

# **The Development of Central and Cantonal Housing Policies in Switzerland since the 1990s**

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## **1. Comparative Welfare State Theory and Housing Policy**

In this study, I examine the contemporary trends in Swiss housing policy, from the perspective of public finance, based on international comparisons and methods of fiscal history. Primary sources, such as the Bundestag minutes, interviews with relevant ministries and agencies, and secondary sources, are analyzed to understand the functioning of Swiss housing policy, which occupies a unique position among comparative welfare states. This study is also part of a research project on international comparisons of housing policy from the public finance perspective. However, housing policy and Switzerland have not been major topics in international comparisons in public finance and welfare state theory, and I propose reasons for this.

Housing policy tends not to be a mainstream issue in comparative welfare state theory and has not received much attention (Kaneko, Kikuchi, 2005). For example, Wilensky(1975) excluded housing as a subject of consideration in early comparative welfare state theory, because it is difficult to measure policy effects and the monetary and fiscal systems that affect

them are numerous and complex. However, more studies have discussed the types of welfare states in relation to class since the 1980s. The representative of such studies is Andersen's welfare regime theory, which remains influential. However, welfare regime theory focuses mainly on cash benefits such as pensions, medical care, and unemployment insurance, and housing welfare itself remains marginal. There are several reasons for this, but the fact that housing services are positioned between “needs” and “wants” may be influential. Some approaches deductively define needs, but what a society considers a definite “needs” depends largely on the social situation.

An exception to this situation is the series of studies by Kemeny (Kaneko, Kikuchi, 2005). Kemeny (1992) agrees with Wilensky that housing is embedded in the social structure, and proposes a trade-off hypothesis between the homeownership rate and welfare benefits, especially in old age (Kemeny, 1980). This implies that countries with high homeownership rates have low levels of welfare benefits. Conversely, countries with low homeownership rates will have high levels of welfare benefits. The social-democratic regimes in Andersen's sense—such as Sweden, Denmark, and Norway—and conservative regimes—such as Germany and Switzerland—are organized into the latter model of unitarism. Initially, the debate was not consciously connected to regime theory, but later studies linked regime theory with Kemeny's classification (Balchin, 1996). Nevertheless, in a typology of welfare state regimes, Switzerland has been described as "a Western regime with a liberal face" or "a mix of regimes". and does not fit neatly into the welfare regime theory (Kriesi et al., 2008). Switzerland also does not have the high welfare level of social democracies—classified as unitarism in Kemeny's trade-off

hypothesis.

Kemeny's pioneering work was neglected as a central theme in welfare state research, but revived in 1998, by Castel's re-examination of the 1960–1990 period (Kaneko, Kikuchi, 2005). The study found a correlation between 1960 and 1990 among developed countries which supported Kemeny's trade-off hypothesis. However, Switzerland was excluded as an outlier in this estimation.

Switzerland is a small government in international terms, but the rate of homeownership—while on the rise in recent years—remains low. So why can't Switzerland be explained well by the trade-off hypothesis in this way? Switzerland is not an owner-occupied society by any means, but there is no universal housing allowance at the federal level, and it does not fit the definition of a society with a Nordic-style housing welfare system. I analyze institutions (rent control, cantonal measures, and eviction protection etc.) that are difficult to quantify by fiscal expenditures but seem to have complementary functions, to explain the situation. I will also demonstrate that even with these complementary institutions, there are still housing policy needs that are not fully met, given recent political developments.

First, I will explain some of the unique institutions and policies in Switzerland—which are difficult to quantitatively grasp in terms of fiscal expenditures—that may underlie this situation,

## **2. Swiss housing policy and Kemeny's trade-off hypothesis**

A review of basic statistics is the first step in providing an overview of housing policy in

Switzerland<sup>1</sup>. In general, Switzerland is well known for its very low vacancy rate (1.62% in 2018) which makes it difficult to acquire housing. Indicators of housing quality are the average rent, which is CHF 1329 per month(2017), and the average size of a dwelling is 99 m<sup>2</sup> (46 m<sup>2</sup> per person in 2017). Nevertheless, the housing cost burden has been relatively contained, despite the limited supply of housing. Focusing on the bottom fifth of the income bracket, the proportion of income spent on housing costs remained high at around 30%<sup>2</sup>. This is noteworthy, considering that Switzerland is neither a country with a high rate of homeownership nor a well-developed welfare state of the Nordic type.

