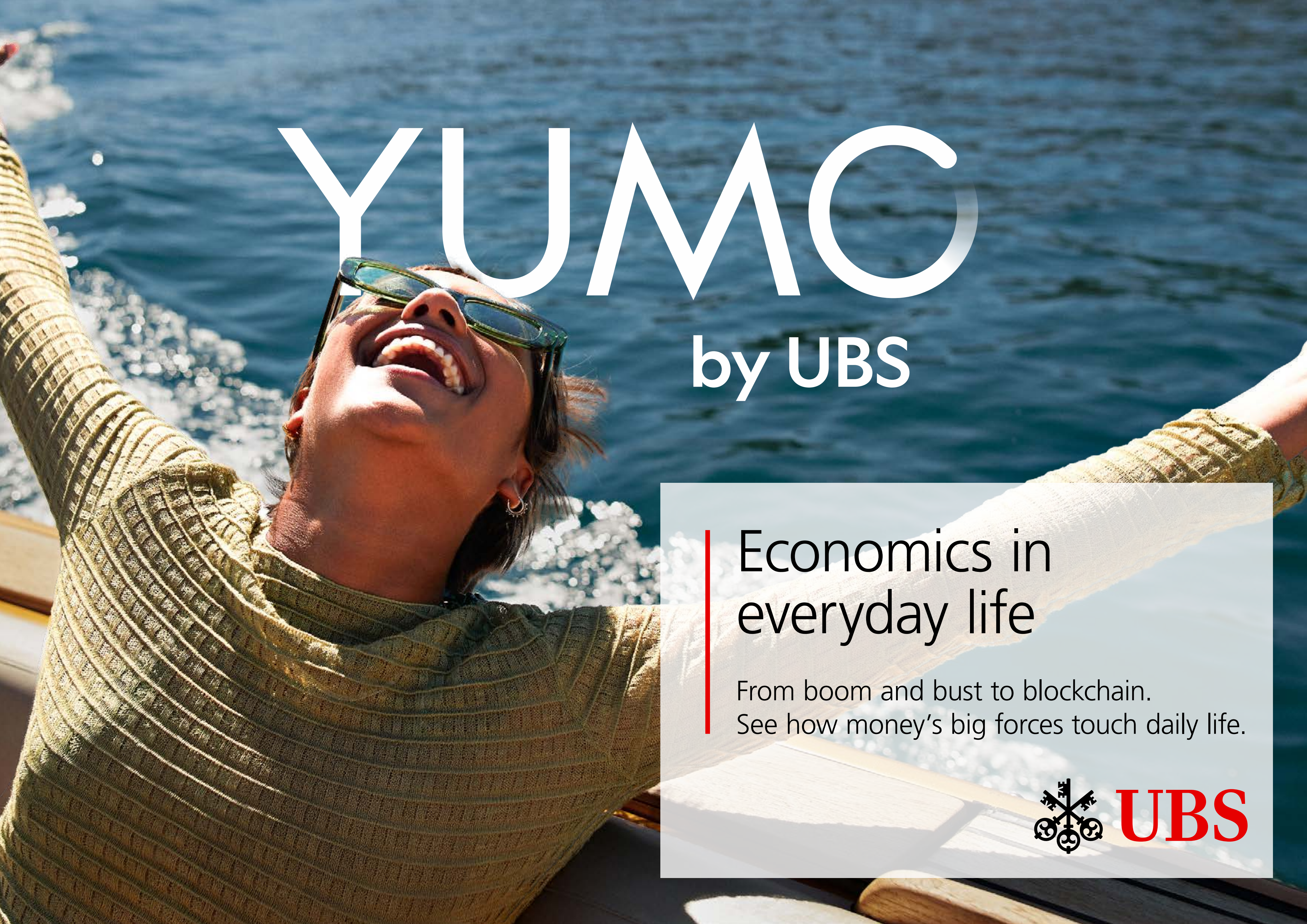


YUMO by UBS

Economics in everyday life

From boom and bust to blockchain.
See how money's big forces touch daily life.

UBS

The curious path to financial independence

Foreword by Sergio P. Ermotti

What I learned in the course of my career is that to be successful in life talent helps but curiosity is indispensable. Curiosity forms the backbone of YUMO by UBS, your beginner's guide to money.

Whether you're still at school, doing an apprenticeship, working or studying, YUMO teaches young Swiss the basics of economics, money, saving, planning and investing in a simple and understandable way. It will raise questions that we'll answer together, like: how do I create a budget? What does "wealth" mean to me? Do I need to worry about inflation?

YUMO is an online guide to financial literacy. Because getting the financial basics under your belt makes it easier to do what you want to do in life. Whether you're saving for a bike, budgeting your first paycheck or borrowing for a car, the choices you make today will shape your life.

We created YUMO with readers aged 15 to 30 in mind. But it's really for everybody. Because you can sharpen your money skills at any age. More than that, YUMO can bridge generations by helping older readers connect to the young people in their lives, understand their challenges, discuss complex topics in simple language, and answer their money questions.

Taking control of your finances is not about avoiding every mistake or chasing quick wins. It's about being curious and building habits. Discipline means knowing when to spend and when to save. Responsibility means understanding the impact of your decisions. And long-term thinking means focusing on what truly matters, even when it's tempting to prioritize short-term gratification.

I am passionate about this project because it enables young people in Switzerland to add their curiosity to UBS's know-how. YUMO is a free resource. It's a beginner's guide. It's not about promoting UBS. It's about promoting you.

YUMO follows a long tradition. The book, *Geld und Wirtschaft*, was first published by the Schweizerische Volksbank in the mid-1970s. Conceived as a practical guide to financial literacy, the book demystified money, banking and the economy for everyday Swiss. Its approachable language and clear illustrations made it a household staple. Then, as now, financial stability formed a pillar of national prosperity.

By empowering readers, *Geld und Wirtschaft* inspired generations to take control of their finances. It was how I, and many like me, first learned about finance and its teachings encouraged us to pursue careers in banking and economics. The Schweizerische Volksbank merged with Credit Suisse in the 1990s; then Credit Suisse merged with UBS in 2023; and that brought the lineage of this noble tradition to us, and to me personally, to continue. I want its legacy to endure as a symbol of Swiss pragmatism and the belief that financial know-how forms the foundation of independence.

But you must take the first step. All it takes is a little curiosity and, well, maybe a little discipline, too. Because spending money is easier than ever. Whether it's online shopping, credit cards or social media-driven trends, you must stay grounded and think ahead. The best financial decisions are made when you know what you want and you have a plan how to get there.

Because money is the silent partner in almost every choice we make as individuals and as a society, shaping everything from our schools and roads to healthcare and public safety. It's the tool that helps us create shared prosperity. Money reflects our priorities and helps us chase our dreams. It's deeply personal. But the real secret to money is knowing how to use what you have to build the life you want.

These are skills everyone needs. Now you know where to start.

Sergio P. Ermotti
Group Chief Executive Officer, UBS

Zurich, Switzerland
September 2026

Get curious.
Stay curious.

Money touches everything. It decides where you live and travel, what you wear and eat, where you study and work, and even who you hang out with. It's always there, fueling your fears or inspiring your dreams. It can be a trap. Or a key.

And yet, most people spend their lives not really understanding money. Nobody teaches us how it works. Not clearly. Not early in life. Not at most schools. Not in most families. And not in a way that feels real.

So people guess. They copy. They may get lucky… or they may fall into traps. They worry, avoid, overspend and then settle for less than they deserve, instead of consciously creating what they want.

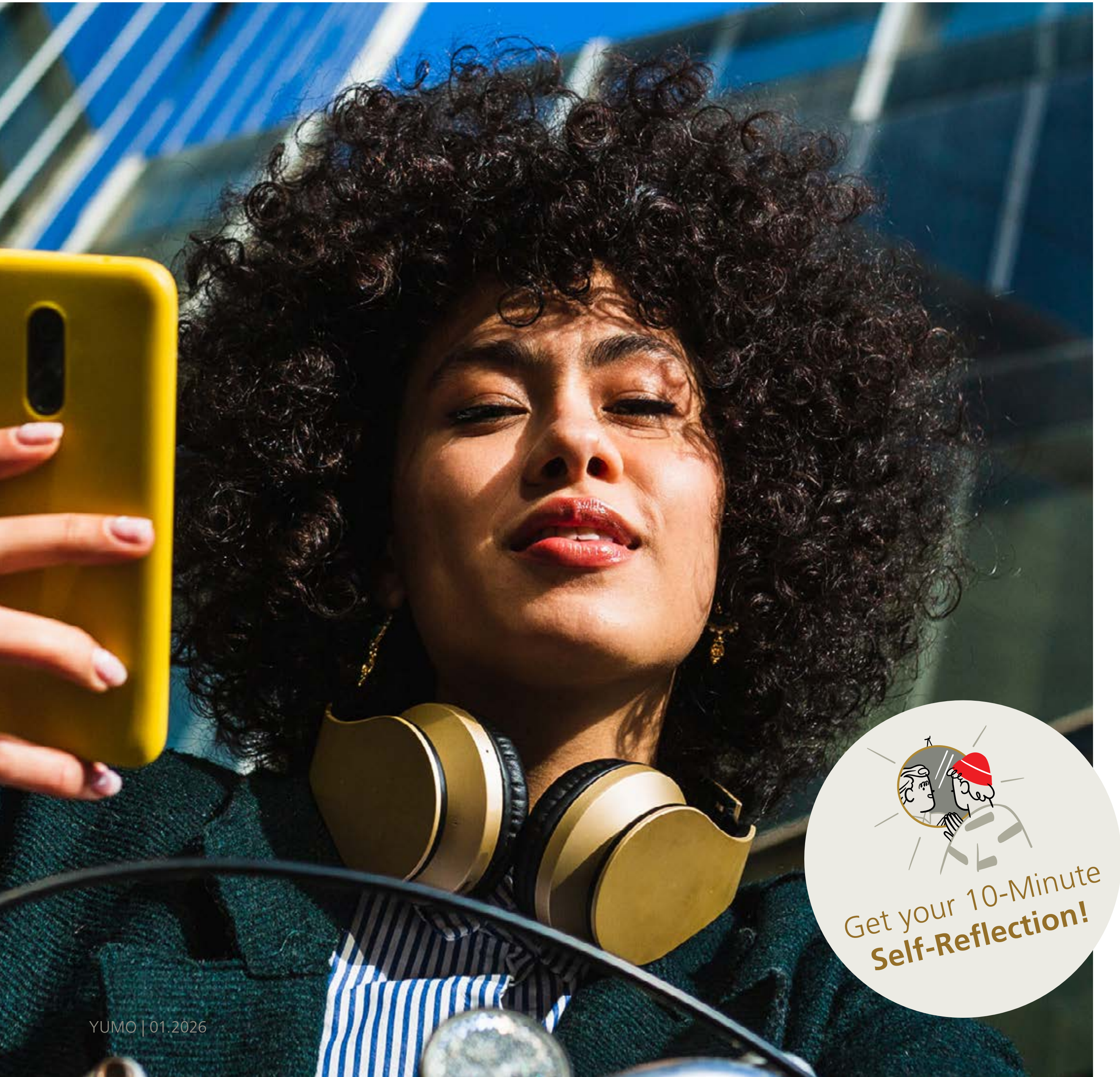
We want to change that.

