City Profile

Bern's positioning strategies: Escaping the fate of a secondary capital city?

David Kaufmann, Martin Warland, Heike Mayer, Fritz Sager

University of Bern, Center for Competence for Public Management, Center for Regional Economic Development, Institute of Geography

Abstract

Bern is a classic example of a so-called secondary capital city, which is defined as a capital city that is not the primary economic center of its nation. Such capital cities feature a specific political economy characterized by a strong government presence in its regional economy and its local governance arrangements. Bern has been losing importance in the Swiss urban system over the past decades due to a stagnating economy, population decline and missed opportunities for regional cooperation. To re-position itself in the Swiss urban hierarchy, political leaders and policymakers established a non-profit organization called “Capital Region Switzerland” in 2010 arguing that a capital city should not be measured by economic success only, but by its function as a political center where political decisions are negotiated and implemented. This *city profile* analyses Bern's strategy and discusses its ambitions and limitations in the context of the city's history, socio-economic and political conditions. We conclude that Bern's positioning strategy has so far been a political success, yet that there are severe limitations regarding advancing economic development. As a result, this re-positioning strategy is not able to address the fundamental economic development challenges that Bern faces as a secondary capital city.

Keywords: Bern, Switzerland, secondary capital city, positioning strategy, economic development

Acknowledgements:

This work was supported by the Swiss National Science Foundation under grant no. 143,784.

The authors acknowledge that there are no financial interests or benefits associated with this research.

We would like to thank the anonymous reviewers, the editor of the City Profile and the numerous interview partners for their time and efforts.

Introduction: Bern as a classic example of a secondary capital city

Bern is a classic example of a so-called secondary capital city, which is defined as a capital city that is not the primary economic center of its nation (Mayer et al., 2016). This definition follows Hall (2006) and Campbell (2000) who both distinguish between different types of capital cities. Hall (2006) compares multi-function capitals such as Paris and Moscow, global capitals such as London and Tokyo with political capitals such as Washington, D.C. and Bern that were established as political centers but are lacking a more diversified economic base. Campbell (2000, p. 4) makes a similar point by distinguishing between “the capital as dominant economic city in the nation” and “the capital as secondary city”, pointing to the economic status of the capital within the respective nation. Bern fits this category of a capital city as a secondary city. Judged by various demographic and economic measures, Bern stands in the shadow of the larger and economically more prosperous Swiss cities Zurich, Geneva and Basel. As a center of banking and finance, Zurich plays in the top league of global cities, as does Geneva with its presence of more than 21 headquarters of international organizations such as the United Nations, International Labor Organization or the European Free Trade Association. Basel trumps Bern in terms of its economic prowess resulting from the presence of large multinational pharmaceutical firms such as Novartis or Roche. Bern was chosen as capital city in 1848 because of a compromise, which we will elaborate in the following section. Historically, the decision to locate the capital in a secondary city – as was the case with Bern – often represents such a compromise and the goal was to balance power relationships by geographically separating economic and political power (Nagel, 2013; Slack and Chattopadhyay, 2009).

Bern as a secondary capital city features a specific political economy that is characterized by a strong government presence that influences the region’s economic structure, governance regime and public policies in distinctive ways. Unlike other economically more dynamic secondary capital cities (e.g. Washington D.C. or The Hague, see also Hyra and Prince, 2016 or; Meijers et al., 2014), Bern’s economy could not keep the pace of the other big Swiss cities, a development that led to a decreasing importance of Bern in the Swiss urban system. As a result, policy makers in Bern are searching for ways to position Bern in an interurban competition. Yet, these efforts take place in the context of a federal government that is rather indifferent towards its capital city and an environment that lacks regional cooperation.

In the first part of this *city profile* of Bern, we present a descriptive portrait of the city as a secondary capital city. We explain how Bern was chosen as a capital city and why historically this choice may influence its current status in the urban hierarchy focusing on its history, geographic location, demographics, economic and political conditions. In the second part, we analyze Bern's positioning strategy as an attempt to re-position the capital city region among the top metropolitan areas in Switzerland. Our prime level of analysis is the city of Bern but in order to analyze the positioning strategy we refer in some parts of this *city profile* also to the agglomeration of Bern and to the regional level at which various jurisdictions are cooperating within the organization that is called "Capital Region Switzerland". This *city profile* stems from a multi-year research study by the authors, for which they compare and contrast secondary capital cities regarding their economic geography and positioning strategies. Bern represents one of four case studies in our project (in addition, we examine Washington D.C., The Hague and Ottawa). However, this *city profile* does not aim for a comparison, but functions as a rich single case study that describes Bern in a multi-faceted way. For this paper, we utilized 20 semi-structured in-person interviews with decision-makers in Bern (e.g. senior public servants, local economic development agents, politicians, business leaders, experts) and with 22 representatives from firms contracting with federal government organizations. In addition, we have conducted focus groups with key experts about the relevance and importance of the capital city region (see Table 3, 4, and 5 in the appendix.). We also make use of prior studies on Bern's history, political and economic situation as well as desk research.

Profile of Bern

History

Bern has a long tradition as an influential patrician-governed city-state epitomized by its historic old town, which is designated as an UNESCO world heritage site. At its height (1500-1800), Bern was the largest city-state north of the Alps, and as such the city was an aristocratic stronghold within the Old Swiss Confederacy and feudally governed its large territories (Gerber, 2015). Bern's wealth stemmed from huge land possession and its notorious mercenaries. At the time, there existed no capital city as the political representatives from the different confederated states used to meet in rotating locations. This glorious era of Bern as a city-state ended when in 1798 the French Revolutionary Army occupied Bern. Enforced by Napoleon, the Old Swiss Confederacy was transformed into the Helvetic Republic and as such the Republic required a permanent seat for the government. During these times of political struggles, the seat of government changed between the cities of Aarau, Lucerne, Bern and Lausanne.

