# Jean-Pierre Roth: Switzerland as an industrial location and National Bank policy

Summary of a speech by Mr Jean-Pierre Roth, Chairman of the Governing Board of the Swiss National Bank, at the Europa Forum Lucerne, Lucerne, 27 October 2003.

*The complete speech can be found in German on the Swiss National Bank's website (www.snb.ch).*

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In a high-wage country such as Switzerland enterprises can only maintain their position in the face of international competition by a process of ongoing innovation. The resulting structural change in the direction of highly technological and increasingly productive economic sectors is also a prerequisite for strong economic growth. In an international comparison, however, Switzerland's growth is poor. This weak perfomance in terms of growth highlights the need for action in economic policy.

Monetary policy cannot, however, fulfil this role. The primary task of monetary policy is to ensure price stability. Price stability is an important locational advantage that Switzerland has to offer. Moreover, monetary policy can also contribute to stabilising the economy and warding off undesirable exchange rate shocks. It is, however, not in a position to bring about a sustained improvement in economic growth. The result of such an attempt would merely be economic overheating with the threat of a subsequent slide of the economy into recession.

Lasting effects on economic growth may, by contrast, emanate from education policy, research policy, policy on foreigners and fiscal policy. Weak growth in Switzerland, however, may be explained mainly by the conspicuous productivity gap between the innovative export sector and the domestic sector set in its traditional structures. The reason for this lethargy of the domestic sector is a dense network of regulations which limit competition and obstruct technical progress. The result is an excessively high domestic price level from which not only consumers but also exporters suffer. Growth-promoting measures must therefore aim primarily at wedging impediments to competition in the domestic sector.