Here's the key: You don't need to be rich or a genius or study finance to feel wealthy. You just need curiosity and the willingness to learn what most people ignore, which is how money actually flows, grows and works for you, not against you.

Because once you understand how money works, it stops being a mystery and becomes a tool to shape the life you want.

That's what we want to teach you: not getting rich fast but getting smart early.

Let's begin.



Glad you're here! Let's get started!

The power of financial literacy.

It’s what you do with what you’ve got

Money is the silent partner in almost every decision that you make as an individual and that we make as a society.

For individuals, many money habits come from our emotions. Money affects how we feel about ourselves, and that affects how we use money. It’s a feedback loop.

For an economy, a stable and trusted currency encourages businesses to trade, invest and plan. It’s a virtuous circle. But economies with unstable currencies often find it hard to break out of poverty no matter how hard people work. It’s a downward spiral.

For a country, money binds collective decisions about education, roads, bridges, healthcare and defense. Many of those important choices pivot around budgets and taxes.

For a society, money makes it possible to create shared prosperity. With a healthy flow of wages, spending and investment, businesses grow, new ideas fly and jobs multiply.

> So, money is deeply personal. But it’s also a shared resource, the circulatory system that enables societies to function, grow and share prosperity.

The most important thing, as you’ll soon discover, isn’t having the most money. It’s using the money you have to build the life you want. In the end, money touches everything, so it’s about making the most of what you’ve got.

How psychology shapes money choices

Maybe you've heard about the lottery winner who ended up broke.
Or the humble janitor who quietly left millions to charity.

Amazing, right?

That's because money choices aren't just about numbers. They come from our habits, fears, culture, upbringing and personality.

Maybe money meant stress when you were growing up. Or maybe it was never discussed. Maybe spending was celebrated and saving was seen as selfish; maybe it was the opposite. Some families see debt as dangerous; others see it as normal. Some cultures value financial independence; others expect shared responsibility. All of it forms who you are.

Personality plays a major role. Some people love structure, goals and planning. Others feel boxed in by budgets or bored by spreadsheets. Some are risk-takers. Others prefer stability. And if you're part of a couple, your partner may be totally different from you. None of this makes you "bad with money". It just means that you are unique. Same as everyone.

> The key is to notice patterns, not judge them.

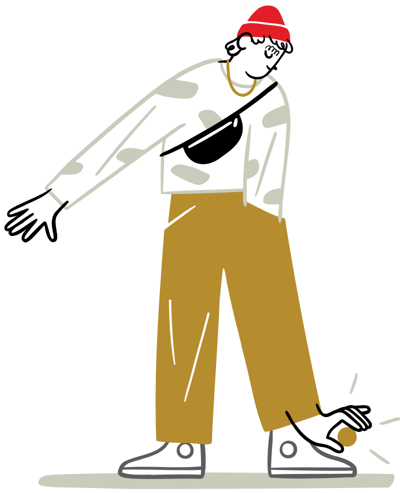
Do you shop when stressed? Freeze when you face a big decision? Feel guilty spending, even when you can afford it? Borrow more than you can afford? Understanding those reactions leads to smarter choices.

Confident money decisions don't come from copying what works for someone else. They come from learning how you tick and then building habits that match your values, goals and personality.

You don't need to change who you are. You just need to work with who you are.

Once you understand how your psychology and identity shape your financial instincts, you gain something powerful: the ability to choose with clarity, not confusion.

And that's where excitement and confidence begin: with just a little curiosity.



Replacing confusion with confidence

Money feels confusing because so much of what we've heard about it… simply isn't true.

There are myths floating around: half-truths, hand-me-down advice, and scary stories. They can make us freeze up, freak out or think we'll never figure it out. These myths prevent us from making choices with confidence.

Let's bust a few of them right now.

Myth 1:

I'm just bad with money.

No one is born bad with money. You might be inexperienced, or you might not have been taught how it works.

But money is a skill, like riding a bike or playing guitar. Skills can be learned. And a few basic skills can go a very long way.

Myth 2:

Only rich people can invest.

This is a big one. You don't need thousands to start. You can begin with tiny amounts already, 50 francs a month are enough to get started.
The secret is starting early.

Compound growth, which is when little gains build on little gains to become big gains over time, is like planting a tree: the sooner you plant it, the bigger it can grow.

Myth 3:

I'll figure it out later.

It's easy to put off decisions until "someday". But someday can quickly become years.

Replacing confusion with confidence doesn't mean knowing everything. It means knowing enough to take the next step, today.

Myth 4:

More money will solve all my problems.

Money can solve money problems, but it won't fix poor habits, lack of direction or emotional gaps. Some people with high incomes still live paycheck to paycheck.

Myth 5:

Budgeting means hardship and giving up stuff I like.

A budget isn't a punishment; it's just a plan. Good budgets make room for fun while keeping you on track. You might even discover spending power you didn't know you had!

Budgeting buys freedom.

Unlocking dreams

If you wake up and think you've already learned enough, life usually sends you a pop quiz. It tends to be labeled:
"Some assembly required."
Or maybe, "mortgage agreement", "taxes" or "grad school".

Learning never stops.

Becoming good with money isn't something you figure out overnight. But a couple of hours over the weekend is a great place to start.

Start by closing your eyes. Imagine where you want to be in five years. Maybe you've bought a new bike. Or even a flat. Or opened your own business. Or maybe you've got your hiking boots on, a dusty backpack slung over your shoulders and a grin on your face.

Whatever it is you're dreaming about, chances are high money plays some role in making it happen.

The key to lifelong learning is to stay curious and take baby steps. Reading this is your first step.

Take your second step now. That might mean tracking your spending for a week to see where your money really goes. Just write it down. Or opening a savings account. Or exploring the next module.

With each step, your confidence will grow. Some concerns will fade. Dreams will edge into reach. Soon your money will be working for you and not the other way around.

It's not about memorizing formulas or picking stocks. It's about getting to know yourself and slowly building your understanding about basic personal finance.

> It's about unlocking plans, goals and dreams.
> It's about staying curious.

Here's how it works

This is a free, step-by-step manual about personal finance for young people in Switzerland. It's a practical guide to financial literacy, a first step toward making informed decisions that will help you live the life you want.

There's no cost or obligation to you.

We'll regularly add new chapters and activities and simultaneously publish a free, downloadable PDF that you can read on your tablet or print out.

New chapters on money management skills will arrive in stages in 2026 along with updates and revisions. All along the way, we're eager to receive feedback on how this works for you.

What's inside? We start with a jargon-free introduction to economics and how you can use it to make informed decisions, especially about your field of study or training or choice of career.

We'll then move on to spending habits and budgeting and how to make conscious choices that fit your unique identity. After that, we'll introduce street-level concepts about saving and investing, and how a little bit can take you a long way if you start early. Then we'll attempt to demystify borrowing so you can use debt wisely.

We'll also mark some of life's big financial milestones like buying or renting property, having a family, emergencies and – even if it seems far away now – your retirement. Finally, we'll explain how banks and the financial system work, so you can see the bigger picture.

Maybe you're new to personal finance. Maybe you want to brush up on the basics. Either way, you'll find practical tips to help you make smart decisions.

Download the free PDF. Tell us what you like and didn't like. And start making informed choices about money.

> Your future self
> will thank you.

Understanding emotions

Money mindset mapping template

Identify your own emotional responses to money. They are sometimes deeply personal, shaped by upbringing, culture and personality.

Instructions
Map your emotional responses to money with this four-part grid. Write down situations, thoughts or habits that trigger each emotion. There are no right or wrong answers – just notice your patterns.

What this shows
Emotions, sometimes hidden, influence money decisions. Awareness helps you make better choices.

Stress
When does money make you anxious?

Guilt
When do you feel guilty about money?

Pride
When do you feel proud of your financial choices?

Avoidance
When do you ignore or delay money decisions?

Understanding money choices

Becoming who you want to be

Connect what matters to you with your money goals and spending habits. Making smart money choices starts with knowing yourself and building habits that match your values and goals.

Instructions
What matters most to you? Setting money goals that match your values will bring you closer to being the person you want to be.