Napoleon intervened again in 1803 to calm down the rebellious Swiss politics and re-established a federalist state and with it a system of six rotating venues for political gatherings namely the cities of Basel, Bern, Fribourg, Lucerne, Solothurn, and Zurich. A new federal treaty in 1815 reduced the number of cities for political gatherings to Bern, Lucerne and Zurich (Holenstein, 2012; Stadler, 1971).

Source: Authors

Figure 1: Bern's historic old town is an UNESCO world heritage site

After the short and relatively bloodless Swiss civil war in 1847, the newly established Swiss Confederation was in search of a permanent capital city. Given the immediate provision of suitable infrastructure, only the three cities Bern, Lucerne and Zurich were an option. Bern was chosen in 1848 for pragmatic reasons since Lucerne as a conservative, catholic stronghold was still skeptical of the new federal state and Zurich was already economically too powerful (Kübler, 2009; Stadler, 1971). The choice of Bern as a capital city was furthermore an inclusionary gesture because of Bern's central

geographic location and in particular because of its proximity to the French speaking parts of Switzerland (Stadler, 1971, p. 582). Zurich received compensation through the location of the Swiss Federal Institute of Technology, today an internationally top-ranked university.

Bern is the federal city – much like Washington D.C. in the United States and even Bonn in Germany – as Switzerland does not know the formal status of a capital city (Holenstein, 2012). Bern is the seat of the Swiss government and the Swiss parliament. However, in terms of competences, finances, and political representation, Bern is not different from any other municipality in Switzerland (Kübler, 2009, p. 251). To avoid centralization of all government functions in the capital city, several federal government institutions and organizations are located in other parts of Switzerland. In the 1990s, several federal offices relocated to small and medium-sized cities in the French-speaking part of Switzerland in order to increase the representation of the French linguistic group in the federal labor force (Kübler 2009, 244). For example, the Federal Office of Communication and the Federal Water Office relocated to Biel. In addition, the Federal Statistical Office is now located in Neuchâtel and the Federal Office of Housing is in Grenchen. Such a dispersal of government activities limits the centrality of a capital city.

Figure 2: Location of Bern within Switzerland and its metropolitan areas (Cartography by Alexander Hermann, Institute of Geography, University of Bern)

Location and demographic development

Switzerland can be divided into three main geographic areas: The Alps, the Jura Mountains and the Swiss Plateau. More than three quarters of the Swiss population live in urban areas. Basel, Zurich and Geneva are the three largest metropolitan regions on the Swiss Plateau and the city of Bern is located in between these three metropolitan regions (see Figure 2). While both Basel and Geneva benefit from their border locations and spatial proximities to Germany and France, Bern struggles with its location near a vast agricultural and mountainous hinterland (e.g. regions like the Emmental or the Bernese Oberland). As a result, Bern and its surrounding agglomeration are significantly smaller in terms of population when compared to Zurich, Geneva-Lausanne and Basel. The city of Bern accounts for 130'000 residents and is the fifth largest city in Switzerland based on population. The agglomeration of Bern, as defined by the Swiss Federal Statistical Office, is composed of 38 municipalities home to

365'000 inhabitants.¹ When taking such a larger, agglomeration-oriented perspective, Bern ranks fourth among urban agglomerations in Switzerland. However, the agglomeration of Bern was third last in respect to population growth between 1980 and 2010 out of 56 Swiss agglomerations (Hermann, 2013).²

Table 1: Population of different relevant perimeters

Source: Swiss Federal Statistical Office 2015: Municipalities Statistic 1981-2014. The data for the agglomeration of Bern is aggregated based on municipality data.

Scale	1981	1990	2000	2010	2014	Change (%) 1981 - 2000	Change (%) 2000 - 2014
City of Bern (1 municipality)	145'285	134'629	122'484	123'841	130'015	-15,69	+6,15
Agglomeration Bern (38 municipalities)	339'039	341'404	336'134	347'248	365'238	-0,86	+8,66
<i>Bern-Mittelland</i> Administrative district (85 municipalities)	375'826	381'168	375'817	387'857	402'520	0	+7,11
Canton of Bern (356 municipalities)	900'987	930'747	943'696	978'248	1'009'418	+4,74	+6,96
Switzerland (26 cantons, 2324 municipalities)	6'372'904	6'750'693	7'204'055	7'864'012	8'237'666	+13,04	+14,35

The population of the city of Bern shrank significantly from 145'000 in 1980 to 122'000 in 2000. This shrinkage can be explained on one hand by the tendency of the population – particularly families – to move out of the city to smaller, often more rural jurisdictions in the suburban surroundings, as well as by pro-active development policies of suburban and rural communities. The fact that the Swiss public transportation system is very efficient and not too costly has further accelerated suburbanization tendencies. To some extent Bern shows the same population trends as all big Swiss cities: Since the 1950s, but then accentuated by establishment of public transport systems in the 1980s and until the end of the 1990s, many Swiss residents chose to live in the municipalities in the surrounding, more suburban agglomeration instead of the urban center (Kübler, 2006). However,

¹ The population data have been aggregated based on the 2000 agglomeration definition provided by the Swiss Statistical office.

² The data by Hermann (2013) are based on the agglomeration definition 2000 by the Swiss Statistical Office.

