

# Book Review: Singapore and Switzerland: Secrets to Small States Success edited by Yvonne Guo and Jun Jie Woo

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*What makes a small state succeed? In Singapore and Switzerland: Secrets to Small State Success, editors Yvonne Guo and Jun Jie Woo explore this question through two cases that have shown similar economic performance by balancing international forces and domestic demands. This is a far-reaching overview of the mechanisms that have shaped the successes – and some failures – of Singapore and Switzerland that will be of use to students and researchers of business studies, public policy and comparative politics, finds Michele Fenzl.*

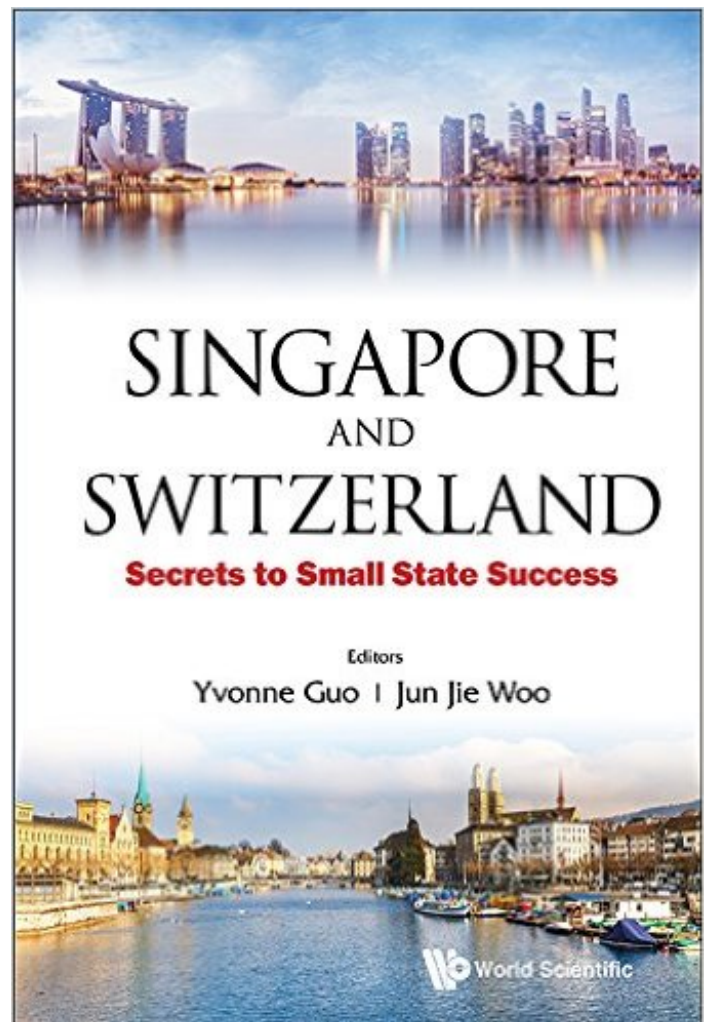
**Singapore and Switzerland: Secrets to Small State Success. Yvonne Guo and Jun Jie Woo (eds). World Scientific Publishing. 2016.**

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During the 2008 global economic crisis, advanced and emerging economies experienced [uneven patterns of financial contagion](#) and are now experiencing [uneven patterns of recovery](#) in its aftermath. These differences brought old political economy questions back into the spotlight. What drives economic growth? What is the role of the state? Why do some economies perform better than others? The book *Singapore and Switzerland: Secrets to Small State Success* positions itself as part of this new exploration of old questions.

Addressing the puzzle of ‘what makes a small state succeed?’, the book departs from the argument proposed by [Peter Katzenstein](#) in 1985 that ‘small states succeed because of their ability to improvise’ (xxi). Editors Yvonne Guo and Jun Jie Woo hence compare the cases of Switzerland and Singapore to show that ‘there is no “perfect balance” between the market and the state’ (xxi), but small states succeed if they negotiate the ‘trilemma’ between politics, international forces and domestic demands with flexible ‘market mechanisms’. This is shown through the choice of a centralised ‘developmental state’ with high political control (Singapore) and a ‘liberal corporatist’ state with a ‘bottom-up’ approach to governance (Switzerland). Given the different state apparatuses, it must be their ability to improvise that explains their similar economic performance.

