MATTHIEU LEIMGRUBER

Solidarity without the State?

Business and the Shaping of the Swiss Welfare State, 1890–2000

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This book presents the first comprehensive history of the interplay of public and private provision that made the Swiss "three-pillar" pension system into a model for the World Bank and other pension reformers during the last two decades of the twentieth century. Through a study of business federations', private pension lobbyists', and insurance companies' archives, Matthieu Leimgruber charts the century-long battle waged over the boundaries of state and private pensions. He shows how a distinctive path towards social provision has led Switzerland apart from its western European neighbors and has laid the foundation for a pension fund industry rivalling that of the United States and the United Kingdom. Through this comparative approach, Matthieu Leimgruber is also able to question current assumptions about the strict dichotomy between "Anglo-Saxon" and "continental" models of welfare provision. This study will appeal to scholars of twentieth-century European history, economic history, political economy, and welfare economics.

MATTHIEU LEIMGRUBER is a research fellow of the Swiss National Science Foundation.

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Abbreviations

AfZ	Archiv für Zeitgeschichte (Archives for Contemporary History, Zurich)
AfZ-RN	Historisches Archiv Redressement National/Aktionsgemeinschaft Nationaler Wiederaufbau (historical archives of the Action for National Restoration, Zurich)
AfZ-SHIV	Historisches Archiv des Schweizerischen Handels- und Industrie Vereins (Zurich) (historical archives of the Swiss Trade and Industry Federation)
AHV	Alters- und Hinterlassenversicherung (old age and survivors' insurance)
BVG	Berufliche Vorsorgegesetz (federal law on occupational provision)
CHF	Swiss franc
EO	Lohn- und Verdienstersatzordnung (wage and earnings compensation scheme for military duties)
KUVG	Kranken- und Unfallversicherungsgesetz (federal law on sickness and accident insurance)
Pensionskassenstatistik	pension plan surveys, various publication dates 1925a = *Les institutions d'assurance vieillesse, invalidité et survivants* (Berne: Office fédéral des assurances sociales, 1929) 1925b = *Les institutions privées de prévoyance vieillesse, invalidité et survivants* (Zurich: Union centrale des associations patronales, 1929)

	1941/1942, 1955 = *Versicherungs- und Fürsorgeeinrichtungen* (Berne: Bundesamt für Statistik) 1966, 1970, 1978, 1987 = *Vorsorgeeinrichtungen* (Berne: Bundesamt für Statistik) 1992–2006 (biennial publication) = *Die berufliche Vorsorge* (Berne: Bundesamt für Statistik)
SAV	Schweizerischer Arbeitgeberverband Archiv (historical archives of the Swiss Employers' Federation, Zurich)
SBA	Schweizerisches Bundesarchiv (Swiss Federal Archives, Berne)
SLA	Historisches Archiv Rentenanstalt (Swiss Life corporate archives, Zurich)
SNB	Schweizerische Nationalbibliothek (Swiss National Library, Berne)
Sozialarchiv	Schweizerisches Sozialarchiv (Swiss Social Archives, Zurich)
SPAHV	Studienkommission für die Probleme der Alters- und Hinterlassenenvorsorge (Study Commission on Old Age and Survivors' Provision)
SVPP	Schweizerischer Verband für privatwirtschaftliche Personalfürsorge (Swiss Association of Private Employee Benefits), before 1942, see SVUSAI
SVUSAI	Schweizerischer Verband der Unterstützungskassen und Stiftungen für Alter und Invalidität (Swiss Association of Support Funds and Foundations for Old Age and Disability), 1942 onward, see SVPP
VSLG	Vereinigung Schweizerischer Lebensversicherungs-Gesellschaften (Union of Swiss Life Insurance Companies)
Wirtschaftsarchiv	Schweizerisches Wirtschaftsarchiv (Swiss Economic Archives, Basle)
ZFS	Zurich Financial Services corporate archives (Zurich)

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This book is dedicated to my nephew Jules, who arrived among us when this book was reaching completion.

Introduction
The emergence of a pension fund champion: Switzerland in the worlds of welfare

In a September 2003 article forewarning of a looming debacle in European pension systems, *The Economist* emphasized the need to shift old age provision from the first pillar of pay-as-you-go public pensions to the second and third pillars of funded occupational pensions and individual savings accounts. The weekly also listed recommendations to "cut back on the promises of the state pension system" and to "encourage" – I would say prod – people "to save for their own retirement": extending the number of contributing years needed to qualify for benefits, limiting indexing methods to price inflation, and raising the retirement age, or even scrapping it altogether to give pensioners the "free choice" to decide the timing of their retirement. Lamenting that the "transition from the first to the third pillar cannot happen overnight", *The Economist* insinuated that if individuals did not channel their savings toward individual schemes, governments should step in to introduce "an element or two of compulsion". A cartoon representing would-be pensioners escaping the "crumbling pillars" of state and corporate pensions for the alleged safe haven of individual old age provision underscored the argumentation.[1]

These proposals summarize the current welfare reform orthodoxy, which aims to redraw the boundaries between state-based pay-as-you-go pension systems and financialized forms of old age provision. The multi-pillar approach pictured in *The Economist* has been popularized in the last decade of the twentieth century by international organizations that hailed this concept as the solution to "avert the old age crisis", in the words of a famous 1994 World Bank report.[2] These "three pillars of

[1] "State pensions in Europe. The crumbling pillars of old age", *The Economist*, September 27, 2003. In pay-as-you-go pensions, payroll contributions are relied on to pay pensions directly, while pension funding relies on the interest returns of financial assets. See E. Philip Davis, *Pension funds: retirement-income security and capital markets. An international perspective* (Oxford: Clarendon Press, 1995), pp. 302, 306.

[2] *Averting the old age crisis: policies to protect the old and promote growth* (Oxford: Oxford University Press/World Bank, 1994). See also Emily S. Andrews, *Pension reform and the*

wisdom" have progressed in great strides around the globe. Privatization and free-market reform efforts have led to the development of individual pensions in countries such as Chile and Argentina and the introduction of mandatory occupational pensions in eastern Europe. Besides public pension cutbacks, the agenda of pension reform has also opened new space for private provision in countries as diverse as Sweden, Germany, France, and Italy. Despite the "mis-selling" scandal that tainted British individual retirement accounts during the 1990s, the steep losses of pension funds during the last stock market downturn of the early 2000s, and the current downsizing of corporate pensions in both the United States and the United Kingdom, the multi-pillar horizon and its accompanying financialization remain at the center of pension debates.[3]

From the World Bank to the Organization for Economic Cooperation and Development (OECD), international organizations have repeatedly singled out the Swiss three-pillar system of old age provision as a pioneer. The World Bank has designated this combination of a universal pay-as-you-go pension (first pillar), supplemented by compulsory, funded occupational pensions (second pillar) and fiscally encouraged individual savings accounts (third pillar), as a "triumph of common sense" and the "way forward for pension reform".[4] Switzerland anticipated by almost a generation the late-twentieth-century multi-pillar gospel. After the establishment of federal old age and survivors' pensions (Alters- und Hinterlassenenversicherung, AHV) in the aftermath of World War II, the three-pillar doctrine was formulated in the early 1960s and anchored in the federal constitution in 1972. It took its definitive shape in the

development of pension systems: an evaluation of World Bank assistance (Washington: World Bank, 2006).