Table 1 shows that this trend was more drastic in the case of Bern. Conservative land-use planning, few land reserves, and the high tax rate are all potential explanations for the significant population decline Bern experienced. Most recent data about population dynamics in the city may show a turnaround and illustrate that Bern is also benefitting from a trend towards re-urbanization: As of 2014, around 130'000 people are living in the city of Bern and this population number is likely to grow in the future.

Table 2: Population dynamics in the largest five Swiss cities

Source: Swiss Federal Statistical Office 2015: Municipalities Statistic 1981-2014

City	1981	1990	2000	2010	2014	Change (%) 1981 - 2000	Change (%) 2000 - 2014
Zurich	366'040	341'276	337'900	371'633	391'359	-7,69	+15,82
Geneva	157'322	167'167	174'999	187'295	194'565	+11,24	+11,18
Basel	180'347	171'036	166'009	167'458	168'620	-7,95	+1,57
Lausanne	126'298	123'159	114'889	126'998	133'897	-9,03	+16,54
Bern	145'285	134'629	122'484	123'841	130'015	-15,69	+6,15

Bern's economy accounts for 142'000 full-time equivalent jobs (City of Bern, 2015).³ Quite impressively, Bern features 10'000 more full-time jobs than total inhabitants, a fact that illustrates the central importance of Bern's capital city functions. Neighboring cities such as Köniz, for example, have significantly lower job-housing balances as, in the case of Köniz, they count more residents than jobs (40'000 residents to 20'000 jobs). As a consequence, on each workday the population of Bern grows by a total of 85'000 people (+68% people in the city) (City of Bern, 2013). Within the agglomeration of Bern, travel time by car, public transport and bicycle is short compared to similar European agglomerations (Raux et al., 2011). Between 2000 and 2012, Bern experienced a 3.5 times increase of commuters on the major commuting axis Zurich-Bern and Lucerne-Bern (Swiss Federal Statistical Office, 2015a). Due to these commuting flows, Bern has become a critical transportation hub. The train station Bern is the second biggest public transport hub in Switzerland as it has a turnaround of 200'000 passengers daily (Swiss Federal Railways, 2013, p. 14). Bern also functions as a railway junction as it connects the East-West axis Zurich-Geneva as well as the North-South Axis Basel-Milano. Whereas Bern is well connected by car and train, it lacks international accessibility

³ This 142'000 full-time equivalent jobs are based on a total of 185'132 jobs (City of Bern, 2015).

because the airport in Bern offers very few international flights and is rather small. The establishment of a larger airport was rejected in the 1940s by a popular referendum. Many business-friendly voices note that the lack of a larger airport may negatively influence Bern's ability to attract businesses (Credit Suisse, 2014, p. 6; Interviews: 5, 6, 16). Such comments, however, have to be put into perspective, as three major international airports (Zurich, Geneva and Basel) are accessible within a 100 minutes train ride (Interviews: 8, 10, 11).

Economy

The status as a secondary capital city makes Bern economically fairly dependent on capital city functions. As the seat of the federal government, the employment is largely concentrated in public administration, defense, and social security (17.34%), followed by health and social services (14.67%) and scientific and technical services (8.5%) (City of Bern, 2014a). Bern's knowledge-based firms are predominantly clustered in consulting, ICT, medicine, and energy (Wirtschaftsraum Bern, 2015). The economic structure is strongly characterized by micro-sized companies, with less than 10 full-time equivalent employees, accounting for 85% of all firms (Swiss Federal Statistical Office, 2015b).

As public procurement accounted for 8% of the Swiss GDP or 25% of the total Swiss government expenditures in 2013 (OECD, 2015, p. 137), Bern is a crucial location for government contractors. In particular, knowledge-intensive business services (KIBS) benefit from spatial proximity to their federal government clients. For example, KIBS firms that are involved in complex information technology projects establish formal and informal linkages to learn about government specific needs and preferences (Interviews: 24, 32, 39, 40, 42). The interaction between KIBS and the federal administration is widely characterized by direct linkages between supplying and demanding organizations. Whereas other secondary capital cities such as The Hague or Washington, D.C. established procurement systems including regional KIBS, national associations that address procurement practices, think tanks that analyze procurement trends, and research organizations specializing in government-relevant topics, such a procurement system has not yet emerged in Bern (Interviews: 34, 36, 40, 42). Existing KIBS firms, however, work closely with federal government entities and are therefore reliant on spatial proximity.

Among the large firms, particularly formerly state-owned companies are playing an important role in Bern's economy. In 1998, the federally-owned postal and telecommunication organization PTT (*Post-, Telefon- und Telegrafendienst*) was split and privatized into two firms. The resulting *Schweizerische Post* (Swiss Post) and Swisscom, the leading telecom firm in Switzerland, both remained in Bern. Both

firms have in recent years, expanded their presence through the building or renovation of new offices at strategic locations. Moreover, the national train company *Schweizerische Bundesbahnen* (SBB, Swiss Federal Railways) has their headquarters in Bern. Given the increased complexity of products and services these companies offer, they rely on external sources of knowledge including suppliers, competitors, and research organizations. Recently, the two Chinese telecommunication firms ZTE Corporation and Huawei, for example, located branch offices in Bern to be in close proximity to Swisscom. However, formerly state-owned companies' system of suppliers and partners is by no means limited to the agglomeration of Bern. Most of the formerly state-owned companies cooperate with the technical universities in Zurich or Lausanne and they recruit qualified talent from all regions in Switzerland (Interviews: 14, 20). Moreover, despite privatization, the federal government still holds shares in these companies and, thus, all three formerly state-owned companies remain under public scrutiny. Consequently, Swisscom, SBB and Post are rather reserved regarding their engagement in Bern's economic development efforts fearing conflicts with their national mandates.