1. In the left column, list your personal values.
Tip: pick five words your best friend would use to describe you.

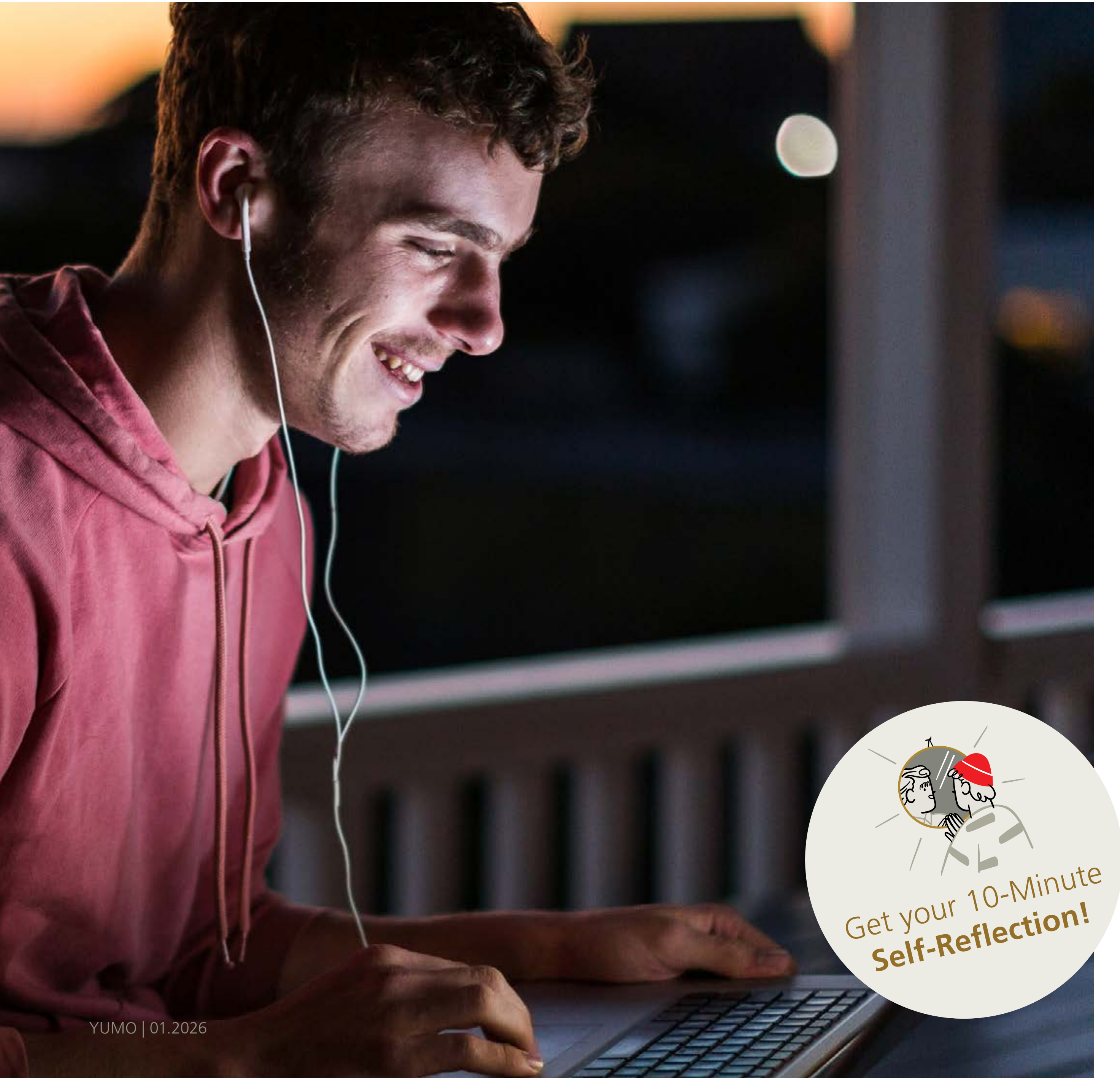
2. Then think of an intention that reflects that value.

3. In the right column, list your financial goal as concrete as possible.

Table example

Your personal value	Intention	Financial goal
Security	Build an emergency fund	CHF 100/month
Generosity	Set up monthly donations	CHF 50/month
Independence	Automate savings	CHF 300/month for new kitchen
Growth	Invest in learning	CHF 300/month for Spanish
Family	Plan for family reunion	CHF 30/month

Your personal value	Intention	Financial goal



Economics at work in everyday life

Ever wanted a superpower?

This gets emotional! But maybe not like you think.

If you think economics is only about money, you're mistaken. It's also about life.

If you just want to put your head down and get on with life, that's totally understandable. That's going with the flow. But if you want to know where the flow is actually going, stick around. Because if you can pack about a dozen ideas about economics into your head, you can substantially improve your life. The best part is, you get to choose which ideas work best for you.

Here's what's inside

Learn how economics drives daily life. Everyday choices about what you buy, where you work, and how you spend your time are all economic decisions that shape your world.

Understand the difference between needs and wants. This will help you make smarter financial choices and resist marketing tricks that blur the line between the two.

Find out how emotions and biases drive your spending. Psychological factors like loss aversion, present bias, and social influence can lead you to overspend or make irrational decisions.

Discover how, whenever you spend, you're "voting with your wallet". Every purchase you make sends a signal to the market, influencing which businesses and industries grow or shrink.

Learn why capital is more than just money. Physical, financial, human, social, and natural capital all play vital roles in economic growth and personal success.

Find out how your choices impact the future. The way you invest in yourself, manage your time and money, and care for the environment helps build a foundation for long-term well-being and prosperity.

Learning goals

Distinguish between needs and wants in daily life.

Recognize how emotions and biases influence your spending.

Understand how social pressure encourages you to shop.

Appreciate the importance of investing in yourself.

Explore types of capital and their economic roles.

The economy in everyday life

You skipped breakfast and now you're starving.

The only fix? A banana.

You race to the grocer and … wait, what? The price has doubled! You rub your eyes. Maybe you're seeing things. Nope.

What just happened?
This is where economics begins, not with Excel tables or people in dark suits, but with everyday things like bananas: Why do prices go up? Why do they go down? And how can I use this knowledge to better manage my money and my life?

Let's figure this one out.
Maybe the price rise is about what people want. Everyone wants bananas and buys them by the truckload. That's called demand.

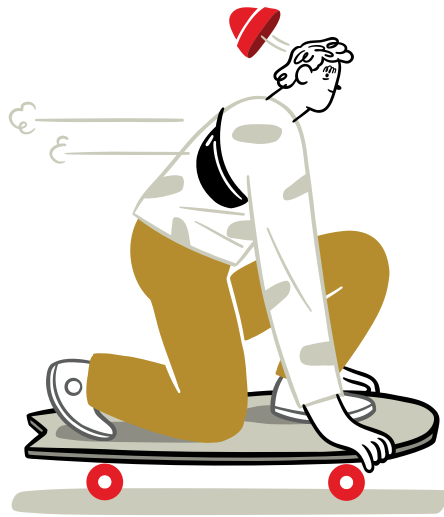
> When demand is high, prices tend to climb.

Or maybe there just aren't enough bananas to go around. A storm wiped out crops. That's called supply. When supply shrinks, prices also tend to climb.

Or maybe it's not about fruit at all, rather, the cost of shipping, energy and workers' wages has gone up, so shops raise prices across the board for bananas, bread, bus tickets, everything. That's inflation.

Pretty basic, right?
Economics is in your face. It's everyday life. It isn't meaningless numbers in a government report. It's about people. It's there when you buy your morning coffee, pay the rent, look for a job or renew your Halbtax Abo.

To make economics work for you, you just need a little curiosity. You can start by asking yourself, Why do I buy what I buy? The answer is rooted in needs, wants and the invisible psychological forces that drive consumer behavior.



Needs, wants and consumer behavior

"It is not the man who has too little, but the man who craves more, who is poor," said the Roman statesman and stoic philosopher Seneca.

The distinction between needs and wants is a cornerstone of economics and personal finance. Needs are the essentials required for basic functioning and include food, water, shelter, clothing and healthcare. Wants, on the other hand, are the extras that enhance our lives but are not strictly necessary.

For example, while food is a need, fine dining in a fancy hotel is a want. Similarly, clothing is a need, but a double-faced cashmere coat from Akris falls squarely into the category of wants.

The lines get blurred in prosperous societies, and what was once considered a luxury can quickly become a necessity. Take smartphones: while they began as a convenience, they are now indispensable to many. This evolution highlights how cultural norms, technological advancements and marketing all influence our perception of what we "need".

Shaping wants into needs lies at the heart of the marketing industry. At its core, marketing strives to make you crave something that may be superfluous.

Good marketing makes you believe you're buying something essential when you're really chasing a whim. That's okay. Life is to be enjoyed. But being aware of how you're being nudged helps you make smarter financial choices and be a more authentic you.

To better understand, check out Maslow's hierarchy of needs. It's usually drawn as a pyramid. At the bottom are basic needs: food, water, a place to sleep. If you don't have those, nothing else really matters.

Once those needs are met, you move up to things like safety (having a job, a home, savings), then social belonging (friends, family, community), then personal goals (education, hobbies, travel) and finally self-fulfillment (creativity, purpose, dreams). The higher up you go, the more you venture into "wants" territory.

It's different for everyone and can change depending on the circumstances. When times are tough, people slide back down the pyramid. They stop buying sneakers and handbags and focus on basics like rent, food and transport.

When times are good, people feel safe moving up. They indulge in nights out, trips, gifts and things that just feel good.

Understanding needs vs. wants

Maslow-inspired worksheet

> Reflect on how you spend by sorting your purchases into groups based on Maslow's hierarchy of needs.

Instructions

List your recent purchases. For each, decide if it meets a basic need or a want. Place each item in the pyramid below, inspired by Maslow's hierarchy.

What this shows

Sometimes you confuse wants with needs. Knowing the difference leads to better choices.

Table example

Purchase	Pyramid level	Need or Want?	Why?
Gipfeli	Physiological	Need	Breakfast, basic energy
Concert ticket	Belonging / esteem	Want	Social, self-expression
Health insurance	Safety	Need	Protection, security
Designer sneakers	Esteem	Want	Status, self-image

Needs vs. Wants analyzer: where does my money go?

Self-actualization	Travel, personal growth, creative pursuits
Esteem	Education, hobbies, luxury items
Belonging	Social activities, gifts, subscriptions
Safety	Insurance, saving, healthcare
Physiological	Food, water, shelter, clothing

Purchase	Pyramid level	Need or Want?	Why?

Personal reflection

Did you find any surprises in how you spend your money? How might you change your habits to better meet your needs?

It’s all in your head! What really drives spending.