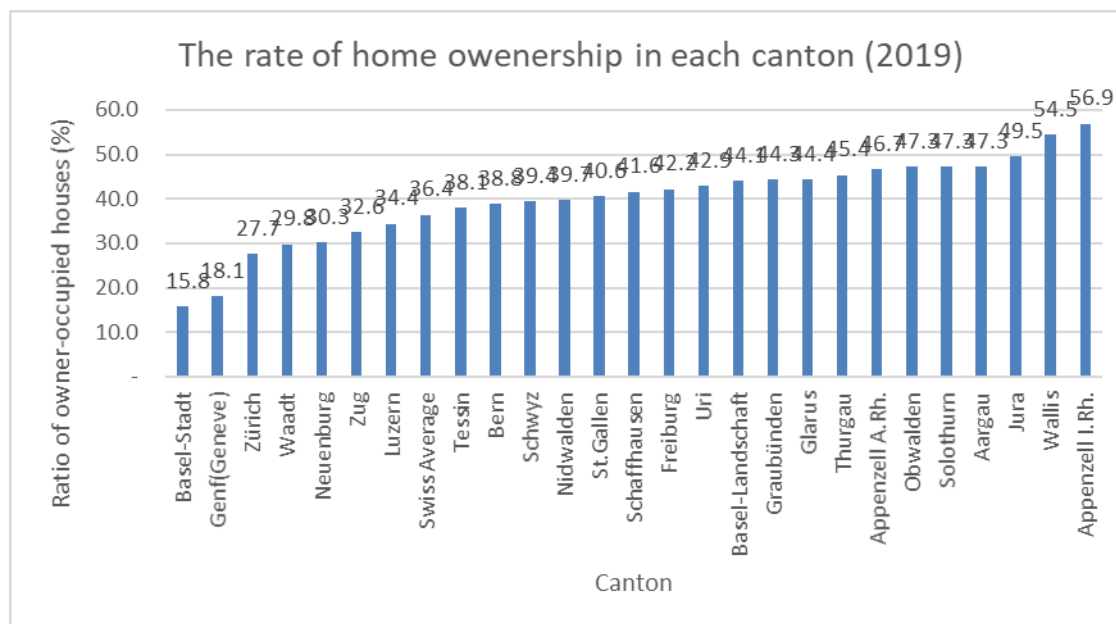
When considering Kemeny's trade-off hypothesis, the owner-occupancy rate is a relevant factor. Despite a gradual upward trend in recent years, Switzerland has maintained a relatively low owner-occupancy rate compared to the Nordic countries, with 38.0% in 2017. This is why it is often described as a "renters' country". However, there is considerable regional variation in homeownership rates.

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<sup>1</sup> <https://www.bfs.admin.ch/bfs/en/home/statistics/construction-housing.html>

<sup>2</sup> <https://www.bfs.admin.ch/bfs/de/home/statistiken/nachhaltige-entwicklung/monet-2030/alle-nach-themen/11-staedte-gemeinden/wohnkosten.html>

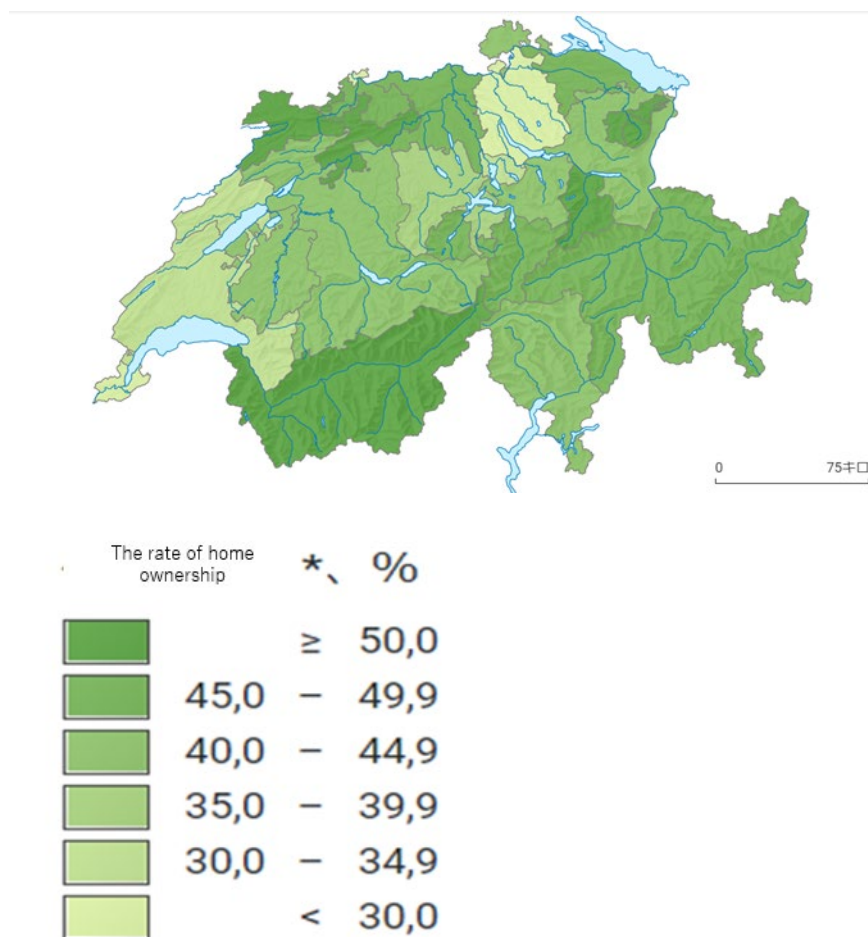
Figure 1. Statistics on regional differences in homeownership rates



Prepared by the author based on *Bewohnte Wohnungen nach Bewohnertyp und Wohneigentumsquote, nach Kanton*.

Figure 1. indicates that the owner-occupied house rate in urban areas such as Geneve and Zurich is low across the board, with some Canton areas having a rate below 20%, while rural areas such as Jura have a rate of around 50%. Figure 2 shows the differences between these regions.