Hosting the national government also brings some disadvantages for Bern. The city, for example, lacks an entrepreneurial environment, which encourages individuals to start their own firm – a crucial mechanism for a region's economic growth and diversification (Mayer, 2011). Among the five largest agglomerations in Switzerland, Bern shows the lowest rate of new firm formation (see Figure 3). One of the reasons for the lack of entrepreneurial dynamics may be that the federal government, as the largest and arguably one of the most stable employers in the region, absorbs much of the talent that may have the potential to take the risk and start their own firms. Taking the risks that are associated with starting a new firm may seem rather unreasonable to those who work for government as potential entrepreneurs operate in a regional context dominated by job security and a comparably stable and high salary environment shaped by public administration. Moreover, as Bern's regional economy is anchored in public administration, the city has rather been immune to fluctuations in the business cycle with a relatively stable unemployment rate ranging from 2.9 to 4.6% between 2004 and 2013 (City of Bern, 2014b). Such stability may also discourage entrepreneurial endeavors.

Source: Swiss Federal Statistical Office 2015: Business Demography 2013; Swiss Federal Statistical Office 2015: Municipalities Statistics 2013

Figure 3: Number of start-ups per 1000 inhabitants by agglomerations in 2013

The majority of public sector organizations and associated firms locate centrally in Bern. As the city has never developed a significant manufacturing base, the tertiary sector accounts for a total employment of 90% (Swiss Federal Statistical Office, 2015b). However, the share of people that are employed in the service sector declines rapidly with distance to Bern. Starting with the city of Bern, Figure 4 illustrates the sector structure exclusively for the newly added municipalities on each perimeter of analysis. Whereas the primary and secondary sector together account only for 10% in the city of Bern, these sectors account for 34% in the rest of the agglomeration (Swiss Federal Statistical Office, 2015b). Thus, the agglomeration includes areas that rely on very different economic activities than the center. The city of Bern and its agglomeration are the main economic drivers of the canton, as this area accounts for 60% of the canton's economic performance. Many observers argue that economic dynamics are held back by the heterogeneous nature of the canton. The Credit Suisse Locational Quality Indicator (Credit Suisse, 2013), for example, ranks the agglomeration of Bern on the 21st rank of 110 Swiss regions. The canton of Bern finds itself in the lower midfield (rank 18 of

26 cantons). This comparison highlights the enormous differences in the economic structure of the canton of Bern. What is also apparent in this data are the weak spillover effects that the core city of Bern is able to produce.

Source: Swiss Federal Statistical Office 2015: Full-Time Equivalent Employment by Sectors 2013

Figure 4: Economic sectors on different relevant perimeters in 2013

This mediocre economic performance of the canton of Bern manifests itself in a troubled financial situation. The so-called 85-100-120 formula highlights that the canton of Bern accounts for just 85% of the average economic strength of Switzerland, provides for 100% of the average public services of Switzerland and consequently features a tax rate of 120% in a Swiss comparison (Messerli, 2013). In a Swiss comparison, the canton of Bern features the 9th highest tax rate for residents and the fifth highest tax rate for firms out of 26 cantons (Credit Suisse, 2014, p. 13). These figures translate to an annual structural deficit of CHF 450 Million. Given this financial situation, the canton of Bern receives CHF 1.3 billion or CHF 1'250 per capita within the Swiss fiscal equalization scheme. Today, Bern is the biggest net receiver in the fiscal equalization scheme between the Swiss cantons and the seventh

largest receiver per capita. A similar fiscal equalization scheme exists among the municipalities in the canton of Bern. The city of Bern is an above average performing municipality in the canton and therefore, the city should be a contributor to the cantonal-level equalization scheme. However, because core cities are facing disproportionately higher financial burdens than suburban municipalities regarding for example policing, culture and leisure, health, transportation and social welfare, the city of Bern receives a lump sum of CHF 62 Million per year. This makes Bern a net reliever of CHF 26 million annually in the cantonal fiscal equalization scheme (Canton of Bern, 2014).

Political and social context

The Swiss political system consists of three institutional levels (municipalities, cantons, confederation) that all encounter in Bern. Compared to other federal states the municipal autonomy in Switzerland is quite high as municipalities enjoy residual powers, which means they can legislate in areas where the superior bodies have not legislated (Kübler, 2009, p. 245). In addition, cantons also have quite strong subsidiary powers and as a result, the federal level is less important. In practice, however, policy-making is dependent on cooperation of all levels. This often leads to interlocking politics “meaning that the planning, financing, and implementing of governmental task, although formally conducted by separate bodies, are in practice intertwined in various ways” (Kübler, 2009, p. 245). The degree and intensity of interlocking politics is more pronounced in Bern because of its capital city status. Theoretically, the city of Bern has to navigate like any other Swiss municipality through multilevel governance settings. Practically, however, local decision-makers have better access to their federal counterparts given their spatial proximity. Another special feature of Bernese city politics are its profound direct democratic institutions compared to other Swiss cities. Its citizens are automatically called to the ballot box when a projected public expenditure is going to exceed 7 million Swiss Francs or if a law would modify the local land use policy or the local housing policy. Furthermore, the citizens have to approve annually the city budget and its tax rate. Therefore, large development projects are more frequent subject to direct democratic decision as in other Swiss cities. A prominent case of a postponed development project was the electoral rejection of the Tram Bern West in 2004. However, this decision was reversed in a subsequent vote in 2007 in which the revised project was accepted (Sager, 2008).