Understanding the psychology of consumer behavior is crucial for managing spending habits and personal finances. When we fail to understand, we risk overspending on things that don’t truly add value to our lives. Here are some psychological drivers to spending:

Emotions: Many decisions are driven by emotion. A luxury handbag may make you feel successful. That may feel like a “need”, but we can all safely agree that it’s not. Similarly, comfort food can put a smile on your face, and you may feel the “need” to eat a Weggli with a chocolate bar stuffed inside, but let’s face it: that’s a “want”.

Social influence: Humans are inherently social, and our buying habits are heavily influenced by those around us. This is how trends, influencers and peer endorsements shape consumer behavior.

Identity and self-expression: In many cases, what we buy reflects who we aspire to be. A person might choose an eco-friendly product to align with their values or a luxury car to signal success.

Cognitive biases: We all want to think that we behave rationally. But it just isn’t true. The field of behavioral economics shows that we are often irrational decision-makers. Biases like the “scarcity effect” (valuing something more because it’s limited) or “anchoring” (relying on the first piece of information we see) heavily influence our choices.

Cognitive biases: five mind tricks that mess with your money

Think you’re a rational buyer? Hardly! We all take mental shortcuts and slip into emotional traps. Here are five of the biggest cognitive biases.

Loss aversion: We hate losing more than we love winning.
Losing CHF 50 feels way worse than the joy of finding CHF 50, even though the amounts are identical. It’s why people hold onto bad investments for too long, hoping to “break even”, instead of cutting their losses and moving on.

Present bias: Now beats later
We crave instant reward. New iPhone on installments? Yes. Pillar 3a savings? Meh. “Buy Now, Pay Later” apps thrive on your impatience.

Anchoring: First price wins
The first number you see sets the tone. A CHF 7,800 watch makes the CHF 2,500 one feel “affordable”. Same with wine lists: the CHF 380 Bordeaux is bait to make the CHF 120 bottle feel fair.

Endowment effect: “Mine = More”
The minute you own something, you overvalue it. That snowboard in your cellar feels worth CHF 300 to you, but buyers see CHF 80 tops.

Social proof: Everyone’s doing it
Long lines outside big-city nightclubs? They’re often staged. But you still want in. Influencers play this card with sneakers, crypto or sports merch.

Wallet voting: how spending shapes the economy

The weird thing is, if we lived in a "perfect" world where there was always enough of everything to go around, the price for everything would collapse. Everything would be free. That hypothetical world doesn't exist, but if it did, there would be no need for economics.

Economics is about how people deal with not having enough of everything they want. We only have so much money, time or stuff, but there are endless things we'd like to have or do. This means people, businesses and even whole countries have to make smart choices about what's most important. That's because, at its core, economics is about managing scarcity.

Maybe you want five different bicycles for road racing, cross country, downhill, shopping, gravel and whatever else… but the chances are you can only afford one, maybe two. You have to make a choice.

When you choose one thing over another, you "give up" the item you didn't choose. This is called opportunity cost or the value of the next-best alternative. It sometimes helps, when making choices, to think about what you're giving up when you spend your limited resources.

Because of scarcity, when you buy food, clothes, music or bicycles, you're sending signals. That's called demand. When lots of people spend money on the same thing, that creates a lot of demand and that part of the economy grows. Jobs, factories and logistics centers spring up. When people stop buying something and demand falters, that part of the economy goes slack.

You're voting with your wallet every time you open it. With every coffee, concert ticket or new pair of shoes, you're contributing to demand for those goods and services, which helps businesses grow, create jobs and influence what's available on the market. When demand increases and supply remains constant, prices typically rise due to competition for limited goods.

This feedback loop gets interesting. When lots of people vote the same way, the structure of the economy – things like jobs, wages, taxes, inflation and the cost of living – begins to change. And that in turn affects how much money you have to spend and what you can afford. For example, if housing costs rise, you might have less money for fun or discretionary spending, which could depress industries like entertainment or dining out.

And don't forget, consumer spending is only part of this feedback loop. Governments spend vast sums on things like infrastructure, education, social security, defense and healthcare. Companies, too, are big spenders, buying office space, inputs like coal, glass and steel, research and development and of course on labor or jobs. That's where we'll turn next.

Labor: choose a job you love and you'll never work a day

We've looked at consumer spending. Now let's look at jobs.

The job market plays a big role in our lives. It's where we find work, earn money, and build our futures. It also affects the opportunities and challenges our communities face. By understanding how the job market works, you can make better choices about your career, money, and goals for the future.

> When people have access to good jobs, cities often thrive with better schools, parks and public services.

Conversely, high unemployment or low wages can lead to economic struggles, higher crime rates and fewer opportunities for everyone.

The job market is like a big exchange where employers look for workers, and workers offer their skills. This back-and-forth shapes things like salaries, career options and how the economy grows. For example, if there aren't enough skilled workers in areas like tech or healthcare, companies might offer higher pay and better perks to attract people to those jobs.

On the flip side, jobs where lots of people are looking for work but there aren't as many openings, such as some entry-level retail or hospitality jobs, usually pay less and have fewer chances to grow. But there can be exceptions, like in areas with higher minimum wages or when there aren't enough workers overall. Knowing which industries are growing and what skills are needed can help you set yourself up for success.

In the jobs market, your skills are your most valuable asset. Employers pay for what you bring to the table, so investing in education, training and experience is crucial. This doesn't always mean a four-year degree. Trade skills, certifications and apprenticeships can also lead to high-paying careers. The key is to focus on skills that are relevant to the jobs you want and adaptable to changes in the economy. For example, learning digital skills, problem-solving or communication can make you more competitive in almost any field.

The labor market is constantly changing. Some jobs that are popular today might disappear in 10 years, while new ones we can't even imagine will pop up. For example, automation and artificial intelligence are transforming industries like logistics and customer service. Staying informed about these trends and being willing to learn new skills can help you adapt and stay relevant.

Picking a career that matches your values lets you make a difference in areas you care about, like healthcare or education. Some jobs require special skills or demand long hours, while others might offer things like stability, flexibility or a sense of purpose. Some pay well. Others less.

> "Choose a job you love and you will never have to work a day in your life," the ancient Chinese philosopher Confucius is quoted as saying.

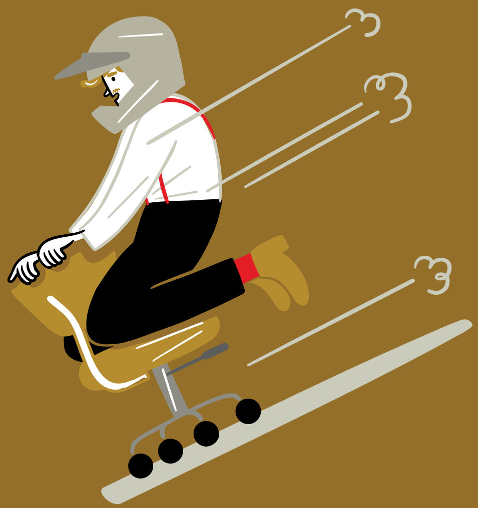
Not all jobs are created equal. When evaluating your options, look beyond the salary. Consider the full package, including benefits, retirement plans, time off and opportunities for growth. Will it help you develop skills that are valuable in the future? Even if a role isn't perfect, it can be a stepping stone to something better. Keep your long-term goals in mind and make choices that align with the life you want to build.

The labor market is also shifting toward more flexible work arrangements, such as freelancing, gig work and remote jobs. While these options can offer freedom and variety, they often come without the stability of traditional employment, such as benefits or guaranteed income. If you're considering this path, make sure to plan for things like health insurance, taxes and saving for retirement.

As a worker, you have rights and it's important to know them. These include minimum wage laws, protections against discrimination and rules about overtime and workplace safety. Understanding your rights can help you advocate for yourself and avoid being taken advantage of, especially in entry-level roles where workers are sometimes undervalued.

You shape the economy with every choice you make. And the economy shapes you, including what you can buy and what job opportunities you have.

We've touched on spending and labor. The next big puzzle piece is capital.



Capital: not under the mattress

When you hear the word "capital", you're probably going to think of money. But in economics, capital means something bigger: capital is productive stuff. It's things we build, learn or save that help us produce more stuff later. In other words, capital enhances productivity by multiplying effort, turning resources into goods and services that drive economic growth.

Capital could be a train trundling through the Gotthard tunnel, an office building, a stack of servers, a factory full of machines or a laptop you use for coding.

Cash, by contrast, isn't productive. If you stuff CHF 1,000 under your mattress, nothing happens. That's why cash isn't considered capital unless it's used for investment. For example, if you use CHF 1,000 to buy tools, education or shares in a company, that money becomes part of the capital engine that creates more value.

> There are many types of capital, and some may surprise you.

Capital stopped being just factories a long time ago. Increasingly, it's intangible stuff like software, chip designs, patents, brands, networks, data – and intellectual capital, such as song tracks, pharmaceuticals or innovative designs.

In fact, the most valuable capital at companies like many tech giants isn't buildings. It's algorithms, platforms and user trust. Many Swiss companies, whether in pharma, neuro-tech or clean-tech, depend more on intellectual property and intellectual capital than on giant plants.

Physical capital is easy to picture. It's the tools, machines and infrastructure that make work easier and output bigger. That could be a factory floor, the Gotthard Base Tunnel or a Migros warehouse.

One reason why Switzerland runs smoothly is that generations before you invested heavily in physical capital. They built roads, power grids and data networks. They kept reinvesting.

And it matters for your life, too. If your employer buys new software that makes your job twice as fast, you either earn more, work less or free up time for higher-value tasks. That's another type of capital – intangible, intellectual or knowledge-based capital – making you more productive.

> You are capital, too. Economists call it human capital.

Your skills, your energy, your ability to solve problems: all of that counts. Every course you take, every apprenticeship you complete, every new language you learn adds to your stock of human capital.

Think of it like upgrading a video game character. Level 1 you can barely swing a sword. By Level 10 you've got armor, spells and strength. Human capital works the same way: you invest in yourself now so your future "character" can do way more.

In Switzerland, this idea is built into the system. The dual-education path – apprenticeships and universities – is a massive human-capital machine. Maybe you're finishing an apprenticeship at ABB, maybe you're at ETH, maybe you're deepening your career in hospitality after studying in Lausanne. Whatever the case, you're building an asset no one can repossess.