Figure 2. Homeownership rate by canton



Prepared by the author based on

[https://www.atlas.bfs.admin.ch/maps/13/de/14160\\_176\\_175\\_169/22653.html](https://www.atlas.bfs.admin.ch/maps/13/de/14160_176_175_169/22653.html)

The French-speaking region centered on Geneva in the West and Zurich in the center have relatively low homeownership rates. In contrast, the southern region, including the Italian-speaking areas, has a concentration of provinces with relatively high homeownership rates. Because of these large regional variations, differences in policies at the state level can be observed.

This begs the question: “What measures are being taken at the federal level?” One system that contributes to the low homeownership rate is a unique system called the Imputed rental value (*Eigenmietwert*)<sup>3</sup>. This is a system in which the estimated rental income that a homeowner would receive if he or she rented the house, whether he or she lived in the house or rented it out, is added to the owner's income tax base as income (Bourassa, Hoesli, 2010). This could reflect a comprehensive income concept. In recent years, there has been a movement to abolish this system. If abolished, this would result in a tax cut of CHF 1.3 billion, and this package also proposed eliminating the mortgage deduction.

At the federal level, other legal possibilities include (A) the promotion of housing construction and ownership according to Article 108<sup>4</sup> of the Federal Constitution, and (B) the regulation of renting according to Article 109<sup>5</sup> of the Federal Constitution by the federal housing office (*Bundesamt für Wohnungswesen BWO*) in the Federal Ministry of Economic

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<sup>3</sup> The federal official (<https://www.ch.ch/en/housing/homeownership/taxation-of-real-estate/>)

<sup>4</sup> Article 108 (Construction of housing and home ownership ) provides as follows.

1 The Confederation shall encourage the construction of housing, the acquisition of the ownership of apartments and houses for the personal use of private individuals, as well as the activities of developers and organisations involved in the construction of public utility housing.

2 It shall encourage in particular the acquisition and development of land for the construction of housing, increased efficiency in construction and the reduction of construction and housing costs.

3 It may legislate on the development of land for housing construction and on increasing the efficiency of construction.

4 In doing so, it shall take particular account of the interests of families, elderly persons, persons on low incomes and persons with disabilities.

<sup>5</sup> Art. 109 ( Landlord and tenant) provides as follows.

1 The Confederation shall legislate against abuses in tenancy matters, and in particular against unfair rents, as well as on the procedure for challenging unlawfully terminated leases and the limited extension of leases.

2 It may legislate to declare framework leases to be generally applicable. Such leases may be declared generally applicable only if they take appropriate account of the justified interests of minorities and regional particularities, and respect the principle of equality before the law.

Affairs, Education, and Research (*Eidgenössisches Departement für Wirtschaft, Bildung und Forschung*). Concerning (A), direct assistance (loans) to homeowners has been eliminated since 2003, and funds are now only provided indirectly to housing cooperatives and other non-profit housing developers<sup>6</sup>. Regarding (B), Hilber and Schöni (2016) state that the regulation of renting under Article 109 of the Federal Constitution is a system that favors tenants.

In this type of rent control, the increase or decrease in rent is determined according to two indicators<sup>7</sup>. Rent control was first introduced during WWI, abolished during the Great Depression in 1924, and reintroduced in 1936. After World War II, it was phased out and abolished in 1970, but reintroduced in 1972 due to a rent increase. Since then, several amendments to the system have been proposed, but no complete agreement has been reached, and no drastic changes to the system have been implemented. However, discussions on how to develop indicators continued in the Bundestag in the late 1990s and the 2000s<sup>8</sup>.

Generally speaking, the disadvantages of rent control include (1) higher rents for unregulated

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<sup>6</sup> This is because the Law on the Promotion of Construction and Property (WEG: *das Wohnbau- und Eigentumsförderungsgesetz*) of October 4, 1974, which served as the implementing law until 2003, was replaced by the new federal law (*Wohnungsförderungsgesetz*, WFG) of March 21, 2003. (From the website of the Swiss Federal Office of Housing:

<https://www.bwo.admin.ch/bwo/de/home/wohnraumfoerderung.html>)

<sup>7</sup> (1) the rent reference index (Referenzzinssatz), which is based on mortgage rates, etc. (tenants also use this index when they demand a rent reduction), and (2) the CPI. It is allowed to charge up to 40% of the inflation rate to the rent. Other features include: (1) renovation and increased maintenance costs may be included in the rent; (2) new contracts must be adjusted to the rent level in the same area.

<sup>8</sup>See from the federal government website

(<https://www.bwo.admin.ch/bwo/de/home/mietrecht/mietrecht--politik/mietrechtsrevision-2007-2010/chronologie.html>). For example, the executive branch has proposed that the index should be replaced with one that places more emphasis on prices rather than loan rates, but Congress has not been able to reach a consensus.



properties, (2) disruption of optimal allocation, (3) lower quality, and (4) reduced mobility of households, although these disadvantages do not apply extensively to Switzerland (Hilber, & Schöni, 2016). However, they conclude that it distorts the market mechanism and the optimal allocation, resulting in demand exceeding supply, very low vacancy rates (especially in urban areas), and high costs in terms of time and effort required to find properties.

The third policy at the federal level is the strong protection of tenants from eviction. Under this regulation, tenants cannot be evicted because the landlord has found better conditions or because they have allowed a tenant to purchase the property. In addition, a change in family composition cannot be a reason for eviction. These three measures at the federal level are systems that are difficult to assess quantitatively as expenditures in housing welfare statistics. These characteristics may partially explain why the Swiss conditions do not fit Kemeny's trade-off hypothesis.