Since the ability to improvise comes from specific institutional arrangements, the analysis starts from the chosen countries’ political and administrative systems. The core argument is that the administration of the two states is guided by polar opposite approaches. Switzerland, with its reliance on direct democracy, has a bottom-up approach to policymaking. This ensures – in the words of [Fritz Scharpf](#)– an ‘input legitimacy’, i.e. a legitimacy based on consent and participation. By contrast, Singapore concentrates on ‘output’ legitimacy, resulting in a ‘state-managed



capitalism' (9) where 'the government retains the final say' (21). Albeit overlooking what input legitimacy means in terms of Singapore's democratic development (see, for instance, the [2010 Polity IV country report](#) on Singapore's authority trends), Chapter One effectively clarifies the two countries' differences, and why a 'most-dissimilar' cases design is appropriate ([Sartori 1991](#)). If the chapter does not explain how two radically different countries managed to achieve similar political stability – a 'common feature' at the basis of their outstanding economic performance – it draws the fundamental governance distinctions that will be used in the following chapters.



**Image Credit: Singapore ([Bernard Spragg. NZ CCO](#))**

The book proceeds with an analysis of the countries' international dimensions: their foreign policies in Chapter Two and international economic linkages in Chapters Three and Four. The latter are particularly important as 'small states [...] are price takers' (78); as such, they need to exert influence by participating in the key nodes of global economic networks. Both Singapore and Switzerland manage to do so by pursuing trade integration at world and regional levels as well as by ensuring beneficial environments for foreign investors and financial transactions. Moreover, both countries involve business institutions in decision-making, albeit with a top-down approach in the case of Singapore and through the mediation of Cantons and citizens in the case of Switzerland. These chapters hence show how different decision-making environments converge to similar policy decisions as well as the countries' similar exposure to the fluctuations of the global economic system.

The economic development of the two small states is further described in the following chapters. Particular attention is paid to topics such as the role of small and medium enterprises, with an emphasis on the Swiss economy, and the business environment of the two countries. Crucially, the focus of the book then passes onto the importance of human capital. Chapter Eight highlights how the top-down approach to policymaking in Singapore and the bottom-up one of the Swiss system, led by competition among the Cantons, stimulated investments in research and education. The chapter also claims, however, that the Singaporean system is more affected by access inequality to education. For this reason, the authors argue that the Swiss system can provide guidelines towards the development of a more 'horizontal approach' to education. The role of high-skilled immigration is then analysed in Chapter Ten: 'the favourable economic conditions of each country present strong pull-factors to inflows of migrant labour which has become a key factor that shapes economic and political developments in both countries' (215). Interestingly, attention is also paid to the problems that this immigration has brought about, and on how movements against strong in-flows of migrants currently affect both countries. [This creates a parallel between the two small states and other advanced economies.](#)

If migration flows have had an impact on the political landscape of the two countries and their future economic reliance on high-skilled labour, they have also had a strong impact on income inequality. This is particularly the case for Singapore where ‘the influx of foreign workers has been cited as one of the contributing factors to worsening income inequality’ (229). As Chapter Eleven importantly underlines, these movements of labour have only contributed to increasing wealth disparities. Hence, it is possible to explain the stronger increase in income inequality in Singapore by looking at the different political systems of the two countries. While ‘the Swiss unions were able to overcome their collective action problem in a decentralised political structure’, the centralisation and concentration of power in Singapore limited the effectiveness of labour unions in creating ‘social concertation’. This also limited the effectiveness of Singaporean policies in fighting rises in income inequality. In other words, the key institutional and political differences between the two countries are identified as key causal mechanisms for economic outputs.

The book is a far-reaching overview of different policies and economic-institutional structures that have shaped the success – but also some failures, as in the case of income inequality – of Singapore and Switzerland. As such, it is an important read for students of public policy and business studies and will also generate interest for researchers of comparative politics in effectively describing how two radically different systems can lead to similar policy outcomes. Consequently, it will stimulate research into the *why* of the countries’ economic success. If the book starts by addressing Katzenstein’s argument, it departs from an exploration of the causal mechanisms that lead to small states’ success in favour of a precise description of policy outcomes in the two chosen states. The reader could start from the end of the book to understand that the chapters serve as an analysis of what small economies can learn from the experiences of Singapore and Switzerland, rather the text offering a causal investigation of what lies behind their success. The question of what leads small states to good governance and economic success therefore remains to be answered by further research.

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*Note: This review gives the views of the author, and not the position of the LSE Review of Books blog, or of the London School of Economics.*

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