3 On the spread of the multi-pillar perspective, see Gordon L. Clark and Noel Whiteside, eds., *Pension security in the 21st century: redrawing the public–private debate* (Oxford: Oxford University Press, 2003); Martin Rein and Winfried Schmähl, eds., *Rethinking the welfare state: the political economy of pension reform* (Cheltenham: Edward Elgar, 2004); Winfried Schmähl and Sabine Horstmann, eds., *Transformation of pension systems in central and eastern Europe* (Cheltenham: Edward Elgar, 2002); Arno Tausch, ed., *The three pillars of wisdom? A reader on globalization, World Bank pensions models and welfare society* (Huntington: Nova Science Publishers, 2002). For a critique of the financialization of social provision, see Robin Blackburn, *Banking on death or, investing in life: the history and future of pensions* (London: Verso, 2002), pp. 229–35; *Age shock and pension power: the challenge of the ageing society* (London: Verso, 2007).

4 Estelle James, "Reforming social security around the world: common problems, contrasting solutions", in *Soziale Sicherung im Alter. Informationsbedarf – heute und morgen*, ed. Robert Fluder, *et al.* (Neuchâtel: Bundesamt für Statistik, 2001), pp. 41–80; Monika Queisser and Dimitri Vittas, *The Swiss multi-pillar pension system: triumph of common sense?* (Washington: World Bank, 2000); *Reforming public pensions* (Paris: OECD, 1988), pp. 7, 109ff; Dimitri Vittas, *Swiss Chilanpore: the way forward for pension reform?* (Washington: World Bank, 1993).

decade that followed the implementation of the 1982 federal law on occupational provision (berufliche Vorsorgegesetz, BVG) that introduced both a mandatory second pillar and voluntary third-pillar retirement accounts.

Echoing praise from foreign commentators, Swiss economists have emphasized the flexibility of the pension system and its lower reliance on the state, as well as the close integration of the second and third pillars in financial markets.[5] For social scientists, the three pillars form the core of a welfare state that may well represent "a third way" between "neo-liberal retrenchment and old statist welfare policies" and "is already set on rails toward which the European welfare train will most likely follow".[6] In the era of social policy retrenchment, privatization, and financialization of old age provision, Switzerland's impressive pension assets (which peaked at 149 percent of the gross domestic product in 2000, see Table A.7, p. 303) offer a welcome success story for proponents of market-oriented pension reforms. While emphasizing the need to downsize the state share of social provision, a senior analyst at Swiss Re, the world's leading reinsurance company, boasted that "the Swiss pension system comes off rather well in comparison to the rotten social insurance systems of its European neighbors [and] rightly deserves the high esteem it receives from abroad: its foundations are properly laid".[7]

What are the origins and rationale of the division of labor between pay-as-you-go pensions and funded occupational provision? Is the second pillar, in the provocative words of a proponent of the people's pensions, "a social program or a for-profit business"? Were corporate pension plans, as the main pension lobby group argued in 1950, really able to "achieve social progress without statist solutions"?[8] What are the contradictions between pay-as-you-go and funded pensions? What is the contribution of individual pension solutions, or the third pillar in current parlance, in overall old age provision? As the multi-pillar option becomes the dominant norm, and Switzerland faces the challenges of welfare retrenchment

[5] Lars P. Feld, Gebhard Kirchgässner and Marcel Savioz, *Financing social security in the future: the Swiss pension system as an example* (St. Gallen: Universität St. Gallen, Volkswirtschaftliche Abteilung, 1997).

[6] Klaus Armingeon, "Institutionalising the Swiss welfare state", *West European Politics* 24/2 (2001), pp. 145–68 (quotation p. 163); Herbert Obinger, *Politische Institutionen und Sozialpolitik in der Schweiz: der Einfluss von Nebenregierungen auf Strukture und Entwicklungsdynamik des schweizerischen Sozialstaates* (Berne: Peter Lang, 1998), p. 238.

[7] Thomas Trauth, "Schweizer Sozialsystem als Vorzeigemodell? Notwendigkeit der Fokussierung auf die Kernaufgaben", *Neue Zürcher Zeitung*, October 13, 2000.

[8] Jean Steiger, *Le deuxième pilier: service social ou affaire lucrative?* (Geneva: Grounauer, 1978). See the annual report of the Swiss Association of Private Employee Benefits (Schweizerischer Verband für privatwirtschaftliche Personalfürsorge): *SVPP Jahresbericht 1950* (Zurich: SVPP, 1951), p. 14.

with an aging population and unstable stock markets, does its famed "model" really offer a rosier picture for pension reform?

In this book, I answer these questions by scrutinizing the long-term and intertwined development of social insurance and occupational provision in Switzerland. In order to answer the question of whether this pension system is truly "distinct", I also compare its path toward a multi-pillar pension system with those followed by several other countries, such as the United States, Canada, the United Kingdom, and the Netherlands, where funded pensions have long played a key role in old age provision. Charting the position of Switzerland's pension system thus challenges assumptions generally held by scholars of social policy about continental European and Anglo-Saxon welfare states.

This genealogy of the three-pillar pension system brings new understanding to the development of a welfare state that has been neglected by historians of social policy. However, this study does more than show how and why Switzerland became a model for pension reformers in the late twentieth century. The issues investigated in this book – the role of taxation in the development of occupational provision, the role of insurers in the making of social policy, and the connections between pension provision, collective bargaining, and financial markets – constitute key issues in studies of welfare states. The boundaries between public and private provision are now being redrawn, and the financialization of pensions is progressing. A critical reappraisal of these interactions can open new perspectives on the history of the welfare state.

This introduction will first review the traditional explanation of Swiss welfare development, then present the methodological building-blocks that I have used to shed light on the distinctive trajectory of the three-pillar pension system, and, finally, outline the comparative perspectives followed throughout this book.

I

Traditional accounts of social policy development point out the distinct position occupied by Switzerland among western European welfare states. In comparison with other OECD countries of equivalent industrial development, social insurance programs were introduced belatedly (see Table 0.1). Federal pensions (AHV) came in 1947, more than a decade after the 1935 implementation of Social Security in the United States. Before the 1930s, Swiss national-level (or federal) social expenditure on unemployment, health, and pensions ranked at the bottom end of eighteen industrialized countries. Federal expenditure on old age provision hovered at 0.3 percent of the national income by 1930, a level that put the Confederation just above the United States, Finland, Italy, and

Table 0.1 *The introduction of core welfare state programs in Switzerland.*

	Switzerland (federal level)		OECD average
work accident	1911	(implemented in 1918)	1905
old age	1947		1917
health	1912	(subsidization of health plans)	1924
	1994	(mandatory basic health insurance)	
unemployment	1924	(subsidization of unemployment schemes)	1929
	1982	(mandatory unemployment insurance)	
family allowances	1952	(only for farmers and agricultural workers)	1944
	2006	(federal guidelines to harmonize existing cantonal schemes)	

Source: Herbert Obinger *et al.* "Switzerland: the marriage of direct democracy and federalism", in *Federalism and the welfare state: New World and European experiences*, Herbert Obinger, *et al.*, ed. (New York: Cambridge University Press, 2005), p. 2.