The agglomeration of Bern consists of numerous independent municipalities (see Figure 5). Fueled by a high degree of municipal autonomy, the agglomeration of Bern is lacking regional cooperation

particularly in economic development. Public development projects that span over several jurisdictions are prone to be blocked or refused altogether. In the case of the development of the new business district Wankdorf in the Northeast of Bern, cantonal authorities had to mediate between the municipalities of Ittigen and Ostermundigen and the city of Bern in order to save the jeopardized project (Sager, 2002, pp. 191 – 192; Sager 2005). In 2015, a popular referendum rejected a projected tram line connecting Bern with Köniz. The city-based electorate approved the new tram line but the project was terminated because it had no electoral support in the two municipalities Köniz and Ostermundigen

Figure 5: Administrative division in the agglomeration of Bern (Cartography by Alexander Hermann, Institute of Geography, University of Bern)

The municipal administrations in the agglomeration of Bern are well embedded in an institutionalized cooperation called regional conference (*Regionalkonferenz*) that is active in fields of public transport infrastructure, land-use and culture. Kübler (2009, p. 258) assesses these attempts to foster inter-

municipal coordination as progressive tools for tackling governance problems in agglomerations. Other Swiss cities like Basel, Lausanne and Geneva are lacking such an institutionalized cooperation (Sager et al., 1999). However, cooperation in other fields of regional economic development – such as international activities, image-building, firm acquisitions, fostering research and innovation – have not reached the same level of profoundness (Interviews: 10, 12). Van der Heiden (2010) describes in an international comparison of city-regions' international activities that in the agglomeration of Bern, municipalities are not showing a desire to cooperate. Decision-makers in the agglomeration municipalities are explicitly not willing to restrict their political autonomy in favor of collective actions that could enhance the welfare of the whole agglomeration (van der Heiden, 2010; van der Heiden et al., 2013; Interviews: 10, 12, 13, 19). Such a strong sense of political autonomy may be explained by a partisan divide that exists between rural and urban jurisdictions. Whereas the city of Bern is politically a stronghold of the social democratic and green parties, the agglomeration municipalities are dominated by moderate-right and conservative-right parties (Interviews: 10, 11, 13).

Source: Authors

Figure 6: The headquarters of the Swiss Federal Railways and the Swiss Post are the core of the new business district Wankdorf

Re-positioning as the Capital Region Switzerland

We pointed out in the first part of the *city profile* that judged by various demographic and economic measures, Bern stands in the shadow of the larger and economically more prosperous Swiss cities Zurich, Geneva and Basel. As a result, policy makers in Bern are searching for ways to position Bern in the Swiss interurban competition. These efforts already started in 1994 when decision-makers from the canton of Bern together with their counterparts from the neighboring cantons of Fribourg, Neuchâtel and Solothurn founded a non-profit organization called *Espace Mittelland*. The cantonal members aimed to cooperate in economic development and ultimately to position a new functional region by focusing on key issues such as public transportation, tourism, economic promotion, culture and education (Treina and Zwiauer, 1997, p. 16). However, the unanimous decision-making

procedures the organization adopted turned out to be inflexible and it never reached its goals (Interviews: 1, 2). As a consequence, the cantonal members gradually reduced their involvement and the organization was dissolved in 2009.

In the meantime, however, efforts to position Bern as an equally important metropolitan region in the Swiss urban hierarchy were revived through an external shock. In 2008, the Swiss Federal Office for Spatial Development started to revise the federal spatial concept (*Raumkonzept Schweiz*). At the start of this process, the Office designated three metropolitan regions as growth centers, namely Zurich, Basel and the Geneva/Lausanne region (*Bassin Lémanique*), and issued maps in which Bern remained a white spot and which designed the three largest metropolitan areas as national economic engines. In these initial considerations, Bern was merely considered an urban agglomeration and, thus, of secondary importance for Switzerland. As a reaction, the – by this time – inanimate Espace Mittelland was terminated and at the same time, city and cantonal decision-makers became active in recruiting partners for a new organization (Interviews: 1, 9). The explicit strategy of these efforts was to position the region as the political center of the nation and as such differentiating Bern from the three economically stronger metropolitan regions (Mayer et al., 2013, p. 11). After only one year of planning, in 2010 the region established a new non-profit organizations for regional cooperation that was named Capital Region Switzerland (CRS, *Hauptstadtregion Schweiz*). The founding members argued that the capital city should not be measured by economic success only, but by its function as the place where political decisions are negotiated and implemented. This political function after all, as the initiators of the new organization argued, is as important to the prosperity of all Swiss metropolitan areas as the economic prowess of the other arguably economically stronger metropolitan regions.

Members of the CRS are five cantons (Bern, Fribourg, Neuchâtel, Solothurn, Valais) that share functional metropolitan relationships. In addition, nineteen cities and eleven regional bodies within this rather large perimeter also hold membership. They have started to cooperate on projects related to advancing the region such as initiatives regarding Bern as a political center, promoting key economic sectors, ensuring the critical role of the capital city region as a transportation hub, fulfilling the region's role in bridging the different cultures in the French- and German-speaking part of Switzerland, etc. The perimeter of the CRS goes beyond the immediate metropolitan region of Bern and includes areas – such as those in the canton of Valais – that are about an hour train ride from Bern (see Figure 2). These areas showed interest in a CRS membership because a large share of their population commutes to Bern for work and because they would have otherwise not been associated or in close proximity to

other metropolitan areas. Many commentators have been skeptical about such a large perimeter and recalled problems of regional cooperation that the predecessor organization Espace Mittelland could not resolve (e.g. Steiner, 2013; Interviews: 13, 14, 18). What distinguishes the CRS, however, is that it adopted the philosophy of variable geometry, which now allows members to engage only in those projects that they are interested in. Furthermore, the members are allowed to participate in projects that are initiated in other metropolitan regions (Interviews: 1, 9). For example, besides being engaged in the CRS the canton of Solothurn is as well engaged in the Greater Zurich Area (a regional promotion and marketing organization) as well as in the Metropolitan Conference Basel (a regional governance body). The large perimeter and the loose cooperation structure suggests that the main interest of the CRS is to increase its political leverage particularly vis-à-vis the federal government. As a result, the CRS seems to turn into a vehicle for lobbying in the process of federal funding decisions in addition to its regional governance functions (Interviews: 7, 8, 11).

