

A moral economy of the small state

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The holding privilege was controversial from the start. The arguments made against it in the 1920s anticipate almost all the criticisms that would be made of Zug's tax policy in the following century. The debate is worth reconstructing, because it shows that the canton's choice was made in full awareness of its moral ambiguity. The most prominent sceptic was Philipp Etter, a Catholic-conservative politician who was then a member of the cantonal government and who later became a member of the Federal Council. Etter warned that the law would attract companies that would bring "more trouble than joy".¹ His scepticism, which came from within the ruling party, expressed a conservative unease about the entanglement of the small Catholic canton with international finance, whose actors and purposes were foreign to it. The liberal councillor Albert Meyer criticised the holding companies as purely speculative.² On the left, the Social Democrat Heinrich Gallmann called the privileges "entirely immoral".³ Another Social Democrat, Fritz Fischer, denounced what he called "organised tax flight", and did so in antisemitic language that remained without consequences.⁴

The criticisms, which came from all three political camps of the canton, thus took three forms. The conservative criticism feared the moral and political consequences of an association with international capital: the loss of the canton's identity, its independence and its reputation. The liberal criticism doubted the economic value of companies that brought no real activity. The socialist criticism attacked the injustice of a system that allowed the owners of capital to escape taxation while workers and farmers paid their share. The antisemitic undertone in one of the socialist contributions is a reminder that the debate about international capital in the interwar period was often poisoned by prejudice and that criticism of tax havens has not always been free of such resentments.

The defenders of the privilege made an argument that was pragmatic and fiscal. The canton needed revenue. The holding companies brought revenue at almost no cost, since they required few public services. If Zug did not offer favourable terms, other cantons would do so and draw the companies away. Unable to change the behaviour of international capital, the canton could only decide whether to benefit from it. This argument, which recurs in every subsequent debate, rests on a view of the small state as a price-taker in a competitive environment, a polity that cannot shape the rules of the game and must make the best of them.

The Geneva volume describes the Calvinist moral economy of credit, in which wealth was a stewardship for which the rich were accountable to God and to the community. Is there a comparable moral economy in the history of Zug? The answer suggested by the debate of the 1920s is that the moral economy of Zug's tax policy is the moral economy of the small state. It has three elements. The first is the priority of the community's survival: a small canton with narrow finances, in a period of crisis, must secure the revenue it needs to provide for its citizens and may use its sovereignty to that end. The second is the acceptance of the world as it is: the canton accepts that it cannot shape the conduct of international capital and claims the right to benefit from it within the law. The third is a sense of limits: the canton's leaders, from Etter onwards, were aware of the risks that the association with international capital carried for the canton's reputation, which is why the history of Zug's tax policy is also a history of efforts to manage them. The same three elements shaped the canton's response to foreign pensions in the age of mercenary service. This striking continuity suggests that the tax turn of the twentieth century was a new form of an old strategy.

1 Notes

1. zentralplus, "So wurde Zug vor 100 Jahren zum Steuerparadies": Philipp Etter, Catholic-conservative politician and later Federal Councillor, warned the law would attract firms bringing "mehr Sorge als Freude" (more trouble than joy); Zug in der Welt, "Zug mit Steuern steuern": Philipp Etter, Catholic-conservative government councillor, expressed reservations about unintended consequences. ↩
2. Zug in der Welt, "Zug mit Steuern steuern": Albert Meyer (1884–1950), liberal councillor, criticised holdings as purely speculative. ↩
3. Zug in der Welt, "Zug mit Steuern steuern": Heinrich Gallmann, Social Democrat, called the privileges "ganz unmoralisch" (completely immoral). ↩

4. zentralplus, "So wurde Zug vor 100 Jahren zum Steuerparadies": Fritz Fischer, Social Democrat, denounced "organisierte Steuerflucht" (organised tax flight) in antisemitic language that had no consequences.
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