Japan, the only industrialized countries with no national pension program at that time. Both OECD and International Labor Organization statistics point out that Swiss social expenditure remained modest during the post-war growth decades and trailed far behind that of its western European neighbors.[9]

In sum, the trajectory of the Swiss welfare state could be summarized by its course on the social insurance development index devised by Peter Flora (see Figure 0.1). Despite a quantum leap related to the 1947 introduction of the AHV, the Swiss trajectory was at odds with those of western European welfare states. Its slow and incremental development put Swiss social policy "in line with the creeping welfare state development" that is characteristic of the North American welfare states and produced a "continental European welfare state with a liberal face".[10]

The dominant causal explanation for this has emphasized the role of political institutions such as federalism and direct democracy in the making of social policy. For scholars such as Ellen Immergut, Herbert Obinger, and Giuliano Bonoli, the high level of fragmentation of the political system between federal (national), cantonal (state), and local tiers of government has led to contentious tugs-of-war between a weak

[9] Manfred G. Schmidt, *Sozialpolitik: historische Entwicklung und internationaler Vergleich* (Opladen: Leske & Budrich, 1988), pp. 13, 118, 129, 135, 137ff, 164. On social expenditures before the 1990s, see Jens Alber, *Der Sozialstaat in der Bundesrepublik 1950–1983* (Frankfurt: Campus Verlag, 1989), p. 40; Peter Lindert, "The rise of social spending, 1880–1930", *Explorations in Economic History* 31 (1994), pp. 1–37 (pp. 10–12).

[10] Armingeon, "Institutionalising the Swiss welfare state", p. 151; Herbert Obinger, "Federalism, direct democracy, and welfare state development in Switzerland", *Journal of Public Policy* 18/3 (1998), pp. 241–63 (quotation p. 260).

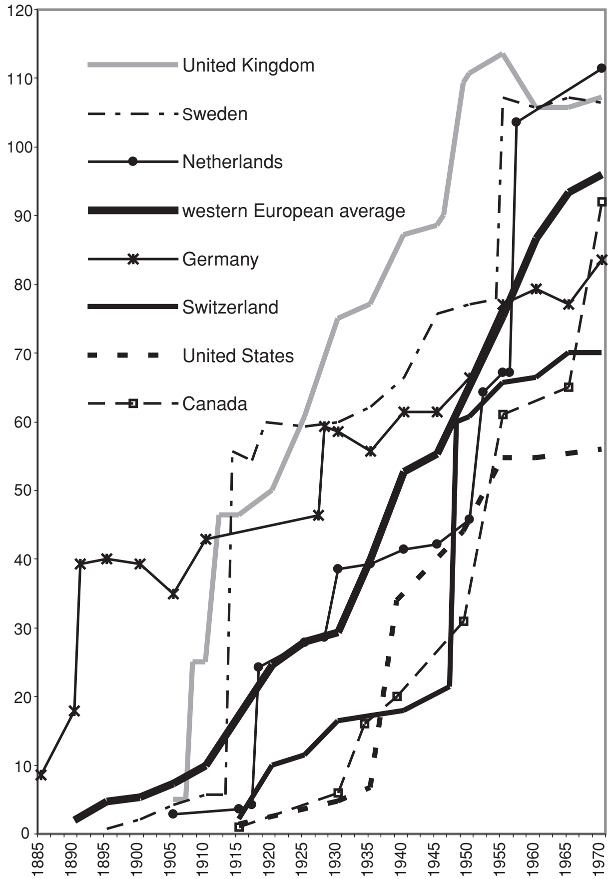

Figure 0.1 Social insurance development index, 1885–1970.
Source: Peter Flora and Arnold J. Heidenheimer, *The development of welfare states in Europe and America* (New Brunswick: Transaction Press, 1981), pp. 54–7, 81.

central state and regional interests opposed to centralization and emphasizing cantons' rights. The weakness of the federal state vis-à-vis cantons has also magnified the opposition of conservative forces that resisted the growth of the fiscal capacity of the Confederation. Attempts to introduce social insurance have thus led to protracted debates to secure the constitutional basis of each social policy program, as well as the financial means to implement them.[11]

[11] Ellen M. Immergut, *Health politics: interests and institutions in western Europe* (Cambridge: Cambridge University Press, 1992); Obinger, "Federalism, direct democracy, and

Extensive direct-democracy mechanisms have also considerably retarded social policy development. As we will see in Chapters 1, 2, and 3, conservative referenda demanding the repeal of social policy projects often unraveled carefully crafted policy compromises during the formative period of the welfare state. After the acceptance in 1890 of the constitutional article allowing the Confederation to legislate on social matters, universal health insurance was twice challenged by referenda (in 1900 and 1911) before being accepted by voters in 1912. A quarter-century separated the adoption of a constitutional article on old age insurance (1925) and the implementation of federal pensions (1947) that was also challenged twice by referenda (in 1931 and 1947).

The anti-centralizing resistance to social insurance, the time lag in implementation due to referenda, and the incremental development of social policy have greatly hampered the unification of social programs and led to the development of a patchwork of overlapping federal, cantonal, local, and occupational schemes. Institutional scholars have emphasized that the numerous interstices of the Swiss social security system have facilitated policy pre-emption and decentralized solutions organized by private sectors that are often subsidized by a federal state that delegates to them the organization of social provision.[12]

Recent OECD surveys remind us that taking into account private social programs can substantially modify social expenditure rankings. In Figure 0.2, countries with extensive private social provision, such as the United States, the United Kingdom, the Netherlands, Canada, and Australia, move closer to continental European welfare states when *private* social expenditure is added to the *public*. Because of the tangle of its federalized tax-system, Switzerland has yet to be included in these surveys.[13] However, *private* social programs have played a key role in the recent increase in Swiss social expenditure. At the beginning of the 1990s, Switzerland still ranked fifteenth among OECD countries in terms of *public* social spending but moved to rank fourth (behind Sweden, Denmark, and France) at the end of the decade. In a recent account, institutionalist scholars have emphasized that "with the exception of health care policy, which was transformed by the 1994 reform, [this] dramatic increase in

welfare state development"; *Politische Institutionen und Sozialpolitik in der Schweiz*; Herbert Obinger, Klaus Armingeon, Giuliano Bonoli *et al.*, "Switzerland: the marriage of direct democracy and federalism", in *Federalism and the welfare state: New World and European experiences*, ed. Herbert Obinger, *et al.* (New York: Cambridge University Press, 2005), pp. 263–306.

12 Ibid., pp. 300ff.

13 According to Willem Adema of the OECD Directorate for employment, labor, and social affairs, personal communication to the author, July 3, 2006.