In addition, housing conditions—and consequently policies—vary significantly among cantons. Nevertheless, of the 26 cantons, only nine have a legal basis and measures based on it to promote housing and ownership<sup>9</sup>. At the cantonal level, direct cash transfers to renters (*Subjekthilfe*), such as housing allowances, are the exception, and <sup>10</sup>subsidies to businesses, mainly non-profit cooperatives (*Objekthilfe*), are the main measures. Reflecting these

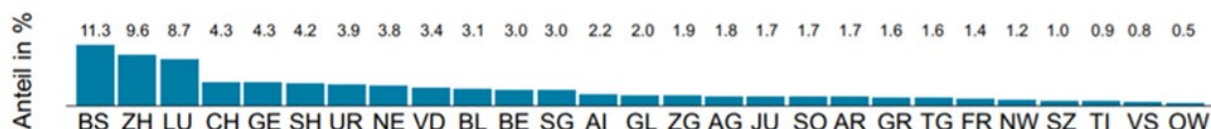
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<sup>9</sup> The nine cantons are Basel-Landschaft, Basel-Stadt, Geneva, Neuchâtel, Nidwalden, Vaud, Valais, Zug and Zurich. From the website of the Swiss Housing Association: [https://www.wbg-schweiz.ch/information/infopool/infopool\\_dateien/1/marktanteil\\_des\\_gemeinnutzigen\\_wohnungsbaus\\_in\\_der\\_schweiz](https://www.wbg-schweiz.ch/information/infopool/infopool_dateien/1/marktanteil_des_gemeinnutzigen_wohnungsbaus_in_der_schweiz)

<sup>10</sup> As of 2018, three states (Geneva, Vaud, and Baselstadt) provide direct housing allowances to borrowers in exceptional cases.

institutional differences, the share of cooperative non-profit housing in the total housing stock in each state varies widely.

Figure 3: Percentage of non-profit housing by cooperatives in total housing



(Quoted from the website of a housing cooperative: [https://www.wbg-schweiz.ch/information/infopool/infopool\\_dateien/1/marktanteil\\_des\\_gemeinnutzigen\\_wohnungsbaus\\_in\\_der\\_schweiz](https://www.wbg-schweiz.ch/information/infopool/infopool_dateien/1/marktanteil_des_gemeinnutzigen_wohnungsbaus_in_der_schweiz))

The 2019 data indicates that there are just over 160,000 non-profit housing units, and by 2020, 7.5% of all rental housing units will belong to cooperatives, with 47% (2019) of these concentrated in Zurich. Reflecting this support for cooperative housing at the cantonal level, rental apartments in cities such as Zurich and Geneva are reportedly 40–50% more expensive than non-profit apartments<sup>11</sup>.

Since the 1990s, Zurich has implemented a variety of unique aspects in housing policies<sup>12</sup>.

<sup>11</sup> From Swiss Housing Association website: [https://www.wbg-schweiz.ch/information/infopool/infopool\\_dateien/3/mietpreise\\_im\\_vergleich](https://www.wbg-schweiz.ch/information/infopool/infopool_dateien/3/mietpreise_im_vergleich)

<sup>12</sup> <https://www.zh.ch/de/soziales/wohnbauforderung.html#contact>

For example, in 1991, the term of loans, which had been indefinite, was limited to 40 years for new buildings, and construction, and 20 years for renovation. This was a change in the system to ensure that more projects could benefit from the funds. In 2005, the differentiation of some income and user categories (family, disabled, and over 60) was abolished. Additionally, the term of the loan was changed to be shorter than the current 20 years for new construction and 10 years for renovation. In 2009, the government adopted an amendment to the Housing Subsidy Ordinance as of June 1, 2005. According to interviews with state government departments, the main change in 2009 was to automate some of the limits on construction, investment, and occupancy in line with inflationary trends. Furthermore, on March 2, 2015, the state legislature's counter-proposal to the initiative "Affordable Housing in Canton Zurich!" was approved. Section 14a was added to the Act on the Promotion of Housing and Home Ownership of June 7, 2004, to allow for a communal housing fund (KR-No. 5057b/2015). This allowed for more flexible investments. However, interviews with cantonal government departments indicated that the single-year budget principle was a concern<sup>13</sup>. As of the end of October 2018, there were approximately 740,000 apartments in the entire canton of Zurich. Of the apartments, about 3,800 were subsidized by the canton.