For you, this means your human capital – what you know, how creative you are, who you collaborate with – might be the most valuable investment of all.

Financial capital is the money businesses, governments and individuals mobilize to fund their projects.

In Switzerland, financial capital flows from many places: from banks gathering your savings, from big pension funds (your second pillar) and from investors putting money into Nestlé, Novartis or the latest ETH spin-off. Financial capital allows factories to get built or upgraded, startups to hire new engineers or biologists, or your local bakery to install a new oven.

You may have more financial capital than you think: when you start your first job, part of your salary goes into a pension fund. You might roll your eyes now because retirement at 65 feels like centuries away. But that money is immediately invested into financial markets. It is capital quietly working for you in the background. One day you'll be glad it was there.

There are other forms of capital as well, such as social capital. That's the trust, norms and networks that make an economy flow smoothly.

It might sound soft, but trust is like capital. If you trust your employer to pay you, you don't demand cash up front. If you trust your neighbor, you don't hire lawyers for every minor disagreement. All that saves time and money, which boosts productivity.

Another form of capital is natural capital or the resources we inherit from nature. For Switzerland, that's mountains, lakes, fresh water and clean air.

Destroy those and the economy pays. Ski tourism collapses without snow. Hydroelectric dams fail without water. Even cheese production depends on healthy pastures. Natural capital is part of a country's wealth.

Think about how the choices you make – like the food you eat, the things you buy and how you travel – will affect the environment. These decisions are already affecting Switzerland's natural capital and resources and their impact will only grow in the years to come.

Capital: the snowball that can melt

The great thing about capital is that it can build on itself and grow. Societies that use capital wisely today often have more tomorrow. Economists call it capital accumulation.

Picture a small watchmaker in Neuchâtel. She starts with basic tools and a workbench, sells a few watches, then reinvests the profits in better equipment. That's capital. Output grows, reputation spreads, income rises. Soon she hires apprentices, opens a workshop, gets better machinery, maybe exports. The snowball keeps rolling.

That's one reason why rich countries tend to stay rich: they already have capital, so they can keep reinvesting and compounding. Poor countries struggle because they start with less. Switzerland is proof of the former: a country with almost no oil or gas, yet one of the wealthiest because it built, nurtured and protected capital for generations.

Don't think capital is permanent. It can vanish. Physical capital wears out: machines break, tunnels need repairs. Financial investments can go bad; companies can suffer or collapse. Human capital fades if you stop learning. That coding language you mastered at 18? Obsolete by 30 unless you retrain.

Social capital erodes if trust breaks down through corruption, unpaid bills or discrimination. Natural capital collapses if we destroy ecosystems.

Capital requires maintenance. It's like fitness: if you stop training, your muscles weaken. If a country stops reinvesting, it slides backward.

Why care about capital?

When you’re young, it’s tempting to think that capital is something older people deal with. Mortgages, pensions, investments? That’s decades away. But the decisions you make early in life build the foundations for your capital story.

You can start building human capital: keep learning, experimenting, adding skills. You can plant financial capital by saving, however little, and watch it grow with compound interest. You can build and protect your social capital: your reputation, your trustworthiness, your network. They’re priceless assets. And you can respect and protect natural capital: your lifestyle choices (travel, consumption, energy) affect the resources you’ll depend on later.

> “The next time you hear the word capital, don’t roll your eyes,” says Elisabeth Beusch, economist and pension expert at UBS.

“Think of it as something that multiplies your power. Every franc you save, every skill you practice and every friend you make are like building blocks for your future.”

How markets shape your world

Markets play a huge role in our lives. Find out how to use them to your advantage.

Online platforms bring the world to your smartphone.

They shape what you see, buy and pay for, often using your data to set prices and encourage you to spend.

Discover how personalization can narrow your options, how Swiss and EU laws protect your rights, and how to spot hidden costs.

Here's what's inside

Discover how online platforms act as powerful digital gatekeepers. Using your data, they shape what you see, what you can buy, and even how much you pay.

Find out what dynamic pricing means for your wallet. Some platforms use algorithms to adjust prices in real time based on demand, your browsing habits, and even your location.

See how personalization can limit your freedom of choice. Platforms use your data to nudge you toward certain products – without you even noticing.

Learn how Swiss and EU laws protect your rights online. Consumer protection and data privacy rules help keep platforms in line and give you more control over your information.

Discover how dominant platforms change economic dynamics. Winner-takes-most markets mean a few big players often control what's available and how much it costs.

Find out why being aware puts you back in control. Understanding how platforms and pricing work helps you make smarter choices, avoid hidden costs and protect your privacy.

Learning goals

See how marketplaces give rise to prices.

Identify how online platforms act as digital gatekeepers.

Learn how algorithms and data shape your online experience.

Be aware of dynamic pricing and its impact on you.

Discover how personalization limits your freedom of choice.

Protect your privacy and ability to choose.

Marketplaces: where prices are born

When you think of a market, you might picture a hall in Geneva or a bustling square in Bern: people strolling, checking out goods and comparing prices.

That's a marketplace. And while many marketplaces have now moved online, the idea is still the same: a marketplace is where people exchange things, whether goods or services.

But the similarities end there. Marketplaces today are bigger, faster and more complex than ever before. That's especially true for investment markets, where people trade stocks, bonds, derivatives or commodities.

Once upon a time, trading floors occupied vaulted galleries packed with people shouting bids and offers, whether for stocks or bonds or gold, or even whale oil and tulip bulbs. Prices were decided on the spot. Even today, current market prices for, say, gold are still referred to as "spot prices". Economists call this dynamic give and take between buyer and seller "price discovery". This open-outcry market system ruled for centuries but fizzled out in the early 2000s, replaced by something much quieter, electronic trading, which made trading faster, more efficient and transparent, and more globally accessible.

Today, most investment trading happens on digital exchanges, also called bourses (a fancy word for marketplace, which comes from the French word bourse). These are massive, high-tech platforms like Switzerland's ultra-innovative SIX Swiss Exchange or the London Stock Exchange, Europe's largest. Gone are the shouts and hand signals. Now, computer servers match buyers and sellers in fractions of a second.

They're where the big players – think pension funds, hedge funds, sovereign wealth funds, insurers, banks and global corporations – come to trade shares, bonds and other stuff like cocoa, wheat or copper. These exchanges are highly regulated, transparent and designed to ensure that everyone plays by the rules.

In addition to discovering prices, they create liquidity. Liquidity refers to how easy it is to buy or sell without prices see-sawing all over the place.

Without smooth-running, highly liquid exchanges, it would be difficult for the economy to prosper. Exchanges help connect people like us who want to put our savings to work with companies who need money to expand and create jobs. For companies, listing shares on a big exchange like SIX is a badge of honor. It shows they've met strict standards and are ready to attract serious investors.

People trade a mind-boggling number of things on hundreds of exchanges worldwide.

Things like:

- bonds: debt from companies or governments.
- shares (stocks): tiny pieces of a company.
- exchange-traded funds (ETFs): bundles of securities like shares traded together.
- commodities: raw materials like oil, gold or wheat.
- currencies: Swiss francs, euro, US dollars and yen.
- cryptocurrencies: new and only partly regulated; includes Bitcoin and Ethereum.
- derivatives: contracts tied to other assets, used for hedging or speculation.

Compared with the major players, retail trading for everyday investors like you and me works a little differently. When you place an order, it doesn't always go straight to the big exchanges. Instead, brokers might match your order with another client's order internally (this is called internalization), or they might send it to an alternative trading platform. These setups can be faster and cheaper, and they are also regulated to make sure people get fair, competitive treatment.

> So, while the big bourses form the backbone of the financial system, much of the action for retail investors happens within banks and brokers.

Now that we've looked at trading in financial instruments, let's look at the broader economy and how trading now takes place at a commercial level.

Trading platforms' hidden powers

Online trading platforms and apps are amazing tools, opening up a world of affordable investing to everyday savers. But you need to understand the small print and stay focused on your goals. Here's what to keep in mind.

What you see:
Brokers use algorithms to personalize your feed. They may highlight "trending" or sponsored products based on your clicks and past trades. Some suggestions might not match your long-term goals.

Gamified trading:
Some apps make trading feel like a game with badges, rewards and flashy graphics. But frequent buying and selling can rack up costs and lead to impulsive decisions. A steady, long-term plan usually wins out over chasing hype.

Costs, even if it's "free":
Zero commission sounds great, but platforms still earn money, often through spreads or hidden fees like currency conversion. "Free" doesn't always mean without cost, so check the small print.

Risk boosters:
Margin trading (borrowing to invest) can amplify both gains and losses. Some platforms restrict risky products for beginners, others promote them. Know what you're signing up for.

Platform economics:

Galaxus, Airbnb and digital gatekeepers

Not so long ago, most shopping happened in physical stores: you walked in, picked up what you needed, and paid cash at the register.

Some stores only sold one brand. Others sold a limited selection of different brands. Remember?

Now we live in a platform economy. People love retail platforms like Galaxus, or consumer electronics specialist Digitec, or fashion mecca Zalando, or the online marketplace for second-hand bargains, Ricardo. People love to book rooms on Airbnb and to listen to Spotify.

Platforms like Galaxus, Amazon, and Airbnb have changed the world, and not just through choice and convenience. Platforms stand in the middle of buyer and seller as digital gatekeepers, putting the world in our pockets and taking a cut from every transaction. They offer a seemingly endless choice at competitive prices.

But the arrival of platform economics has also introduced challenges worth understanding. It's not just about what's best for you. It's also about what's best for the platform. These digital gatekeepers control access to goods and services. They decide what you see, how you see it and at what price. They possess immense power to shape markets and consumer behavior. Let's break it down so you can use platforms wisely.

Platforms are powered by data, and much of it comes from you. Your data, your clicks and your attention feed the machine, giving platforms input for product development, targeted advertising and pricing power. Every click feeds algorithms, helping them predict what you want.

For you, this means two things. First, the prices you see are not always neutral. They're sometimes outcomes of algorithmic decisions, depending on the platform. Second, your freedom of choice may be narrower than it looks. Some platforms don't show you the market; they create a market customized to fit your world.