While the federal spatial concept gave the impetus for the founding of CRS, the financial implications of the new federal concept are still unclear. Decision makers in Bern fear tangible negative implications for future infrastructure funding decisions by the federal government if they would have been left out as a metropolitan region in this concept (Interview 8). Since funding of infrastructure projects, mainly the expansion of the train system, is of major concern, a Madisonian line of argument was often pursued.⁴ It means that a capital city should guarantee equal access to the seat of government for all citizens (Engstrom et al., 2013, p. 225). Following such an argumentation, claims are often made that Bern as a capital city region should be considered with greater significance when awarding funds for transportation projects (Interview 8). This argumentative strategy worked out insofar as in the revised federal spatial concept of 2012, Bern was included and thereby placed in the top tier of metropolitan regions albeit with an addendum regarding its function as Switzerland's political center because Bern does not fulfill the formal requirements to be a metropolitan region such as gateway or corporate functions. As a result, a compromise was reached and federal policymakers now refer to the so-called "3 + 1 formula", which indicates that Zurich, Basel, Geneva-Lausanne are still in the first tier of metropolitan regions and that Bern was added as an additional metropolitan region albeit with a different function. Whereas Bern profits from first-tier benefits, it merely functions as an annex to the

⁴James Madison, co-author of the seminal 'Federalist Papers' (Hamilton et al., 1961) and fourth President of the United States (1809-1817), formulated a theory of representation arguing that the republican principle of 'equal right' should matter when determining the location of the capital.

other three metropolitan regions. In the beginning of 2014, the three first tier metropolitan regions accepted Bern as an equal partner and agreed that the executive officers of their regional governance organizations will meet annually (Interview 7). Thus, Bern managed to incrementally position itself as a region of highest federal priority by relying on its capital city status.

Source: Authors

Figure 7: The Federal Palace of Switzerland in the middle of Bern's old town is seat of the government and parliament

Given these achievements, Bern's strategy to re-position itself in the Swiss urban hierarchy through the founding of the CRS can be evaluated as a political success. Yet, economic development strategies oriented towards the sluggish economic dynamics of the region are largely missing in the repertoire of the new organization. This may be the result of a lack of regional cooperation, because the members, and especially the cantons of Bern and Fribourg, are still seeing each other predominantly as competitors in attracting mobile capital and taxpayers (Interviews: 7, 14, 19). In that sense the CRS seems to be a walk on a tightrope: The members form a political partnership but they are simultaneously competitors in attracting tax revenue (Interview 19).

Another important explanation for the missing economic development strategies is most likely to be found in the absence of business actors within the CRS structures. Important private sector representatives, such as the influential group *Berner Runde* (Circle of Bern) that includes the CEOs of the region's largest and most influential employers, started to become active and established contacts with top-executive politicians in the initial phase of the CRS. But the dominance of the political actors in the CRS left not much room for business actors and this led to a fizzling out of the initial promising contacts (Interviews: 1, 2, 6, 11, 12). By now, the CRS consolidated into a primarily political organization with few attempts to include relevant business actors (Interviews: 7, 8, 11, 19).

In sum, we can say that Bern's political and nationally orientated strategy is well-anchored in the minds of Bern's policymakers. Van der Heiden (2010, pp. 42–43) describes that policymakers in the city of Bern orientated themselves primary towards the national level, while interurban competition on an international level is largely ignored. In addition, a good relation to the federal government is seen of utmost importance for Bern's well-being. This remarkably intense reaction to a disadvantaging federal decision that has no immediate financial implications may be explained by Bern's decision-makers' fear to loose importance on the federal level (Interview 4). As a result, the creation of the CRS could be interpreted as an act of political crisis management rather than a sustainable economic development strategy.

Outlook

This *city profile* identified three major challenges which constrain the competitiveness of Bern vis à vis the largest Swiss cities and it summarizes the efforts to re-position Bern into the top tier of metropolitan regions in Switzerland. The three challenges span demographic, economic and political domains. First, the population dynamics of Bern represent a major challenge to local policymakers. Only over the past 10 years has the population in the city increased, albeit slowly. Bern is experiencing re-urbanization like other Swiss cities, but this trend has started much later. Second, compared to other Swiss cities Bern's economy is performing at a mediocre level. This can be explained by structural factors such as the unfavorable sector composition of the regional economy, which is heavily reliant on low value added industries such as agriculture, services and public administration. However, also the lack of an entrepreneurial environment and the comparably high tax rate for individuals and companies contribute to Bern's sluggish economic development. Third, cooperation among jurisdictions in the agglomeration of Bern is limited due to institutional fragmentation, a high degree

of municipal autonomy and a partisan divide between the core city and the agglomeration municipalities.