The jubilee was established during the 100-year-jubilee of public utility/non-profit housing in Zurich in 2007. The jubilee event in Zurich in 2007 had the same name: *Mehr als*

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<sup>13</sup> The author interviewed online the cantonal officer of Zurich in October 2021 (Mr. Richard Fiereder, Kanton Zürich, Volkswirtschaftsdirektion, Amt für Wirtschaft und Arbeit, Fachstelle Wohnbauförderung)

*Wohnen*(more than housing) According to the aforementioned interview, the first housing project by *Mehr als Wohnen*, which started construction in 2012, was named *Hunziker-Areal* after its location. It opened in 2015, and as of 2020, approximately 1,400 people live there<sup>14</sup>. As one-fifth of the cooperative apartments in the Hunziker are subsidized by the public sector, these apartments are 20% cheaper than unsubsidized ones.<sup>15</sup>

This housing cooperative, as its name suggests, is more than just a provider of low-cost housing. Rather, they are designed to promote active self-governance and community building. For example, it is common in Switzerland for people to share washing machines in their apartments, but even freezers, foodstuffs such as rice and flour, and co-working spaces are designed to be shared and not owned by individuals. In addition, as a reward for voluntary work in the fields several times a year, vegetables are delivered by bicycle every week. Furthermore, based on strong environmental considerations, residents are required to car-share, and there is a cap on monthly electricity consumption. Of course, this type of highly communal living does not meet everyone's needs. Some people have left because this lifestyle does not suit them, or because they want to buy a detached home of their own. However, it is characteristic that even services that cannot be said to be universally needed are provided in this way.

This chapter outlines the status, policies, and institutions of housing policy in Switzerland and explores the background to the features that make Switzerland incompatible with Kemeny's

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<sup>14</sup> [https://www.swissinfo.ch/eng/living-in-switzerland\\_cooperative-living-as-a-hip-alternative-/45143682](https://www.swissinfo.ch/eng/living-in-switzerland_cooperative-living-as-a-hip-alternative-/45143682)

<sup>15</sup> [https://www.swissinfo.ch/eng/living-in-switzerland\\_cooperative-living-as-a-hip-alternative-/45143682](https://www.swissinfo.ch/eng/living-in-switzerland_cooperative-living-as-a-hip-alternative-/45143682)

trade-off hypothesis. At the federal level, Switzerland has institutions such as the promotion of housing construction as an investment, rent control, and protection of tenants from eviction, which render quantitative international comparisons of social welfare expenditures difficult. The owner-occupancy rate varies greatly among regions and is affected by the canton government's policies. At the cantonal level, direct cash transfers to renters (*Subjekthilfe*), such as housing allowances, are the exception, and subsidies to businesses, mainly non-profit cooperatives (*Objekthilfe*), are the norm. The case of Zurich (*Mehr als Wohnen*), a canton where such cooperative housing is actively practiced, is discussed, and it is evident services beyond mere housing security are provided there.

The existence of such institutions may partially explain why Kemeny's trade-off hypothesis is not congruent and why the burden of housing costs is not relatively high, although welfare is not as extensive like in Scandinavian countries as it seems at first glance. These measures suggest the possibility of other measures beyond the dichotomy of meeting universalist needs under social-democratic systems, like those found in the Nordic countries, or leaving it to market forces. However, are these measures—which do not appear quantitatively in national housing welfare statistics—sufficiently complementary to housing welfare? Even if they are not completely left to market forces, is the level of housing security sufficient? In light of public opinion and recent political developments, which will be discussed in the next chapter, it seems that this is not necessarily the case.

### 3. The Political Process of Referendums in Resettlement Policy

Are the systems seen in Chapter Two sufficient to meet housing needs? In fact, in the 2000s and the 2010s, there have been movements for further expansion of housing welfare from both the left and the right. Both homeownership advocates and public housing welfare expansionists have demanded the expansion of the system. In Chapter Three, I analyze the recent trends in housing policy based on primary sources such as federal government minutes and other secondary sources.

First, polls (gfs) show that  $\frac{3}{4}$  of the respondents wanted to buy their own home, but most could not meet the heavy burden of the deposit<sup>16</sup>. The Home Owners' Association is the most important actor in the political movement to increase homeownership. It is an influential organization, which had 300,000 members in 2012<sup>17</sup>. Through the first two decades of the 2000s, the organization campaigned for initiatives and held several national votes, most of which failed and were rejected. The group called for the repeal of the *Eigenmietwert* and the expansion of savings tax credit for homeownership. Right-wing political parties have often expressed support for this.

One of the most notable developments has been a series of initiative campaigns that began around 2007 and culminated in a referendum in 2012.

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<sup>16</sup> Swissinfo Article

(<https://www.swissinfo.ch/jpn/%E6%89%8B%E3%81%AE%E5%B1%8A%E3%81%8B%E3%81%AA%E3%81%84%E3%83%9E%E3%82%A4%E3%83%9B%E3%83%BC%E3%83%A0/5826518>)

<sup>17</sup> [https://www.swissinfo.ch/eng/home-sweet-home\\_boost-for-home-ownership-gets-second-chance/32594092](https://www.swissinfo.ch/eng/home-sweet-home_boost-for-home-ownership-gets-second-chance/32594092)

Since around 2007, The Home Owners' Association has been critical of *Eigenmietwert* and has been campaigning for initiatives to expand homeownership<sup>18</sup>. In June 2012, an national vote was held for a homeownership savings tax credit, but it was rejected with only 31.1% of the votes in favor<sup>19</sup>. Just a few months later, on September 23, 2012, another national vote on homeownership policies<sup>20</sup> was held. This time, the *Eigenmietwert* exemption for retired elderly households was on the agenda. They sought a different way to expand the homeownership policy. The debate concerned the left-right axis and the competing interests of the elderly and the young. The referendum was rejected by 47.4%<sup>21</sup>, which was more than the previous referendum.<sup>22</sup> In March 2012, the other national was held on a more indirect homeownership policy, extending the deduction for home improvements, an initiative led by a different group. Several points about these events are noteworthy:

First, the fact that such national votes are held multiple times a year on a topic that is not often the focus of elections—housing policy—is in itself surprising to many developed countries that do not have direct democratic mechanisms. This is especially important because, in some countries, such as the United States, deductions in the homeownership policy have been a function of the "hidden welfare state"<sup>23</sup>. In general, deductions tend to be an area where

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<sup>18</sup> <https://www.swissinfo.ch/eng/2007-was-year-of-people-power/6334098>

<sup>19</sup> <https://www.bk.admin.ch/bk/de/home/dokumentation/volksabstimmungen/volksabstimmung-20120617.html>

<sup>20</sup> [https://www.swissinfo.ch/eng/home-ownership\\_tax-breaks-for-elderly-meet-resistance/33096274](https://www.swissinfo.ch/eng/home-ownership_tax-breaks-for-elderly-meet-resistance/33096274)

<sup>21</sup> <https://www.bk.admin.ch/ch/d/pore/va/20120923/index.html>

<sup>22</sup> <https://www.bk.admin.ch/ch/d/pore/va/20120923/index.html>

<sup>23</sup> Howard, C. (1999). *The hidden welfare state*. Princeton University Press.

the burden and the reality of the system are unclear to the public. In Switzerland, however, the tendency is to make this obscure area politically visible through national votes. In Switzerland, there is no "hidden welfare state"; it is always made explicit.

A positive evaluation shows that the control of fiscal democracy is working in housing policy at the level of concrete measures. Additionally, in the context of the debate, conflicts—such as the different interests between generations—are also made explicit. This political emphasis on diversity is quite different from the *universal needs for all* approaches of the Nordic countries (which Kemeny classifies as unitarism).

The viability of the *Eigenmietwert* in the future remains ambiguous, and in August 2021, the the Swiss Federal Chancellor adopted the phase-out of the *Eigenmietwert* in response to a proposal by the WAK-S (*Kommission für Wirtschaft und Abgaben des Ständerates*)<sup>24</sup>. As of October 2021, it is still difficult to predict whether this will proceed smoothly. In this sense, Switzerland's homeownership policy is at a crossroads.

So far, I have examined the trends of the proponents of homeownership policy, namely the right-wing parties and the Home Owners' Association. Leftist parties and forces on the left have taken a different approach to housing policy. If anything, throughout the first decades of the 2000s, the left has focused more on regulating sprawl. They support policies that reduce the supply of housing in a situation with few vacant houses. They have demanded that only a certain

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<sup>24</sup> <https://www.admin.ch/gov/de/start/dokumentation/medienmitteilungen.msg-id-84841.html>



percentage of new second homes be built in tourist areas to protect the environment and some of these policies have been passed by referendum.

In recent years, there have been significant signs of change in the expansion of real housing welfare, such as the "More Affordable Housing (*Mehr bezahlbare Wohnungen*)" initiative launched by the Swiss renters' Association. A total of 104,800 signatures was collected, and the initiative was submitted on October 18, 2016. The initiative called for<sup>25</sup> (1) The promotion of federal and state policies to ensure that at least 10 percent of new properties nationwide are owned by public interest groups. (2) Permission to basic municipalities and states to exercise their right of first refusal on properties suitable for public housing construction. (3) Preference be given to the municipalities and cantons when the federal government or semi-private companies, such as Swiss Federal Railways and Swiss Post, sell their land. The initiative sought to do this in the form of an amendment to Article 108 of the Federal Constitution.

In response to the initiative's charge, the federal government published a research report<sup>26</sup>. The report, while rejecting the initiative proposal itself, suggests a counter-proposal. It points out that the initiative would require an additional 120 million Swiss francs a year, or 1.2 billion Swiss francs over 10 years, which would significantly increase the administrative burden on the Federation and the cantons. The report takes a negative view of the heavy financial burden.

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<sup>25</sup> Swiss Info

Others asked that public subsidies for retrofits to improve energy efficiency be conditioned so that they would only be given if the impact did not result in the elimination of low-rent housing.

<sup>26</sup> Botschaft zur Volksinitiative «Mehr bezahlbare Wohnungen» und zu einem Bundesbeschluss über einen Rahmenkredit zur Aufstockung des Fonds de Roulement zugunsten des gemeinnützigen Wohnungsbaus

As a result, it counter-proposes a plan to spend a total of 250 million francs on public housing over the next decade in a fund for cooperatives. This counter-proposal by the Federal Government was consulted to the cantons and interest groups in a prehearing system (Vernehmlassung) between 5 April 2017 and 12 July 2017. This means that 61 interested parties (of which 3 organisations did not respond) were consulted. The result was that 47 organisations (including 24 cantons and four political parties) were in favour of the draft, generally indicating the prospect that the counter-proposal would be welcomed. This consensus-driven political culture is particularly evident in Switzerland.

Generally speaking, a pessimistic view of fiscal democracy as a direct democracy leads us to question whether it is possible to have a highly professional discussion on specific amounts of money. Another concern is that direct democracy may lead to populist balancing policies. Here, however, there is a mechanism that encourages discussion of direct democratic proposals so that the scale of specific financial resources can be envisioned.