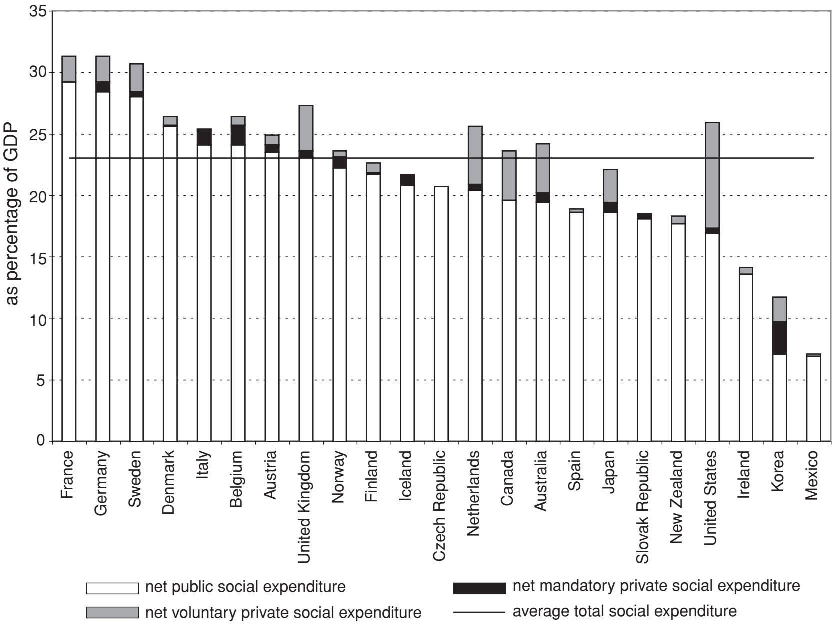

Figure 0.2 Net social expenditures in OECD countries, 2001.
Source: Willem Adema and Maxime Ladaique, *Net social expenditures* (Paris: OECD, 2005), p. 32.

social expenditure . . . did not result from any significant expansion of the Swiss welfare state".[14]

According to this study, closing the gap with western Europe can be mostly attributed to slow economic growth and to the impact of the 1990s crisis in unemployment insurance, but also to the maturing of compulsory second-pillar old age provision and its integration in OECD statistics as "public" social expenditure. Funded occupational pension schemes alone account for almost one-fifth of overall social security financing, while the European Union average in this domain stands well below 5 percent. As compulsory health insurance in Switzerland is provided by registered insurance companies that levy per capita premiums, the Confederation ranks just behind the United States in terms of private health spending.[15]

[14] Obinger, Armingeon, Bonoli *et al.*, "Switzerland: the marriage of direct democracy and federalism", p. 287.

[15] *Les comptes globaux de la protection sociale: résultats de 2000 – Estimations pour 2001 – Evolution depuis 1950* (Neuchâtel: Office fédéral de la statistique, 2003), pp. 62–5, 70–1, "The health of nations: a survey of health-care finance", *The Economist*, July 17, 2004.

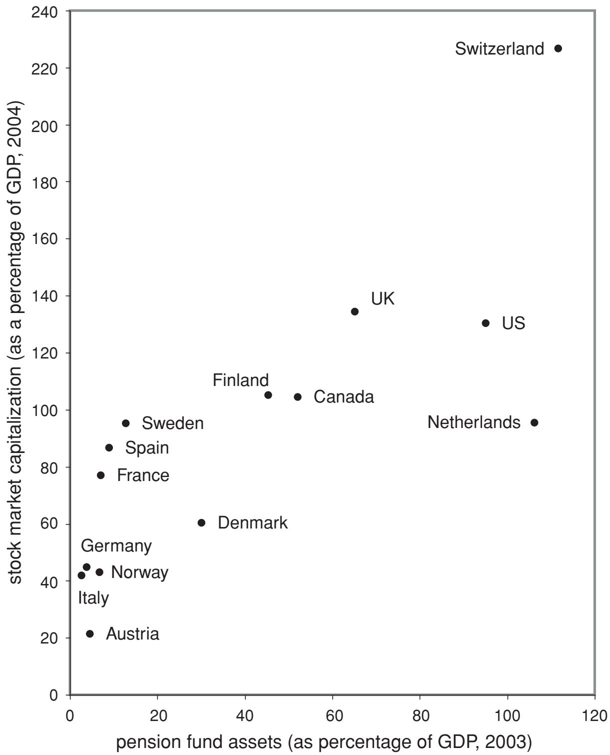

Figure 0.3 Stock markets and pension funds in Western Europe and North America, 2003–2004.
Sources: World Development Indicators (Washington: World Bank, 2005); "Pensions markets in focus", OECD Newsletter, December 2005.

Current developments thus undoubtedly hint at the long-term impact of private welfare arrangements in Swiss social policy.

Figure 0.3 charts the development of stock markets and funded pension assets in North America and Europe. Switzerland appears clearly as a pension fund champion: it not only overtakes the United States and the United Kingdom, the two usual suspects of Anglo-American pension fund capitalism, but also such countries as the Netherlands and Canada. This situation is far from a recent phenomenon. As we will see in Chapter 5, early postwar studies on the levels of social contributions among western European countries already pointed to the striking level of private voluntary welfare arrangements in Switzerland. At this time, funded pension assets represented one-third of the gross domestic product (see

Table A.7., p. 303), a level still unequaled by most European countries half a century later. Setting Switzerland apart from the "mechanized mass-assistance of a centralized welfare state" characteristic of continental Europe, free-market apologists praised during the 1950s the "colorful diversity of smaller and heterogeneous institutions" that made the Confederation a close relative of the American public–private welfare state.[16]

In his classic 1985 study of small European countries, Peter Katzenstein described the Swiss Confederation as a "rich man's welfare state". Characterized by the outstanding hegemony of right-wing (or, as they are called in Switzerland, bourgeois) parties and strong economic liberalism, modest social insurance expenditure and extensive private welfare schemes reinforced a "liberal capitalist" variant of democratic corporatism. Five years later, sociologist Gøsta Esping-Andersen similarly ranked Switzerland among Anglo-Saxon "liberal residual welfare states" characterized by belated development, lower de-commodification of social risk, and higher reliance on private solutions.[17] However, social scientists have neglected to explore the development of private social programs, and Switzerland remains largely absent from comparative research on the emergence of pension fund capitalism.[18] The 2003 revision of the federal law on compulsory occupational provision (BVG) has encouraged institutionalist scholars to turn their attention to recent developments of the second pillar of old age provision.[19] Yet their studies remain focused on the *public* and *state-centered* facets of the Swiss multi-tiered welfare system.

[16] Francesco Kneschaurek and Werner Eisenbeiss, "Die sozialen Leistungen der Arbeitgeber in verschiedenen OECE-Staaten", *Aussenwirtschaft* 1–2 (1958), pp. 119–41. For a discussion of this study, see also Chapter 5, Table 4.2. Wilhelm Röpke, *Grenzen und Gefahren des Wohlfahrtstaates* (Frankfurt: Schriftenreihe der Industrie- und Handelskammer Frankfurt am Main, 1955), p. 5. For a discussion of Röpke's views, see Chapters 4 and 5 of this book.