How Switzerland protects you in the platform economy

Switzerland protects consumers with its own laws and alignment with EU standards. The Unfair Competition Act (the UCA) requires businesses to be upfront and honest, banning hidden costs and false claims. This includes practices like misleading pricing, fake reviews or deceptive advertising.

Additionally, the Federal Act on Data Protection (FADP) was updated in 2023 to align Switzerland more closely with the EU's General Data Protection Regulation (GDPR) and strengthen your rights over personal data. This means you have the right to know what data companies collect about you, request corrections or demand that your data be deleted. Companies must also clearly explain how they use your data.

Meanwhile, regulators in both Switzerland and the EU are stepping up oversight of online platforms. The EU's Digital Markets Act (DMA) addresses tech giants like Google, Apple and Meta, requiring them to treat competitors fairly and limit monopolistic behavior. While Switzerland isn't in the EU, it often aligns with or benefits from EU rules.

Five shortcuts in the platform economy

Here are five tips to help you navigate platforms effectively and avoid common pitfalls.

1. Master returns:
before buying, check the returns policy. Some platforms make returns easy or free, others don't.

2. Track prices:
some platforms tweak prices based on demand or your browsing habits. Use price-monitoring tools to monitor trends and ensure you're buying at the best price. Some can even send you alerts when the price falls.

3. Read reviews:
don't trust every star rating. Look for detailed reviews from verified buyers. Cross-check reviews using online review-analysis tools or review-authenticity checkers. They evaluate the quality of online reviews by identifying fake feedback.

4. Check the real cost:
low prices can balloon with hidden fees like shipping or service charges. Some online retailers based outside Switzerland automatically remove the foreign sales tax (VAT), add the correct Swiss VAT at checkout, and include it in your final price, so you don't face extra customs fees later. Always go to the checkout screen to see the final, total cost, then compare it with other platforms or local stores.

5. Go direct:
platforms aren't always the best deal. Check the provider's website. They may offer better terms.

Dynamic pricing and winner-takes-most

A price is like a living thing, moving constantly as new ideas and money enter the marketplace. It's the sum of everything: supply, demand, information and customer quirkiness. It's a live negotiation.

This is price discovery.

Price discovery is how markets assign value to something based on supply and demand. Supply refers to how much of something is for sale. Demand refers to how much people want it.

On a stock exchange, buyers and sellers quote where they're willing to buy or sell, and when the two match, the transaction goes ahead, and a price gets discovered.

By contrast, at a grocer, if bananas are priced too high, customers might stop buying them, pushing the grocer to lower the price until sales rebound. In both cases, it's about finding the sweet spot where buyers and sellers agree.

Price discovery is crucial to market-based economies like ours because it determines the value of things through the tug of war between supply and demand. These price signals guide decisions by consumers, businesses and investors, ultimately shaping the direction of entire economies. By contrast, in centrally planned systems, prices and production levels are largely set by authorities rather than emerging from market forces.

The quality of price discovery varies widely from market to market, depending on whether you're buying stocks or bananas.

Electronic exchanges are extremely good at figuring out prices in a fair and transparent manner, largely because they are highly regulated by authorities who enforce fair trading practices and transparency.

When you hear that a stock costs, for example, CHF 98.27, that's not a made-up number. That's the price buyers were willing to pay, and sellers were willing to accept.

Prices can change by the second, based on:

– how many people want to buy (demand).

– how many people want to sell (supply).

– new information (a big news story, earnings report, or surprise event).

– "technicals", or statistics connected to trading patterns.

While price discovery in financial markets is highly regulated and transparent, the retail world operates differently. Here, algorithms and dynamic pricing dominate, creating a new set of challenges for consumers.

> Dynamic pricing adjusts prices in real time based on factors like demand, time of day, or even your browsing history.

Dynamic pricing is everywhere, and airlines pioneered it: Zurich to Barcelona is CHF 89 today, CHF 149 tomorrow, and CHF 259 if you book at the last minute. Hotels quickly followed suit, and now even Uber adjusts fares in real time based on demand. And it's not just travel anymore: concert tickets have joined the fray. When Oasis announced their 2024 reunion tour, fans saw prices surge within minutes as demand spiked. A ticket advertised for around CHF 150 could climb well past CHF 300 during the same booking session. That's because algorithms were reacting instantly to what people were willing to pay.

On many platforms, algorithms crunch the data and then set the "optimal" price for each individual. Sometimes you and your friend might pay different amounts for the same seat on the same flight, simply because the algorithm predicted you were more willing to pay. That sometimes means that Swiss consumers pay more for the same flight, product or service simply because they're browsing from Switzerland.

For platforms, it's pure gold. They squeeze out the maximum revenue from each transaction. But for you, it's a tricky situation. The price you see isn't necessarily "fair" or universal. It's the result of complex profiling.

And because digital platforms operate on such a global scale, they may support something called "winner-takes-most" markets.

In terms of pricing, "winner takes most" refers to a dynamic where the leading company or product captures the majority of the market share, revenue or profit, often due to competitive advantages. One example is the network effect: the more people use a product like WhatsApp or Instagram, the more attractive it is for everyone. While this benefits consumers through convenience and choice, it can also eventually lead to fewer alternatives and higher prices.

This doesn't mean the winner takes everything (as in "winner takes all"), but they dominate the market to such an extent that competitors struggle. Pricing in such markets often reflects this dominance, with the leader able to set prices higher (due to strong demand) or lower (to outcompete rivals) depending on their strategy. For you, this could mean fewer alternatives and potentially higher prices, as dominant players shape the market to their advantage.

Zalando.ch exemplifies the "winner-takes-most" dynamic in Switzerland's e-commerce landscape, commanding well over half of all online fashion sales, far ahead of fast-growing newcomers or incumbents. It exemplifies how Swiss consumers have benefited from access to a wider choice and more convenience through global platforms – while at the same time they fall prey to dynamic pricing that often includes a surcharge (Schweiz-Zuschlag) simply because the buyer is Swiss.

This surcharge often reflects higher operating costs in Switzerland. But it also stems from platforms' ability to charge more based on Swiss consumers' higher purchasing power. To avoid overpaying, Swiss shoppers can compare prices on international versions of the same platform or use VPNs to browse from other locations.

The Illusion of choice: personalization and profiling

Ever read an article about Greece on your phone, only to find your Instagram flooded with ads for flights to Athens and seaside hotels? Suddenly, your sidebars are packed with blue waves, white beaches, and "summer escapes you can't miss".

That's data profiling and real-time marketing in action.

Every time you scroll, search, click or shop online, you leave digital fingerprints that tell advertisers what you're interested in. Your search results and ad feeds aren't random; they're carefully tailored to your likes, location, age and even what your friends are into. This process, called user-data profiling or behavioral profiling, collects information through apps, websites, cookies and trackers that remember where you've been online.

Sellers then use this information to nudge you where they want you to go. A "nudge" is a subtle intervention in the way choices are presented to people that influences their behavior in a predictable way without restricting their freedom of choice or significantly altering economic incentives.

Online platforms of all types use this data to create personalized offers, prices and ads that feel like they're "just for you". Look at one backpack, and suddenly you're seeing ads for hiking gear or guided tours. It's clever but it raises the question: do you really have free choice?

The answer is yes, and no. You can still decide whether to go ahead and buy, but your options are being shaped by algorithms designed to influence you.

The key is to be aware and regain some control:

– clear your cookies regularly to remove stored tracking data.

– use a VPN to encrypt your connection and hide your IP address.

– browse in private or incognito mode to limit local tracking (though it won't stop everything).

Those are baby steps. There's a lot more you can do to protect your privacy. But most importantly, remember that you're being studied and, in a way, manipulated. The more you notice, the more you can take back control and spend intentionally.

What does this mean for me?

The medieval market square had noise, smells, and haggling. Today's platforms feel clean, seamless, and efficient. But platforms don't just connect buyers and sellers; they decide who wins, who loses and how much you'll pay.

For you, the challenge is to use them with your eyes wide open. You need to know when you're being nudged, when you're being profiled, and when you might want to look for alternatives.

Because the biggest illusion in platform economics is that you're in control. In reality, the platform holds the aces. Knowing this is the first step toward making smarter, freer choices in a world where pricing power is hidden in algorithms.

Ties that bind

Some things bind us together. Others tear us apart. In economics, some do both at the same time.

The globalizing elements: trade, currencies and the environment.

Economics is like gravity. You can't escape its force, no matter how hard you try, at least, not for more than a second or two. For Switzerland, some of the biggest forces include a prosperous economy built on international trade, a powerful international currency, and exposure to a climate growing stormier, hotter and less predictable.

Here's what's inside

Learn how international trade drives prosperity and innovation. Trade allows countries to specialize, access bigger markets and benefit from lower prices and better products. Switzerland's export-driven economy thrives on open trade.

See how tariffs and trade barriers impact prices and competitiveness. Tariffs can protect domestic industries but often lead to higher prices, supply chain disruptions and reduced competitiveness.

Find out why global supply chains are both efficient and fragile. Supply chains connect producers and consumers worldwide but events like pandemics, geopolitical tensions and shipping disruptions can break them.

Discover how climate events directly affect trade and daily life. Floods, droughts, and extreme weather disrupt farming, manufacturing and transport, leading to higher prices and shortages for consumers.

See how currency strength shapes Switzerland's economy and your wallet. A strong Swiss franc makes imports cheaper and keeps inflation low, but it also makes Swiss exports more expensive.

Learning goals

Connect global economic forces to your daily life.

Understand why countries trade and how tariffs hurt.

Recognize Switzerland's reliance on exports and open trade.

Grasp how trade's benefits and challenges affect communities.

Identify how geopolitical shocks disrupt supply chains.

See how climate events affect prices and availability.

Appreciate the strong franc's impact on imports and inflation.

Trade, currencies and the global economy

Why does my ski pass cost more this year? Why are Swiss companies hiring in IT, life sciences and engineering? Is the franc a blessing or a curse?

Sir Isaac Newton “discovered” gravity one day when an apple fell on his head. At least that’s the legend. As if gravity didn’t exist before then.