The report was examined by two committees (WAK-NR and Finanzkommission(Finance Committee)) of parliamentarians before being debated in parliament. As of December 2018, the former committee was against both the proposed initiative and the counter-proposal, while the latter committee was against the proposed initiative (18 votes to 7), but in favor of the counter-proposal (13 votes to 12). Then, from 2018 onwards, the Bundestag debated the issue, taking into account the recommendations of the two committees. The final consensus of Congress was to vote against the initiative. However, based on the counter-proposal, a commitment was made to invest a total of 250 million francs (about 28 billion yen) in public housing over the following

10 years if the initiative was rejected. As a result, this initiative was rejected in February 2020. In the meantime, a counter-proposal has been put into effect, which will partially advance the expansion of housing welfare, albeit on a reduced scale.

It is valuable to examine the specific discussions that took place based on the minutes of the Federal Assembly and some of the objections to the proposed initiative. First, the President of the Finance Committee criticized the size of the financial resources required to implement the proposed initiative, as estimated in the report. Second, there was concern about the increased administrative work that would be involved. This was because the concept of public housing would have to be defined uniformly at the federal level, and regular checks would have to be made at least once a year to ensure that the 10% share had been reached (Rep. Feller Olivier). Third, the need to consider the circumstances of each region was raised. For example, it was said that in the canton of Geneva, measures such as quotas and pre-emption rights might not be effective. This is because, in that region, the vacancy rate was as low as 0.53% (June 1, 2018) (Ibid.).

Congressman Feller Olivier, who made these negative comments, is also the Executive Director of the Romand Real Estate Association. He mentioned this in his opening remarks to the Bundestag. His partial interests may explain his stance and some have even suggested that he should show how much he is paid by the association. There is a clear conflict of interest.

What were the opinions of those who supported the expansion of the housing guarantee, such as the Social Democrats? The position of the majority in the committee was criticized as being driven by the real estate lobby, and not accounting for the citizens of the country. Social

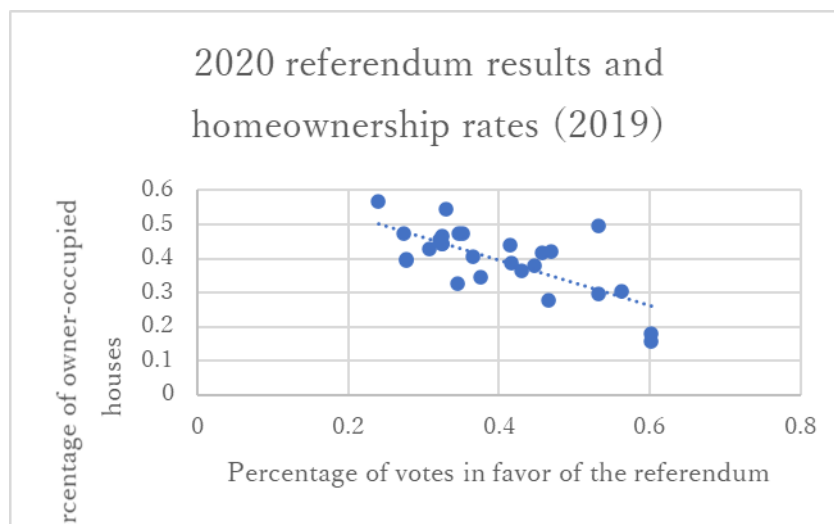
Democrat, Marra Ada, also said that for the first time in her eleven years in the parliament, she physically felt what class struggle was all about. She demanded an increase in the counter-proposal (to 375 million Swiss francs), but this was not passed<sup>27</sup>.

The proposal was put to a referendum on February 9, 2020, and rejected with only 42.9% in favor, leaving the counter-proposal to be implemented. At first glance, this seems to be a very close vote. However, it is difficult to evaluate so the outcome of the referendum because the simple majority is not enough to pass a referendum in Switzerland. Based on a "double yes" system, the number of cantons with a majority in the referendum must be greater than the majority of the total number of cantons. In reality, only five states (Geneva, Jura, Vaud, Baselstadt, and Neuchatel) have a majority of yes votes, which is far less than the majority.

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<sup>27</sup> The political actors calling for an increase in the budget for the counter-proposal were also present in the *Vernehmlassung*. (Botschaft zur Volksinitiative «Mehr bezahlbare Wohnungen» und zu einem Bundesbeschluss über einen Rahmenkredit zur Aufstockung des Fonds de Roulement zugunsten des gemeinnützigen Wohnungsbaus)

Figure 4. Regions with High Homeownership Rates and Referendum Results



Compiled from *Bewohnte Wohnungen nach Wohnertyp und Wohneigentumsquote, nach Kanton* and the Federal Government's website on the results of the referendum (<https://www.bk.admin.ch/ch/d/pore/va/20200209/can629.html>).

The data on the percentage of affirmative votes per state and the percentage of homeownership per state reveals an interesting relationship. There is a strong negative correlation (correlation coefficient:  $-0.70704$ ) between the two. In other words, cantons with higher homeownership rates are less in favor, while states with lower homeownership rates are more in favor. This could mean that states with low homeownership rates are more likely to perceive the housing problem as a social issue or a problem to be solved at the federal level. In other words, the more entrenched an owner-occupied society is, the less likely it is to regard housing as a universal need that should be guaranteed by the cantons. This is understandable but clearly shows that there is a conflict of interest. The dichotomy that Kemeny pointed out in

his trade-off hypothesis may be at work at the cantonal level.