These three challenges are even more pronounced given that federal policymakers and politicians have in recent years turned their attention towards the role and importance of large metropolitan regions and have devised strategies to strengthen the position of Zurich, Geneva-Lausanne and Basel. Thus, policymakers in Bern started to deliberately play up the uniqueness of being the capital city and re-positioned Bern as the national political center. However, Bern is running the risk to become economically and politically even more dependent on the nation state. In comparison to other secondary capital cities, Bern is not showing the same level of activity in formulating innovation policies such as linking relevant public and private economic actors, stimulating knowledge and technology transfer from universities and research labs to firms, or creating clusters in key economic sectors. Successful innovation policies have the potential to create a specific capital city entrepreneurial environment that is based on the complex interactions of firms, research institutes, universities and federal government organizations that are all active in highly regulated sectors such as defense, medicine, cyber security, environmental technologies, education, and so on. Developing an entrepreneurial environment along with the political positioning strategies we outlined, may enable Bern to position itself as an economically dynamic capital city (Mayer et al., 2016). Such a two-dimensional strategy – relying on the capital city status as well as on the specific entrepreneurial environment of a secondary capital city – is pursued by comparable secondary capital cities like Ottawa, The Hague, and Washington D.C. In Bern, promising innovation policies to develop the specific entrepreneurial environment are underway in the medical sector, but there are untapped opportunities in other sectors, particularly regarding the presence of the former state-owned companies and the linkages to universities and research institutes.

Bibliography

- Campbell, S., 2000. The changing role and identity of capital cities in the global era. Paper presented at the Annual Meeting of the Association of American Geographers, Pittsburgh, PA.
- Canton of Bern, 2014. Kantonaler Finanzausgleich: Gemeindejournal 2014.
- City of Bern, 2015. Arbeitsstätten, Beschäftigte und Vollzeitäquivalente nach Wirtschaftsabschnitt und Geschlecht, Statistik der Unternehmensstruktur 2012. Statistic City of Bern.
- City of Bern, 2014a. Jahrbuch 2014 (Berichtsjahr 2013). Statistics City of Bern.
- City of Bern, 2014b. Arbeitslosigkeit in der Stadt Bern 2004 bis 2013: Entwicklung, Verteilung und kleinräumige Betrachtung. Statistics City of Bern.
- City of Bern, 2013. Resultate der Strukturerhebung 2010: Wachsende Pendlerströme. Statistics City of Bern.
- Credit Suisse, 2014. Der Grossraum Bern: Struktur und Perspektiven. <https://marketdataresearch.credit-suisse.com/cs/mdr/p/d/qrr/research/files/getfiles.do?fileName=F140211000012.pdf>.
- Credit Suisse, 2013. Locational Quality of the Swiss Cantons and Regions: A Guide for Business and Policy-Makers. <https://marketdataresearch.credit-suisse.com/cs/mdr/p/d/qrr/research/files/getfiles.do?fileName=F130925000033.pdf>.
- Engstrom, E., Hammond, J., Scott, J., 2013. Capitol Mobility: Madisonian Representation and the Location and Relocation of Capitals in the United States. *American Political Science Review* 107, 225–240.
- Gerber, R., 2015. Bern - eine Zunftstadt? Die Ratensetzung von 1384 und deren Folgen für die Stadt am Ende des Mittelalters. *Schweizerische Zeitschrift für Geschichte* 65, 164–192.
- Hall, P., 2006. Seven types of capital city, in: Gordon, D. L. A. (Ed.), *Planning Twentieth Century Capital Cities*. New York: Routledge, pp. 8–14.
- Hamilton, A., Madison, J., Jay, J., 1961. *The Federalist Papers*. Rossiter, C. (Ed.) New York: New American Library.
- Hermann, M., 2013. Interview with Michael Hermann. *Forum für Universität und Gesellschaft, Universität Bern*. <http://www.forum.unibe.ch/e14353/e17273/e100968/e141585/Themenheft.pdf>
- Holenstein, A., 2012. Die Hauptstadt existiert nicht. *UniPress - Forschung und Wissenschaft an der Universität Bern* 152, 16–19.
- Hyra, D., Prince, S. (Eds.), 2016. *Capital Dilemma: Growth and Inequality in Washington, DC*. New York and Oxon: Routledge.
- Kübler, D., 2009. Bern, Switzerland, in: Slack, E., Chattopadhyay, R. (Eds.), *Finance and Governance of Capital Cities in Federal Systems*. McGill-Queen's University Press, pp. 238 – 262.
- Kübler, D., 2006. Agglomerationen, in: Klöti, U. (Ed.), *Handbuch Der Schweizer Politik*. Zürich: NZZ Verlag, pp. 259–286.
- Mayer, H., 2011. *Entrepreneurship and innovation in second tier regions*. Edward Elgar Publishing.
- Mayer, H., Sager, F., Kaufmann, D., Warland, M., 2016. Capital City Dynamics: Linking regional innovation systems, locational policies and policy regimes. *Cities*, doi:10.1016/j.cities.2016.01.005
- Mayer, H., Sager, F., Minta, A., Zwahlen, S.M., 2013. *Im Herzen der Macht? Hauptstädte und ihre Funktion*. Haupt Verlag AG.
- Meijers, E., Hoogerbrugge, M., Louw, E., Priemus, H., Spaans, M., 2014. City profile: The Hague. *Cities* 41, 92–100.
- Messerli, P., 2013. Interview with Paul Messerli. *Forum für Universität und Gesellschaft, Universität Bern*. <http://www.forum.unibe.ch/e14353/e17273/e100968/e141585/Themenheft.pdf>
- Nagel, K.-J., 2013. The problem of the capital city: New research on federal capitals and their territory. *Generalitat de Catalunya, Institut d'Estudis Autònomic*.
- OECD, 2015. *Government at a Glance*. Paris: OECD Publishing.
- Raux, C., Ma, T.-Y., Joly, I., Kaufmann, V., Cornelis, E., Ovtracht, N., 2011. Travel and activity time allocation: An empirical comparison between eight cities in Europe. *Transport Policy* 18, 401–412.
- Sager, F., 2008. Planning, power, and policy change in the networked city: the politics of a new tramway in the city of Bern, in: Pflieger, G. (Ed.), *The Social Fabric of the Networked City*. EPFL Press, pp. 169–187.