Economics is like gravity. It’s always been there exerting pressure and keeping our feet firmly on the ground. But many of us don’t discover this invisible force until it hits us on the head.

Let’s understand these forces, starting with international trade. Why do nations trade? Why is it so important? Why not make everything here in Switzerland? How do tariffs mess with the flow of goods?

Once we’ve unpacked trade, we’ll dig into another irresistible force – currencies – and see how exchange rates can make or break economies.

Next, we’ll examine how global supply chains, geopolitical tensions and climate events can wreak havoc. And then we’ll tie all this back to inflation, a measure of how much we pay for stuff.

By the end, you’ll see how Switzerland fits into the global economy and how these forces shape what you pay, where you work and how you live.

Why countries trade and why tariffs hurt

Our prosperity comes from a lot of things – innovation, stability, and skilled workers, to name a few – including what people call free trade.

The ability to buy and sell stuff worldwide is a huge deal for Switzerland. It's what keeps our export-driven economy buzzing and helps us punch way above our weight on the global stage.

The same is broadly true for the global economy, where trade between nations creates prosperity, growth and stability. According to the World Bank in 2024, slightly more than **half of the world's economic output came from international trade**. That's everything from coffee beans and trains to services and software, all of it crossing borders.

> Without this flow, growth would stall, prices would spike and entire industries would grind to a halt. So, when free trade falters, it bites.

Countries trade because **no one country can produce everything** it needs efficiently. Trade allows nations to focus on what they're good at. Economists call this comparative advantage, but you can just think of it as playing to your strengths: you get better and better at certain things (such as watchmaking) and then use the profit to buy things you're not good at making (such as cars).

For example, Switzerland excels at producing high-value goods, such as pharmaceuticals and precision machinery. In 2024, Swiss exports of chemical and pharmaceutical products were worth over CHF 149 billion, making up almost half of the country's total exports. At the same time, we rely on imports for things like electronics and raw materials. Trade makes this exchange possible, giving us access to a wider variety of goods at lower prices than without trade. It's like when you're great at baking, but terrible at fixing your bike. You bake a cake for your neighbor, and she fixes your flat tire. Everyone wins.

Trade also drives progress, innovation and efficiency. For instance, Swiss companies like Nestlé and ABB compete in global markets, which push them to improve their products, adopt new technologies, and find ways to become more efficient. This competition benefits consumers by giving them lower prices and better quality. Without trade, such companies would be stuck in a small domestic market, stifling growth and innovative potential.

For a small, open economy like ours, trade is essential. Exports account for around half of our economic activity, while free trade agreements with the EU and other countries strive to create a level playing field. At the same time, imports allow Swiss businesses to access the raw materials and components they need to innovate and grow.

Trade allows countries to specialize and **share the benefits** of a global economy. For Switzerland, maintaining open trade relationships is a cornerstone of its prosperity.

It's not just goods, as services are a big part of the story, too, accounting for more than a third of Switzerland's total trade. For example, Swiss banks and investment firms attract clients worldwide. Insurance companies like Swiss Re provide specialized services that help people manage risks all over the world. These high-value service exports are a cornerstone of Switzerland's economic success, reinforcing its reputation as a global financial center.

Beyond banking, other important services sectors in Switzerland include consulting, legal, transport and logistics, tourism and hospitality, and tech and digital services. Together with finance, these services account for a quarter of Switzerland's export value.

Trade under fire

Trade has delivered enormous benefits, but those **gains haven't been shared equally**, and that's where the criticism begins.

First, due to trade, millions of factory **jobs have migrated** from industrialized nations in the west to industrialized nations in Asia where skilled workers are willing to work for less. Sometimes this occurred because businesses in Europe and North America moved production lines to low-cost locations; other times smart business leaders in low-cost locations saw a chance to produce for export markets. Either way, those jobs didn't stick around. Automation and technological advances have intensified this shift. Many office jobs have migrated as well, as low-cost countries have expanded university and training programs, churning out millions of talented workers who are willing to work for lower salaries.

Second, while trade lifts economies overall, it can **deepen inequality** within countries. Factory workers competing with cheaper imports have seen their wages decrease or their jobs disappear altogether. And while governments often promise to help these workers retrain or find new opportunities, those programs don't always deliver. As a result, some communities thrive while others are left behind. That imbalance has left a lot of people feeling frustrated and left out.

Then there's the issue of cutting corners. Some companies move production to countries with less-strict rules on things like the environment, health and worker safety – a practice called **regulatory arbitrage**. It means saving money by avoiding stricter standards. It might make products cheaper, but it also fuels a race to the bottom, where profits come before people and the planet. The result is more pollution, possibly unsafe working conditions, and long-term instability that ends up hurting everyone. **Trade creates winners and losers**. So, while trade has huge perks, it needs to be managed carefully to avoid these pitfalls.

To counter trade pressures, countries may impose **quotas** limiting the amount of items allowed in. They may require **licenses** that set the bar high for importers, or they may set **health and safety bans** – sometimes truly to protect people but other times just to protect domestic producers.

The most contested barrier is the **tariff**. A tariff is a tax on imported goods designed to make foreign products more expensive and protect domestic industries. Sometimes that's strategic, like Switzerland's food security policy, which uses tariffs to shield farmers from cheap imports. This helps preserve rural landscapes and ensures that we have food in a crisis. But it also raises prices for consumers, creating a trade-off between affordability and resilience.

> So, while tariffs can support non-economic policy goals like food security, they often have unintended consequences.

Higher prices:
tariffs are taxes, meaning consumers pay more. These taxes also erode profit for the importer, who must also absorb some of the higher costs.

Supply chain disruptions:
tariffs jam the networks that move products from raw materials to factory floors, and ultimately, to your doorstep.

Lost competitiveness:
tariffs undermine specialization. Take precision machine goods that rely on imported metals and components. If tariffs hit those imports, costs rise, making Swiss goods more expensive.

As one example, let's examine the 2025 US–Swiss tariff tussle. In August that year, the US imposed a 39% tariff on many Swiss products, one of the highest rates ever imposed on a close trading partner. That hit Swiss exporters hard, with the business of selling watches, machinery, food, some chemicals and luxury goods to the US suffering in the weeks and months that followed. The uncertainty left businesses and workers on edge, while economists registered a slowdown in trade. It was a shock. That bout of trade tensions didn't last very long and the two countries reached a tariff agreement three months later. But the incident illustrates how tariffs can hurt an open economy like Switzerland's, and how our nation depends on trade.

So, while trade is an engine for prosperity, it's not without its challenges. The key is finding the right balance; making sure the benefits are shared more equally, protecting the environment, and ensuring that trade policies don't end up doing more harm than good. It's a tricky balancing act, but one that's worth getting right. After all, in a world as interconnected as ours, what happens in one country can quickly affect us all.

Supply chains and geopolitical shocks

If trade is the big-picture system that includes treaties, tariffs and all that global handshake stuff, then supply chains are the physical routes that get parts, materials and products from one factory to another and eventually to your doorstep.

We all got a crash course in supply chains when the COVID-19 pandemic hit in 2020. Suddenly, the stuff we relied upon every day was out of stock or way more expensive. That's because **global supply chains can save money and connect us to the best resources** and skills. Without supply chains, many products we enjoy today would cease to exist. And COVID shut them down.

Think of a supply chain as the trip every product takes to get to you, delivering what's needed just in time for it to be used. It's an interconnected web of factories, ships, trucks and warehouses that work together to transform raw materials into what you buy, whether it's a smartphone or a shirt.

This is what makes it possible for your running shoes to be designed in Europe, manufactured in Asia, and delivered to Switzerland. They connect businesses so people can specialize in what they do best, whether that's growing coffee in Colombia, producing semiconductors in Taiwan or designing software in California.

By spreading production around the globe, companies can lower costs, which means you very often get better products at lower prices. Imagine if every country or region had to make everything from scratch; your laptop would cost a fortune and your wardrobe would be a lot smaller.

For global pharmaceutical groups like Roche and Novartis, **supply chains are the lifeblood** of their operations, ensuring that life-saving medicines reach patients around the world. They rely on an intricate network of suppliers to source raw materials, such as active pharmaceutical ingredients (APIs), which are often produced in specialized facilities across Europe, Asia and the Americas.

Once these materials are secured, they are transported to high-tech plants, some of which are in Switzerland, where the drugs are formulated and packaged. Any disruption in this chain can have serious consequences for those depending on a cure. To mitigate this, big firms invest heavily in diversifying their suppliers, building redundancy into their networks, and adopting advanced technologies to improve supply chain transparency and efficiency.

Supply chains are a big deal. But even if the word "chain" evokes strength, **they are fragile**. When something small goes wrong far away it can hit big at home.

Let's look at **production**. During the pandemic, China, which produces almost 30% of the world's manufactured goods, shut factories and imposed lockdowns in its efforts to protect its people, as did many governments. The result was widespread shortages worldwide, including medical supplies.

For example, bike factories couldn't keep up with the rising demand because they were dealing with worker shortages and missing parts like gears and tires. On top of that, shipping delays and a lack of containers made it even harder to get bikes to stores, so people had to wait. Some Swiss bike shops reported waiting times of 12 months.

And then there was the **Ever Given**. Remember the meme? The container ship that got stuck sideways in the Suez Canal? It seemed funny at the time. But it was a whopping headache.

For six days in 2021, over 400 cargo ships waited to pass through the canal, carrying an estimated USD 9 billion worth of goods per day. That's because some 12% of global trade passes through this one choke point. Factories in Europe and Asia slowed down because parts were literally all at sea. Some freighters took the long way around Africa, adding weeks to delivery times and sending shipping costs through the roof.

All this because of one stuck ship.

Shipping – and all forms of transport in general – is essential to supply chain management.

Peace and stability also form a link in the chain. And when geopolitical tensions ramp up, things get messy.

The war in Ukraine added more disruption. Ukraine and Russia are major exporters of wheat, sunflower oil and natural gas. When that supply was interrupted, prices shot up globally, including in Switzerland. Suddenly groceries cost more, and heating bills ate up a bigger chunk of your budget.

