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Niklaus Blattner · Hans Genberg
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Banking in Switzerland

With 36 Figures and 40 Tables

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Preface

Oliver Landmann

Nobody needs to be convinced of the importance of banking for the Swiss economy. The financial sector grew well above average in the past decade and now accounts for almost 10 % of GDP. Compared to the economy-wide average, it creates more than double as much value added per employee and it is a major contributor to Swiss export revenues. But this is no cause for complacency. The industry is subject to rapid change as the competitive climate has become rougher nationally and internationally. Major structural weaknesses have come to the surface which raise serious questions about the extent of the required structural adjustments.

Thus, banking was an ideal candidate for a major case study in the framework of the National Research Programme No. 28 which is devoted to Switzerland's external economic challenges. The programme was commissioned by the Swiss government and is carried out by the Swiss National Science Foundation. The research project on the financial sector was directed by Professors Niklaus Blattner, Hans Genberg and Alexander Swoboda who assembled a team of research economists from the Graduate Institute of International Studies, the International Centre for Monetary and Banking Studies (both at Geneva) and the Labour and Industrial Economics Research Unit at the University of Basel. This joint research effort has yielded an impressive crop of descriptive data, analytical insights and policy-oriented conclusions. First presented at two research conferences in 1991 and 1992, this material is now collected in two books of which the present volume is the second. The first was *Competitiveness in Banking*, edited by the same authors.

The two volumes cover a broad range of issues, but they are nevertheless held together by the unifying analytical approach of industrial economics. They shed much light on the determinants of the performance of banks, market shares, trade in financial services and locational decisions. Also, they reveal an amazing variation in performance and a substantial potential for efficiency gains on the firm-level. Interestingly, the financial sector seems to be split by much the same dichotomy that an earlier NFP 28 study highlighted for the Swiss economy as a whole (Borner et al. 1990):

An efficient and fiercely competitive sector, engaged in global competition, coexists with (and supports) a bloated and much less efficient domestic sector which is largely shielded from foreign competition. However, the banks may be well ahead of the rest of the economy in streamlining their traditionally 'non-tradeable' activities, i.e. essentially their retail banking operations. The main driving force is the increasing competitive pressure, in particular from abroad, and the concomitant erosion of market segmentation and local monopoly power (see Genberg et al. 1992). The restructuring process has already caused some turmoil and pain in the industry, and it is far from over. Sooner or later, other hitherto sheltered sectors of the Swiss economy will have to undergo similar restructuring.

A number of conclusions with respect to the role of competitive strategies and public policies emerge from this research. They are succinctly summarized in Part V of the present volume. As the editors point out in their introduction, though, it should be borne in mind that all the results are based on a research methodology which has not been extensively applied to the banking sector before. More work along these lines is clearly desirable, especially as a richer data base becomes available with the passing of time. Whatever further insights such future work will bring, the twin volumes of *Competitiveness in Banking and Banking in Switzerland* represent a major step forward in bringing industrial economics to bear on financial sector issues.

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