Three features of the political process surrounding the expansion of the public housing sector—demanded by the left and tenants' unions—can be highlighted. First, the starting point is the direct democratic opportunity of the initiative for the tenants' unions. Second, the process identifies the conflicting interests of homeowners and tenants. This can be seen in the conflicts in the debate in the Bundestag and the differences among the states in the referendum. Finally, as seen in the passage of the counter-proposal, a compromise is being sought through the discussion of the specific amount.

Despite the complementary housing policies examined in the previous chapter, persistent movements calling for the expansion of housing policies can be observed from the 2000s to the present. These demands come from both sides: those demanding expansion of owner-occupied housing policies, such as the Home Owners' Association and right-wing parties, and those demanding public housing supply, such as tenants' associations and left-wing parties. Whether it is to strengthen the owner-occupied society or to enhance public housing welfare, public opinion in Switzerland indicates room for expansion of housing policy. The two movements share several features of the political process in identifying housing policy needs. (1) Direct democratic agenda setting, (2) the occasional articulation of conflicting interests, and (3) the search for compromise. How can these political characteristics be theoretically evaluated? Is this desirable from the perspective of fiscal democracy? Do these features have any special meaning in the area of housing policies?

#### 4. **Organizing around social, not universal needs: New style of fiscal democracy?**

In this chapter, I examine how the political characteristics discussed in the previous chapter can be theoretically evaluated, including normative arguments. I also discuss the issues and prospects suggested by these features.

Chapter 1 reveals how housing policy as a form of social welfare has remained a minor area in both academic and political debates. As a result, housing policy is rarely a focus of the agenda in many countries that place representative democracy at the center of their fiscal democracy, and public opinion on housing policies is rarely tested through elections. The characteristics pointed out in (1) may be effective in considering housing welfare as a "minor" area in social welfare. In other words, a system in which the parties or minorities (renters' associations, home owners' associations), who are not the majority, can set the agenda for a particular social problem, in a directly democratic manner. In the debate over comparative welfare state theory, there is a strong tendency to use a social democratic approach to agree on universal needs that are common to all. Therefore, there seems to be little development on<sup>28</sup> how to think about capturing "minor" needs or needs of minorities. This case study suggests measures for considering this issue.

Further, as to democratic theories, (1) may be positively evaluated from the perspective of agonistic democracy. In agonistic democracy, democracy does not mean a consensus for the majority, but emphasizes openness to dissent, rather than consensus, as an element of

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<sup>28</sup> For example, it is difficult to regard ethnic minorities such as immigrants and gender minorities as having been sufficiently discussed in public finance and comparative welfare state theory.

democracy. Therefore, it emphasizes confrontation rather than consensus. The clarification of conflicts of interest (2) can also be evaluated positively from the perspective of agonistic democracy. Such a discussion is important because currently, the bridge between contemporary democracy theory, including agonistic democracy, and the discussion of fiscal democracy is insufficient.

The "discovery" of new needs is more likely to arise from areas that are close to partial interests. In other words, partial interests can be positively evaluated in the form of partyhood. However, in this case, partial interests were not politically approved smoothly. Rather, a compromise measure was sought, as seen in characteristic (3). After the bottom-up "discovery" of needs, there is a mechanism to verify whether the needs can be approved at the national level.

Some arguments attempt to deductively analyze and define what can be considered a need or how to classify needs<sup>29</sup>. However, this case study suggests that the delineation of needs depends largely on what is politically or socially acceptable and what is unacceptable. First, is it possible to discuss needs in terms of social needs guaranteed locally and universal needs guaranteed nationally, in isolation from specific social, cultural, and political forms? It can be said that there is a need for the inductive identification of needs, not just a deductive analysis.

Additionally, I question the allergic reaction of equating direct democracy with populism as is the case in many developed countries that have representative democracies. In this case, there was indeed a functioning direct democratic starting point in the form of a demand for a national

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<sup>29</sup> Dean, H. (2010). *Understanding human need*. Policy Press.  
Len, D., & Gough, I. (1991). *A theory of human need*.



vote with signatures. However, the fact that the administrative department estimated the financial resources available for the referendum made it possible for the parliament to have a rational discussion regarding the specific amount. This suggests the possibility of overcoming the irrational populism that is often accused of being a shortcoming of direct democracy. In this regard, I would like to add that referendums also have the "braking" mechanism of "double yes" rather than a simple majority. Of course, a simple majority does not imply a direct democracy.

Finally, to summarize, I analyzed the characteristics and recent trends in Swiss housing policy. The results indicate that there are complementary institutions that are not readily apparent in the federal government's fiscal expenditure on housing welfare, which explains the failure of Kemeny's trade-off hypothesis. However, these complementary programs do not fully address the need for housing. Rather, in recent years, there have been initiatives to expand these systems, both from the perspective of promoting owner-occupied societies and from the perspective of pursuing public housing welfare. In addition, the political characteristics of these policy processes provide suggestions on how to address relatively minor needs in housing welfare policies. The accumulation of these findings may contribute to the search for ways to capture minor needs and minority needs that have not previously been focused on in public finance, and to the search for connections between fiscal and agonistic democracy.

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