[17] Gosta Esping-Andersen, *The three worlds of welfare capitalism* (Cambridge: Polity Press, 1990), pp. 50, 83–4; Peter J. Katzenstein, *Corporatism and change: Austria, Switzerland, and the politics of industry* (Ithaca: Cornell University Press, 1984), pp. 110–12.

[18] The following studies contain only cursory mentions about Swiss occupational pensions: Clark and Whiteside, eds., *Pension security in the 21st century*; Richard Minns, *The cold war in welfare: stock markets versus pensions* (London; New York: Verso, 2001); Martin Rein and Eskil Wadensjö, eds., *Enterprise and the welfare state* (Cheltenham: Edward Elgar, 1997); Gordon L. Clark, Alicia Munnell, and Michael Orszag, eds. *The Oxford handbook of pensions and retirement income* (Oxford: Oxford University Press, 2006).

[19] Giuliano Bonoli, "Switzerland: adapting pensions within tight institutional constraints", in *Ageing and pension reform around the world: evidence from eleven countries*, ed. Giuliano Bonoli and Toshimitsu Shinkawa (Cheltenham: Edward Elgar, 2005), pp. 137–54; "The institutionalization of the Swiss multi-pillar pension system", in *Rethinking the welfare state: the political economy of pension reform*, ed. Martin Rein and Winfried Schmähl (Cheltenham: Edward Elgar, 2004), pp. 102–21; "Switzerland: the impact of direct democracy", in *West European pension politics*, ed. Ellen M. Immergut, Karen M. Anderson, and Isabelle Schulze (Oxford: Oxford University Press, 2007), pp. 203–47.

Existing historical studies of the Swiss welfare state hardly help to solve these shortcomings. Since the publication of economist Jürg Sommer's *Struggle over social insurance in Switzerland* (*Das Ringen um die soziale Sicherheit in der Schweiz*, 1978), no one has written a source-based synthesis of social policy development. Despite recent and renewed interest in this field, historical scholarship on social programs remains underdeveloped and fragmented.[20] These limitations are particularly conspicuous in the core area of the welfare state, namely old age provision. Pension researchers still have to rely on accounts written by politicians and civil servants who were direct participants in policy-making, or on descriptive studies focusing on legal and constitutional issues.[21] Again, the handful of articles and book sections devoted to the making of the AHV and its post-World War II development provide only snapshots of *state-based* old age provision.[22]

[20] Jürg Sommer, *Das Ringen um die soziale Sicherheit in der Schweiz: eine politisch-ökonomische Analyse der Ursprünge, Entwicklungen und Perspektiven sozialer Sicherung im Widerstreit zwischen Gruppeninteressen und volkswirtschaftlicher Tragbarkeit* (Diessenhofen: Rüegger Verlag, 1978). See also Alfred Maurer, "Switzerland", in *The evolution of social insurance 1881–1981: studies of Germany, France, Great Britain, Austria and Switzerland*, ed. Peter A. Köhler, *et al.* (London: St. Martin's Press, 1982), pp. 384–453. For a preliminary synthesis and discussion of the available historical literature, see Brigitte Studer, "Soziale Sicherheit für alle? Das Projekt Sozialstaat 1848–1998", in *Etappen des Bundesstaates: Staats- und Nationsbildung in der Schweiz*, ed. Brigitte Studer (Zurich: Chronos, 1998), pp. 159–86; Martin Lengwiler, *Risikopolitik im Sozialstaat: die schweizerische Unfallversicherung (1870–1970)* (Cologne: Böhlau, 2006), pp. 25–33; Sébastien Guex and Brigitte Studer, "L'Etat social en Suisse aux XIXe et XXe siècles. Notes sur quelques pistes de recherche", in *Von der Barmherzigkeit zur Sozialversicherung*, ed. Hans-Jörg Gilomen, *et al.* (Zurich: Chronos, 2002). pp. 201–12.

[21] Peter Binswanger, *Histoire de l'AVS: assurance-vieillesse et survivants suisse* (Zurich: Pro Senectute, 1987); Arnold Saxer, *Die soziale Sicherheit in der Schweiz: eine Dartstellung der Entstehung, des Aufbaus und des gegenwärtigen Standes aller Zweige der sozialen Sicherheit* (Berne: Haupt, 1970); Hans-Peter Tschudi, *Entstehung und Entwicklung der schweizerischen Sozialversicherungen* (Basle: Helbing & Lichtenhahn, 1989). Arnold Saxer was the director of the Federal Social Insurance Office during World War II. During his tenure at the Federal Council, Hans Peter Tschudi presided over the postwar development of the AHV. Peter Binswanger was a former expert of the Federal Social Insurance Office who had continued his career in the insurance sector.

[22] On the interwar period, see Bruno Dumons, "Vieillesse et Etat-providence en Suisse romande dans la première moitié du XXe siècle", *Le Mouvement social* 190 (2000), pp. 9–31; André Lasserre, "L'institution de l'assurance-vieillesse et survivants (1889–1947)", in *La démocratie référendaire suisse au 20ème siècle*, ed. Roland Ruffieux (Fribourg: Presses universitaires de l'Université de Fribourg, 1972), pp. 259–326. On World War II: Georg Hafner, *Bundesrat Walther Stampfli (1884–1965): Leiter der Kriegswirtschaft im Zweiten Weltkrieg, bundesrätlicher Vater der AHV* (Olten: Dietschi Verlag, 1986). On the postwar extension of the AHV and the gendered dimensions of social insurance, see Christine Luchsinger, *Solidarität, Selbständigkeit, Bedürftigkeit: der schwierige Weg zu einer Gleichberechtigung der Geschlechter in der AHV*: *1939–1980* (Zurich: Chronos, 1995); Christine Luchsinger, "Sozialstaat auf wackligen Beinen. Das erste Jahrzent der AHV", in *achtung: die 50er Jahre! Annäherungen an eine widersprüchliche Zeit*, ed. Jean-Daniel Blanc & Christine Luchsinger (Zurich: Chronos, 1994), pp. 51–69. See also the recent contributions

If the history of the AHV is deficient, the situation is worse for the second pillar. Occupational pensions have remained an object of study for legal experts looking at the modus operandi of plans[23] or economists analyzing the financial impact of pension funds.[24] With the exception of a few outdated titles, these works give only scarce information on the evolution of private pensions before the passage of the 1982 federal law on a mandatory second pillar (BVG).[25] The history of occupational pensions remains a territory largely uncharted by historians.[26]

gathered in *Geschichte der Sozialversicherungen/L'histoire des assurances sociales* (Zurich: Chronos, 2006).

23 Jürg Brühwiler, *Die betriebliche Personalvorsorge in der Schweiz: eine Arbeits- und sozialversicherungsrechtliche Studie zum Rechtszustand nach Inkrafttreten des BVG unter besonderer Berücksichtigung des Verhältnisses zwischen Personalvorsorge und Arbeitsvertrag* (Berne: Stämpfli, 1989); Carl Helbling and Hans-Peter Conrad, *Personalvorsorge und BVG: Gesamtdarstellung der rechtlichen, betriebswirtschaftlichen, organisatorischen und technischen Grundlagen der beruflichen Vorsorge in der Schweiz* (Berne: Haupt, 2000 [1984]); Werner Nussbaum, *Das System der beruflichen Vorsorge in den USA: im Vergleich zum schweizerischen Recht* (Berne: Haupt, 1999).