- Sager, F., 2002. Vom Verwalten des urbanen Raums: Institutionelle Bedingungen von Politikkoordination am Beispiel der Raum- und Verkehrsplanung in städtischen Gebieten. Bern, Stuttgart, Wien: Verlag Paul Haupt.
- Sager, F., Kaufmann, V., Joye, D., 1999. Die Koordination von Raumplanung und Verkehrspolitik in urbanen Räumen der Schweiz: Determinanten der politischen Geographie, der politischen Kultur oder der institutionellen Struktur? *Swiss Political Science Review* 5, 25–55.
- Slack, E., Chattopadhyay, R., 2009. *Finance and Governance of Capital Cities in Federal Systems*. McGill-Queen's University Press.
- Stadler, P., 1971. Die Hauptstadtfrage in der Schweiz: 1798-1848. *Schweizerische Zeitschrift für Geschichte* 21, 526–582.
- Steiner, R., 2013. Steiner, Reto: Strukturen der Hauptstadtregion Schweiz auf dem Prüfstand, in: Mayer, H., Sager, F., Minta, A., Zwahlen, S. (Eds.), *Im Herzen Der Macht? Hauptstädte Und Ihre Funktion*. Bern: Haupt Verlag, pp. 105–124.
- Swiss Federal Railways, 2013. *Die SBB in Zahlen und Fakten*. 2013.
- Swiss Federal Statistical Office, 2015a. *Pendlermobilität in der Schweiz 2013*.
- Swiss Federal Statistical Office, 2015b. *Statistik der Unternehmensstruktur STATENT 2011-2013*. Swiss Federal Statistical Office (SFSO).
- Treina, M., Zwiauer, L., 1997. Espace Mittelland: Beschäftigungsstruktur, Arbeitsmärkte und Pendlerverflechtung. *disP-The Planning Review* 33, 16–22.
- Van der Heiden, N., 2010. *Urban Foreign Policy and Domestic Dilemmas: Insights from Swiss and EU City-regions*. European Consortium for Political Research.
- Van der Heiden, N., Koch, P., Kübler, D., 2013. Rescaling metropolitan governance: examining discourses and conflicts in two Swiss metropolitan areas. *Urban Research & Practice* 6, 40–53.
- Wirtschaftsraum Bern, 2015. Cluster.
<http://www.wirtschaftsraum.bern.ch/de/wirtschaftsraum/35/59/?oid=1912&lang=de> [Accessed 23 October 2015].

Annex

Table 3: Interview partners, category decision makers

Label	Type	Relevant affiliation(s)
Interview 1	Senior public servant	City of Bern
Interview 2	Senior public servant	Canton of Bern
Interview 3	Senior public servant	Municipality of Köniz
Interview 4	Senior public servants	Federal Office for Spatial Planning
Interview 5	Economic development agent	Canton of Bern
Interview 6	Economic development agent	City of Bern
Interview 7	Economic development agent	Capital Region Switzerland
Interview 8	Politician	City of Bern, Capital Region Switzerland Member of the Swiss parliament
Interview 9	Politician	Capital Region Switzerland Member of the Swiss parliament
Interview 10	Politician	Member of the Swiss parliament Interest group representative
Interview 11	Business leader/ politician	Member of the Swiss parliament Chairman of the Board of Directors of an important Bernese firm Interest group representative
Interview 12	Business leader	Chairman of the Board of Directors of an important Bernese firm Interest group representative
Interview 13	Business leader	Senior partner at an important law firm Interest group representative
Interview 14	Business leader	Ex-CEO of a formerly state-owned company Chairman of the Board of Directors of a Swiss bank
Interview 15	Business leader	CEO of an important Bernese firm
Interview 16	Business leader	Venture capitalist
Interview 17	Expert	Professor emeritus at University of Bern
Interview 18	Expert	Journalist
Interview 19	Expert	Consultant
Interview 20	Business leader	Head of Government Relations Division of a formerly state-owned company

Table 4: Interview partners, category firms contracting with the federal government

Label	Location type in the capital city region	Employment category ⁵	Contract value category (in thousands Swiss Francs)
Interview 21	No	20-49	150-249
Interview 22	No	1-4	150-249
Interview 23	single location	50-99	250-499
Interview 24	single location	1-4	500-999
Interview 25	No	20-49	500-999
Interview 26	No	10-19	1000-2499
Interview 27	No	10-19	1000-2499
Interview 28	No	5-9	2500-4999
Interview 29	No	5-9	2500-4999

⁵ FTE throughout Switzerland

Interview 30	No	20-49	5000-9.999
Interview 31	single location	10-19	2500-4999
Interview 32	branch office	250-499	2500-4999
Interview 33	No	-	10.000-19.999
Interview 34	branch office	50-99	5000-9.999
Interview 35	Single location	20-49	5000-9.999
Interview 36	branch office	-	10.000-19.999
Interview 37	No	100-249	30.000-49.999
Interview 38	single location	100-249	10.000-19.999
Interview 39	branch office	250-499	10.000-19.999
Interview 40	branch office	500-999	50.000 or more
Interview 41	branch office	-	30.000-50.000
Interview 42	branch office	500-999	50.000 or more

Table 5: Focus group interviews

Label	Focus group
Interview 43 - 50	Consulting firms contracting with the government
Interview 51 - 58	Associations, lobbyists, International organizations, non-government organizations
Interview 59 - 63	IT firms including firms contracting with the government and spin-offs of formerly state-owned companies