy could be strengthened. The conclusion was that Swiss quality and the products which have their origin in our country should be labeled. They took then the crossbow as a signet which stands for a well-fortified, strong and independent Switzerland. It has established itself well over the first decades. As time went by it was no longer developed further and thus it disappeared more or less.

And now we can experience a revival?

Yes, for about 10 years we have been witnessing a veritable renaissance of SWISS LABEL. For many companies it seems to be a real need to label their high-quality Swiss products with the crossbow. We are very much in demand and are very popular with new members.

Why does the label regain importance nowadays?

The current situation with a partly negative impact of globalization and a degree of uncertainty on the business location Switzerland gives an increased importance to SWISS LABEL. And it also helps the consumers who like to buy a Swiss product, because quality and the identification of the origin Switzerland are appreciated. This leads directly to the strengthening of Swiss economy and our companies and businesses.

"Sound small and medium enterprises ..."

continued from page 14

close to our border. This in turn corresponds to the higher cost of living in Switzerland, ranging from social benefits to rental fees. To name just one example, it is absolutely irritating and incomprehensible that even the Swiss army may eventually order uniform-shirts in China. Already in 2011, 90,000 pieces of clothing for the Swiss army were produced in India.

SWISS LABEL intends to strengthen and promote the local economy and the work place Switzerland. Only a healthy

Which companies join in? Are these rather small businesses or large industries?

Our members are a mirror image of the Swiss economy which is dominated by the small and medium-sized enterprises. SMEs from all regions and industries of Switzerland dominate. Some large and well-known companies such as Caran d'Ache or Victorinox also take part.

What are the biggest challenges for our Swiss companies?

Currently the weakness of the Euro and a strong Swiss franc cause disadvantages in international competition. There is no longer a level playing field for us. Foreign products have become so cheap on the Swiss market that they compete with our domestic economy. A good answer is the consistent focus on quality, excellent service and the highlighting of Swiss origin, for example with our trademark, the crossbow.

What criteria must a company fulfil so that it may be entitled to the SWISS LABEL?

There are criteria relating to the production cost of a product. A certain percentage must arise in Switzerland. According to the revised trademark law, 60 per cent are required in the future for industrial products so that they can be marked with the Swiss cross. For food, 80% of the weight of raw materials must come from Switzerland. SWISS LABEL requires 10% more, i.e. 70 per cent for industrial products and 90% for the food. Additionally the company must be located in Switzerland.

What about services?

Service companies can also join in if business and management are located in Switzerland and if the services are effectively provided in Switzerland.

These percentages seem quite high.

middle class guarantees our prosperity and the preservation of our democratic state, which must continue to exist in an uncertain world, in the future as well and can serve as an example of best practice to other countries on our globe. Last but not least, we owe our inner and outer peace and our high standard of living in all areas of life to the direct democratic system which is in this way unique on our globe. In the following brief interview with the President of SWISS LABEL, National Councillor Ruedi Lustenberger, one learns more about SWISS LABEL and the requirements imposed on the companies which carry this label. •

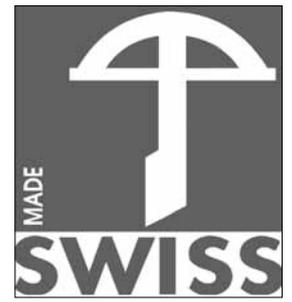
Yes, we are aware that this is a high bar. But we made a survey among the members. The majority of members explicitly asked for high demands on the Swiss percentages. The legislator should set a reasonable minimum and everything higher may be only voluntarily. In agriculture, even 100 per cent Swiss origin are required for Swiss guarantee products.

But this is voluntary?

That must and can only be voluntary. Membership in SWISS LABEL happens of one's own motivation, it is a completely voluntary entrepreneurial decision. The fact that we have had a strong increase in members for years clearly shows that there is apparently a high need for a public labelling of Swiss products and services with the crossbow.

Mr National Councillor Lustenberger, thank you very much for the interview. •

(Interview Thomas Kaiser)



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