24 Peter Hadorn, *Die Kapitalanlagen der schweizerischen Pensionskassen 1955–1970* (Basle: Institut für Sozialwissenschaften/Institut für angewandte Wirtschaftsforschung, 1974); Stefan Hepp, *Swiss pension funds: an emerging institutional investment force* (Berne: Haupt, 1990); Urs Oberhänsli, Robert Fluder, and Serge Gaillard, *Altersvorsorge: Kapitalschwemme oder Kapitalmangel? Untersuchung über das Spar- und Erwerbsverhalten der Rentner in der Schweiz* (Berne: Haupt, 1986); Thierry Theurillat, Olivier Crevoisier, and José Corpataux, "L'impact des caisses de pension sur les circuits de financement et de contrôle de l'économie suisse (1985–2003)", research report, Institut de sociologie/Groupe de recherche en économie territoriale (GRET), Université de Neuchâtel, 2006.

25 Wolfgang Hafner, *Im Strudel der Finanzmärkte: Pensionskassen in der Schweiz* (Zurich: Rotpunktverlag, 2004); Graziano Lusenti, *Les institutions de prévoyance en Suisse, au Royaume-Uni et en Allemagne fédérale. Placements financiers et politique sociale* (Geneva: Georg, 1989); Rudolf Rechsteiner, *Das 200-Milliarden-Geschäft. Pensionskassen in der Schweiz – Eine Einführung für Versicherte und Stiftungsräte* (Zurich: Unionsverlag, 1984); Martin Wechsler, *Die Einführung der obligatorischen 2. Säule: eine volkswirtschaftliche Analyse der problematik des Bundesgesetzes über die berufliche Alters-, Hinterlassenen-, und Invalidenvorsorge (BVG)* (Basle: Zentralstelle der Studentenschaft Zürich, 1984); Hans Gerold Wirz, *Die Personal-Wohlfahrtseinrichtungen der schweizerischen Privatwirtschaft: ihre Stellung im Steuerrecht und ihre Beaufsichtigung* (Stäfa: Buchdruckerei Stäfa, 1955).

26 For a first overview of the history of the second pillar, see Martin Lengwiler, "Das Drei-Säulen-Konzept und seine Grenzen: private und berufliche Altersvorsorge in der Schweiz im 20. Jahrhundert", *Zeitschrift für Unternehmensgeschichte* 1 (2003), pp. 29–47. I have outlined in several articles, whose findings are integrated in this volume, the role of insurance companies, pension plan associations, and tax subsidies in the making of old age provision, as well as the political elaboration of the three-pillar doctrine. See Matthieu Leimgruber, "La politique sociale comme marché: les assureurs vie et la structuration de la prévoyance vieillesse en Suisse (1890–1972)", in *Geschichte der Sozialversicherungen/Histoire des assurances sociales* (Zurich: Chronos, 2006), pp. 109–39; "Les trois piliers de la sagesse? La métaphore ternaire de la protection vieillesse en Suisse", *Aspects de la sécurité sociale* 4 (2005), pp. 2–12; "Profits de guerre, fiscalité et caisses de pension (1917–1927)", *Aspects de la sécurité sociale* 4 (2001), pp. 13–21; "Réaliser le progrès social sans solutions étatistes. Les caisses de pension face à l'assurance vieillesse et survivants (1920–1950)", in *Von der Barmherzigkeit zur Sozialversicherung*, ed. Hans-Jörg Gilomen, *et al.* (Zurich: Chronos, 2002), pp. 307–19.

This book fills in the gaps in this disparate literature by weaving together an integrated narrative of the long-term interactions between public *and* private old age provision. Two biographical profiles underscore the usefulness of such an integrated historical perspective and encapsulate in a nutshell several themes that are central here.

Federal Councilor Walther Stampfli (1884–1965) can be designated the "father of the AHV" implemented in 1947. Before his election to the executive branch in 1940, this seasoned member of the bourgeois Radical Party (the Free Democrats, or "Radicals", founded modern Switzerland in 1848) worked for two decades for the Von Roll steelworks, a leading firm that had developed extensive welfare measures. As a director of Von Roll social services, Stampfli was a member of a lobby group defending leading private pension schemes in the late 1920s. The pension system shaped under his guidance during World War II left ample room for occupational plans and *de facto* prefigured the post-1972 multi-pillar architecture. Stampfli's career, spent in the revolving doors that connect state service and business circles, is analyzed in detail in Chapters 3 and 4.

One generation later, Peter Binswanger (1916–1997), author of a standard *History of the AHV* (1987), followed a similar career straddling the first two pillars of old age provision. Before writing his much-quoted account of old age insurance, Binswanger had been involved for more than a generation in the shaping of the pension system. Hired in 1944 by the Federal Social Insurance Office, he was one of the civil servants who designed the AHV legislation. In 1955, Binswanger left the federal administration and joined Winterthur Life, one of the leading insurance companies managing group pension plans. As director of its group division and then chief executive officer, Binswanger was a key proponent of a compulsory second pillar during the 1960s. Chapter 5 explains how it was in no small part on his initiative that business federations and insurers fought to anchor the three-pillar doctrine in the federal constitution in 1972. However, Binswanger's own historical narrative does not focus solely on the AHV and barely mentions the parallel evolution of occupational benefits. The civil-servant-turned-insurance-executive keeps silent on the key inter-employer debates in which he was directly involved.

These two portraits exemplify the constant interactions that exist between social insurance and occupational provision. They also emphasize that employers, insurers, and pension lobbyists were key protagonists in the struggles to define the boundaries of these social policy areas. In order to unravel these interrelated aspects, I draw on various scholarly approaches that follow the thematic threads developed throughout this book: first, studies that detail the politics of public and private social benefits and highlight the contested boundaries between these two forms of provision; second, studies that focus on business preferences in the field of social policy and emphasize the connections between corporate social programs, social insurance, and broader economic issues such as wage-setting and collective bargaining; and last but not least, studies that underscore the pivotal role played by insurance companies as interfaces between the welfare state, employer-based provision, and financial markets.

II

In his account of the formation of the "divided welfare state" in the United States, political scientist Jacob Hacker underscores how social insurance programs "entail significant and contested disruptions in regnant policy understandings and existing public–private boundaries". These contentious struggles can become especially protracted in decentralized political systems, such as the United States and Switzerland, where social programs face multiple institutional veto points. The decades-long path toward the establishment of federal pensions (AHV), with its succession of false starts and delays, embodies these highly visible and contentious politics. In contrast, Hacker underscores that two features of occupational social schemes are their "low visibility and low traceability".[27] Occupational schemes find their origins in the "subterranean politics" of fiscal policies, or thrive in employment relations that escape public attention. As they do not face, or skillfully avoid, political debates and institutional hurdles, private social programs are easier to implement than public ones.

As Jacob Hacker points out, the pre-emption of social insurance by private social programs has substantial effects on the development of public provision:

> When private benefits become deeply imbedded in advance of public programs . . . the prospects for major government incursion on that policy area diminish. More than simply restricting the scope for intervention, such preemption of public alternatives pushes the roster of politically viable options toward forms of government intervention that are meant to bolster or work around, rather than to challenge, private social provision.[28]

Decentralized political systems that produce belated and incremental social policy development offer a favorable configuration for private schemes that operate behind the scenes or below the radar of public

[27] Jacob S. Hacker, *The divided welfare state: the battle over public and private social benefits in the United States* (Cambridge: Cambridge University Press, 2002), pp. 43, 44–5.

[28] Ibid., p. 26.

politics. In other words, the policy stalemate faced by social insurance programs does not translate into a general stalemate for social policy. In this light, the development of Swiss old age provision can be seen as a cascading series of feedbacks between the highly contentious and public politics of social insurance and the more subterranean ones of occupational provision.

In Switzerland, delays in the implementation of federal pensions left opportunities for occupational forms of provision to develop. This private pre-emption of universal pensions meant that social insurance faced not only institutional hurdles, but also a tangle of occupational schemes that were loath to share their turf. As we will see in Chapters 2 and 3, the issue of the division of labor between the AHV and pre-existing pension plans weighed heavily in the failure or success of consecutive pension bills. After World War II, this division of labor constituted the background of the political struggle that pitted the three-pillar doctrine against the people's pensions during the 1960s (see Chapter 4). Revealing the subterranean politics of the second pillar and the fragmentation of occupational provision constitute two of my main fields of investigation.

On the issue of fiscal policy as a means to finance social programs and subsidize private welfare schemes, seminal works by Christopher Howard and Beth Stevens have underscored the existence of a "hidden welfare state" of fiscally encouraged corporate benefits alongside other publicly funded social welfare programs in the United States.[29] As pointed out by institutionalist scholars, fiscal conservative resistance to raising new taxes to finance social programs was a key factor in delaying the development of the Swiss welfare state. But these same authors do not dwell long on the fact that these same forces vigorously lobbied to safeguard and develop tax exemptions for private pension plans. From World War I on (see Chapters 2 and 3), these exemptions played a significant role in the pre-emption of social insurance by private pension providers. This lobbying for state subsidies to private welfare while at the same time resisting the state's financial provisions for social insurance can be seen throughout the century-long history of the pension system. The importance of tax breaks for pension plans has also contributed to the fragmentation of the second pillar into a multitude of company-level institutions.

[29] Christopher Howard, *The hidden welfare state: tax expenditures and social policy in the United States* (Princeton: Princeton University Press, 1997); Beth Stevens, "Blurring the boundaries: how the federal government has influenced welfare benefits in the private sector", in *The politics of social policy in the United States*, ed. Margaret Weir, *et al.* (Princeton: Princeton University Press, 1988), pp. 123–48.

Studies of Swiss political structure and power emphasize the strength of bourgeois political parties vis-à-vis the left and the high policy capacity of well-organized business interests vis-à-vis a weak central state. This privileged access and direct input in policy-making reinforce a variant of democratic corporatism described by Peter Katzenstein or André Mach as "liberal capitalist" or "liberal conservative". In a classic account, political scientist Beat Holz also showed how interactions between state and business often lead in Switzerland to the "pre-structuring" of public tasks by employers' federations, or to the implementation of public policies by a delegation of competence to private actors. The pliability of the state by business forces blurs the divide between the state and non-state spheres, and creates a tangle of intermediary "para-state" structures. In the words of political scientist Raimund Germann, "in Switzerland, the 'public' [or state] sphere is not a specific field or well-defined space, but a *variable* [sic] measuring the intensity of a shade".[30] Focusing on these shades and power relations, and on the personalities involved in the struggles on the borders between public and private provision, such as Walther Stampfli and Peter Binswanger, reveals the subterranean politics of occupational pensions.

Organized business interests played a key role in the creation, maintenance, and defense of pension plans, and this book makes extensive use of primary documents drawn from key employers' federations that articulate business preferences and strategies toward social policy and occupational schemes. These archives, briefly presented at the end of this volume, also contain abundant materials on the triangular tug-of-war between business, labor, and the state in social policy development.

Political scientist Isabela Mares has recently analyzed business social policy preferences in Germany and France by defining a "universe of social policy" whose options are organized along two axes of "risk redistribution" and "control".[31] The first explores the boundaries of coverage

[30] Katzenstein, *Corporatism and change*. In his first study of the Swiss political economy, Peter Katzenstein ironically depicted the Confederation as a capitalist paradise, see Peter J. Katzenstein, *Capitalism in one country? Switzerland in the international economy* (Ithaca: Cornell University, Western Societies Program Center for International Studies, 1980). For an updated analysis of Swiss liberal corporatism, see André Mach, *La Suisse entre internationalisation et changements politiques internes: la législation sur les cartels et les relations industrielles dans les années 1990* (Zurich: Verlag Rüegger, 2006). See also Raimund Germann, *L'amalgame public-privé en Suisse: l'administration para-étatique en Suisse* (Lausanne: IDHEAP, 1987), p. 13; Beat Hotz, *Politik zwischen Staat und Wirtschaft: verbandsmässige Bearbeitung wirtschaftspolitischer Probleme und die daraus resultierenden Konsequenzen für die Aktivitäten des Staates im Falle der Schweiz* (Diessenhofen: Rüegger Verlag, 1979).

[31] Isabela Mares, *The politics of social risk: business and welfare state development* (New York: Cambridge University Press, 2003), p. 13

for various risk pools related to sickness, old age, or unemployment: is the risk pool organized on a universal basis, for certain occupational groups, or only for workers of a specific firm? The second axis, control, measures the various "responsibilities in the administration of social insurance" retained by the state, business, or trade unions. It helps in determining why employers may favor company-based, multi-employer, or universal social insurance, and how they may react to trade union or state involvement in the management of these programs.[32] The question here is not whether capitalists simply hold antagonistic or favorable views toward social programs, but the kind of social programs that business interests will support in a specific institutional and political economic context.

Following Mares' argument, I explore the differentiated and often contradictory social policy preferences expressed by national and regional business interests, leading export sectors, and smaller domestic market-oriented firms and trades. For example, I show in Chapters 2, 3, and 4 how leading machine and metal producers were not only among the first to develop extensive corporate pensions, but were also more acquiescent toward federal pensions than entrepreneurs in other sectors with less developed schemes. They consented to the creation of basic universal pensions as long as the Confederation guaranteed the autonomy of diversified corporate schemes that enabled them to retain a skilled workforce. This combination, put forward by Federal Councilor Walther Stampfli, a veteran manager of a leading metal firm, was thus quite palatable to machine makers. In contrast, sectors such as textile manufacturing long resisted federal social insurance, as their labor-intensive profiles made them more vulnerable to the increase of social costs as a share of wages. Alongside chemicals manufacturers, textile magnates were also closer to conservative political forces that resented Radical-led federal social policy.

Given the pre-emption of old age insurance by occupational pension plans, the regulation of corporate schemes constituted a contentious issue that punctuates all the chapters of this book. If Swiss business circles welcomed state intervention in the form of tax subsidies, they consistently fought against it when it took the form of proposals to monitor pension reserves or safeguard employees' rights to pension benefits. Federal monitoring of occupational plans remained extremely limited until the 1982 law introducing a mandatory second pillar (BVG). Even after the implementation of the BVG, the control levers of pension plans remain firmly in employers' and insurers' hands. Business insistence on keeping a free hand and the resulting high level of decentralization of the second pillar

[32] Ibid., pp. 14–21.

is linked to broader interactions between social policy, corporate welfare programs, and labor relations.

Political economist Peter Swenson has contrasted the development of Swedish and American social policy by arguing that patterns of wage-setting play a key role in shaping distinctive welfare state configurations. In the Swedish case, Swenson points to the correlation between centralized wage bargaining, the strength of the left and labor, and the ensuing employers' support for comprehensive welfare measures. In contrast to this "solidarist" approach of business forces to wage-setting and social programs, Swenson describes the American configuration as a "segmentalist" case. In this case, a weaker left and decentralized wage bargaining combined to produce limited business support for social insurance and, on the contrary, continuing commitment to the extension of corporate employee benefits.[33]

In this book, I argue that Switzerland's labor relations and welfare configuration strikingly echo those in the United States and led its pension system toward a segmentalist configuration (see Chapter 1). As an export-oriented country, home to a tightly knit and disciplined business community, Switzerland may have Swedish traits, but this resemblance ends if we examine the political balance of power. Long-term Social Democratic dominance in Sweden contrasts with unbroken bourgeois dominance in Switzerland. Swiss unions are also markedly more splintered along overlapping confessional and trades fault lines, with the consequence that labor federations never equaled the centralization of powerful and well-disciplined business federations. The result of both labor fragmentation and business resolve to maintain flexible conditions for in-house wage-setting and welfare schemes is that Switzerland's collective bargaining has remained highly decentralized: industry-wide and company-wide agreements have proliferated rather than national ones, and these set the pace for collective bargaining (see Chapters 3 and 4). The fragmentation of the second pillar follows this decentralized pattern.

Historian Jennifer Klein and political scientist Marie Gottschalk have underscored that decentralized collective bargaining over corporate employee benefits has not only reinforced the "imbalance of power" in American labor relations but has also softened labor pressure in favor of social insurance. Facing relentless business resistance to the expansion of social policy, labor unions fatefully channeled their efforts toward

[33] Peter A. Swenson, *Capitalists against markets: the making of labor markets and welfare states in the United States and Sweden* (Oxford: Oxford University Press, 2002), pp. 18–44. See also Peter Swenson, "Varieties of capitalist interests: power, institutions, and the regulatory welfare state in the United States and Sweden", *Studies in American Political Development* 18 (2004), pp. 1–29.

the parallel development of occupational benefits. This led labor into an ever-tighter embrace with corporate programs and trapped unions in a genuine "institutional straitjacket" that constrained their social policy options.[34]

These dimensions are omnipresent in the Swiss case. During the protracted struggle for the AHV, the legacy of union-based forms of provision and labor distrust of state-based provision led a structurally weak labor movement to adopt forms of social partnership that were dominated by employers, who put a premium on occupational provision (see Chapters 2 and 3). After World War II, the continuing trade union attachment to occupational provision played a major role in the entrenchment of the three-pillar doctrine. At the same time, this further reduced the effectiveness of alternative proposals, such as the late 1960s people's pensions, that sought to challenge the existing division of labor between social insurance and occupational provision (see Chapter 4).

Despite an explicit focus on the role and influence of business forces and an emphasis on the cumulative weaknesses of the left and unions, my intention is not to downplay their role in social policy development. On the contrary, political and labor radicalization at the end of both world wars heralded major steps forward for social insurance by exerting strong pressure on business and the right. Socialist and Communist people's pensions challenged the three-pillar doctrine during the second half of the 1960s. However, at all these moments, business forces were able to head off redistributive social policy and safeguard private forms of provision. Among various business sectors, insurers are key to the containment of social insurance and the resilience of the division of labor between basic pensions and occupational benefits that is at the heart of the three-pillar system.

In her study of the tug-of-war between the state, labor, and business in the making of the American welfare state, Jennifer Klein designates insurers as a business faction "essential to the creation and maintenance of the private welfare system". By marketing to employers alternatives to state social programs such as group pension plans, life insurance companies contributed to the pre-emption of social insurance. At the same time, insurers were among the first to transform outright business opposition to state social programs toward a more differentiated strategy of

[34] Marie Gottschalk, *The shadow welfare state: labor, business, and the politics of health-care in the United States* (Ithaca: ILR Press, 2000), pp. 39–64; Jennifer L. Klein, *For all these rights: business, labor, and the shaping of America's public–private welfare state* (Princeton: Princeton University Press, 2003), p. 254. See also Michael K. Brown, "Bargaining for social rights: unions and the reemergence of welfare capitalism, 1945–1952", *Political Science Quarterly* 112/4 (1997–1998), pp. 645–74.

containment of social insurance by adopting a "supplementation strategy", whereby basic social insurance programs constituted a sound foundation for private supplementary forms of provision.[35]

Swiss life insurance companies have left their fingerprints on the pension debate since the 1890s and played a central role in the making of the second pillar. As their American counterparts, insurers occupied a strategic position at the "intersection of business and social service".[36] Because of the weakness of the central state, their actuarial experience was crucial during the formative period of the welfare state (see Chapter 1).

The development of group pension plans for employers began a generation before the implementation of the AHV, and their spread contributed to the fragmentation of occupational provision while entrenching the role of leading insurance companies in policy-making (see Chapters 2 and 3). Insurers shared with other employers the aims of limiting the extension of social insurance and keeping state regulation of pension schemes at a minimum level. On the other hand, insurers such as Peter Binswanger of Winterthur Life not only helped spread the three-pillar doctrine among business circles: their companies ended up being the main beneficiaries of a compulsory second pillar whose implementation opened up new opportunities for group plans (see Chapter 4).

While insurers were key proponents of fiscal conservatism and opposed the levying of taxes to finance the AHV, they supported a contributory pay-as-you-go financing structure for federal pensions (see Chapters 2 and 3). This was the result of insurers' unwillingness to see the Confederation finance the AHV through funded pension reserves, a concentration of capital in state hands that could potentially crowd out private investors and compete against funded occupational schemes (see Chapter 4). More generally, a low level of taxation was considered favorable for the development of life insurance products. The involvement of insurers in the business of social policy and their defense of private pension funding connect the history of the welfare state to that of financial interests.

To use a phrase coined by Robin Blackburn, insurance companies became key proponents of "gray capital". By gray capital, Blackburn implies that the opaque jungle of pension plans not only constitutes an area where "property rights represented by the [pension] funds represent a grey area in terms of laws and political economy", but also shapes a pension system where "funds held to finance old age is a source of vulnerability to those whose sacrifices have established them".[37] The provision of

35 Klein, *For all these rights*, pp. 10 (quotation), 98–104.
36 Ibid., p. 28. 37 Blackburn, *Banking on death*, p. 15.