Then there's **trade tensions**. The US started rolling back global trade agreements under the second Trump administration, imposing tariffs on goods and making it harder for companies to do international business. This hits small, trade-dependent economies like ours.

Given all the stress on supply chains since 2020, companies are starting to bring manufacturing closer to home, something called **"onshoring" or "nearshoring"**. It's also happening because new production technology relying on robots, artificial intelligence and automated assembly lines lowers the costs of running factories in high-cost countries. For Switzerland, this could mean more regional trade within Europe and less reliance on far-flung suppliers.

Moving production closer to home may hold other benefits as well. You've probably seen this yourself; consumers increasingly want items now. And they increasingly want products that are ethically made – with respect for workers' rights and the planet. Pollution caused by shipping is also a rising concern. Having factories closer to home could ease pressure on all fronts.

> But global supply chains are unlikely to go away. They're too efficient to replace entirely. They're just, well, a little fragile.

Climate events and trade disruptions

The world is getting hotter. And stormier. And drier. The World Meteorological Organization in Geneva reports that the number of weather-related disasters has increased fivefold over the past 50 years (1970–2019). This includes floods, droughts, storms, and heatwaves.

And it's starting to mess with how people do business and how much they pay across the globe.

Take farming: floods or droughts ruin crops and disrupt transport to market. For example, droughts in Brazil in 2021 hurt crops at the world's largest coffee exporter. With fewer beans on the market, that little cup of espresso got more expensive.

Manufacturing is not immune: take the record 2021 floods in Germany and Belgium that disrupted railways, roads and factories, delaying shipments of everything from car parts to chemicals. More broadly, rising sea levels and extreme weather make ports prone to flooding and damage. When shipping is delayed, costs go up.

Typhoons in Taiwan or the Philippines have damaged factories and disrupted the production of semiconductors, electronics and other high-tech components. These disruptions led to production slowdowns in everything from smartphones to cars, creating shortages and making everything more expensive.

Closer to home, the **2023 flood in the Maggia Valley** in Ticino was a wake-up call. Days of heavy rain caused the Maggia River to burst its banks, wrecking roads, bridges, homes, and farmland. Vineyards were submerged, hitting local producers hard, while tourists cancelled bookings at hotels and restaurants.

The Maggia Valley flood fits a widely predicted pattern. Extreme weather events are becoming more frequent and more intense, and will cause damage, even in a country as prepared as Switzerland.

> Flooding and heavy rainfall are on the rise, with rivers, including the Rhine and Aare, at greater risk of overflowing.

At the same time, glaciers are melting fast. This increases the risk of landslides, like in Blatten in 2025, and glacial lake floods, which can devastate nearby areas.

At the same time, **droughts** are becoming more common, making life harder for farmers. In 2022, some Swiss farmers had to import feed – and even water – for their livestock. Prolonged dry spells and rising temperatures create the perfect conditions for forest fires, threatening biodiversity and the safety of nearby communities. The increasing occurrence of wildfires across Europe is a growing concern, with Swiss forests also at risk.

> Warmer winters mean less snow, which is bad news for skiers.

Tourism is also feeling the **heat**. Many ski resorts are struggling are struggling to stay open, while others are pouring money into artificial snowmaking – an extra financial and environmental cost.

As predicted decades ago, climate-related disruptions are happening more frequently and are set to become more frequent or violent. Global heating is making extreme weather intense and harder to manage. This leaves businesses scrambling to make their operations more resilient, whether by diversifying suppliers, nearshoring production or investing in better forecasting tools.

And it leaves consumers facing higher prices. Global heating is reshaping the way our world works. So, the next time you notice a price hike or a product delay, it's worth asking: could a flood, drought, or storm halfway across the world be to blame? The answer is increasingly yes.

Currency effects, the strong franc and inflation

Few currencies have a reputation as worthy as the Swiss franc. It's rock solid, a safe place to park money when the world feels crazy. But for all its stability, the franc can still surprise even seasoned investors.

So, what do we mean when we say the franc is strong? Simply put, it buys more compared with other currencies. That means your money goes further abroad, whether you're booking a holiday or ordering something online from another country.

By the same token, that strong franc makes expensive little Switzerland even more costly for tourists, and it makes goods built here super pricey for foreigners. Switzerland churns out amazing stuff, but it's expensive!

Let's break it down.

The franc has been strong historically for several reasons.

First, the markets: Investors call the franc a **safe haven** because when markets get stormy, they sell other currencies and sail into calmer waters, by buying the franc. The currency market is the largest market in the world by far, with over USD 7.5 trillion per day changing hands. That's a huge amount of money. And it puts tons of pressure on one small country and its currency.

Then there's the **business environment**. Switzerland is home to high-value industries, including pharmaceuticals and precision engineering, that remain resilient during global downturns. Companies big and small love setting up shop in Switzerland.

Then there's the overall **strength of the economy**. Growth is steady and inflation is low, regulation is clear and fair, and capital markets are advanced and welcoming to investors. Add low inflation and a government that keeps debt low and finances in check, and you've got a currency people trust.

Then there's the **trade surplus**. We export way more than we import, and those exports are often in high demand. With every watch, robot or medical device sold, somebody needs to buy francs to pay for it. That keeps money flowing into the country and supports the franc.

And the banks? Switzerland's reputation as a **global financial center** draws wealth from all over the world. Wealthy investors are often customers of Swiss banks and want to park their money here, which boosts demand for the franc.

The franc is so strong that the Swiss National Bank (SNB) sometimes actively tries to weaken it. They set negative interest rates for years, charging banks a fee to park excess reserves with the SNB; that's a totally upside-down approach compared with many countries where deposits earn interest. Still, the franc has stayed strong.

The SNB is our central bank, our monetary guardian. Its main job is price stability, which means controlling inflation. It makes sure your money doesn't lose value over time. It also supports the economy by maintaining financial stability. It has the power to influence interest rates and, if needed, step into currency markets to prevent the franc from becoming too strong or too weak. In short, it's all about keeping the Swiss economy running smoothly and ensuring the franc remains a reliable and trusted currency.

Its inflation-fighting job gets gets easier due to **the strong franc, which keeps import prices low** for Swiss buyers. This is one reason why Switzerland often experiences lower inflation than its peers, even during global price surges. During the 2021–2023 inflation spike, when the Organisation for Economic Co-operation and Development (the OECD), a "club" of rich countries, saw prices rise by more than 8% per year, Swiss inflation peaked below 3%.

But it can go too far. If the franc gets too strong, it risks contributing to **deflation**. That's when prices fall and people delay purchases, waiting for prices to fall even further, which slows down the economy. That's why the SNB watches the franc so closely; its strength is both a shield against inflation and a potential trigger for deflation.

How does a strong franc affect your wallet?

1. Imports feel like a bargain
When the franc flexes its muscles, imported goods get cheaper. If you're in Switzerland, that puts more goods into your shopping cart and helps keep inflation in check.

2. Swiss exports? Ouch.
For the rest of the world, Swiss-made high-tech machines and medical goods suddenly look pricey. Exporters feel the squeeze, and some may shift production abroad to stay competitive.

3. Competition, jobs and pay
To survive, Swiss firms double down on quality and efficiency. That keeps them world class. But it can also mean cost cutting, automation or moving jobs to cheaper countries.

4. Travel: a double-edged sword
Heading abroad? Your francs go further, making holidays feel like a steal. But Switzerland isn't cheap for visitors.

5. Inflation remains low
A strong franc keeps a lid on prices because imports cost less. But if the franc gets too strong, prices can actually fall. This is called deflation and while it sounds like a bargain, it may hurt the economy as people delay spending.

"Frankenschock" and the SNB

Currency traders still shudder when they recall the "Franc Shock" of 15 January 2015. That's when the SNB dropped a minimum franc exchange rate of CHF 1.20 to the euro. Within minutes, the franc surged by nearly 30% against the euro briefly before settling around 10%-15% stronger. Markets were stunned. The lesson? Don't mess with the SNB, the master of the Swiss franc. The franc is stable, but when the SNB deems it appropriate to intervene, all bets are off.

Although the franc is freely bought and sold in global markets without any restrictions or controls, the SNB is known for stepping in when required, usually to weaken the franc when it gets too strong. It does this by buying foreign currencies or imposing negative interest rates, making the franc less appealing to hold. Betting against the SNB's interventions is a risky business.

Not a trillionaire? No problem.

You can work for the economy. Or the economy can work for you. Here's how.

Unless you're a trillionaire...

...you're not going to change the economy single-handedly. But you still have the power of choice when it comes to your career, studies or spending.

Knowing about the growth cycle will help you make informed choices. You might want to move to where the action is, or to stay planted. You might take big risks, or play it safe. Maybe now's the time to experiment – or the time to buckle down. It's up to you.

Here's what's inside

Learn how economic growth shapes your daily life and opportunities. Growth influences everything from your career prospects to your quality of life, including your salary, health and social stability.

See how productivity drives progress and raises living standards. When people and businesses find smarter ways to work, society can prosper.

Discover how artificial intelligence transforms work and productivity. AI can boost efficiency and innovation, but it also raises questions about job security and who benefits from growth.

See how the benefits of growth aren't always shared equally across society. The high-tech and export sectors often reap the biggest rewards, while many workers in local services see slower wage growth.

Learn how alternative measures such as the Human Development Index offer a broader view of prosperity. GDP alone doesn't capture the full picture of prosperity, as it leaves out factors such as health, education and income distribution.

Find out why you need to know what's trending to make the best career choices. Understanding how growth cycles affect job markets helps you make better choices and build resilience.

Learning goals

Check how the economy actually affects everyday life.

Understand what GDP and growth even mean.

Understand why productivity matters and how AI is changing everything.

Learn how to adapt your future career to economic ups and downs.

Make the economy work for you

You might be walking down the street, headphones on, minding your own business, totally unaware of whether the economy is growing or shrinking.

Yet it's one of the biggest factors affecting your quality of life. For example, starting your first job during a boom could impact your earnings for life, because if you start with a high salary, you can earn an even higher one sooner. If you start low, it will likely take you much longer to earn the same salary.

But it can also influence all sorts of seemingly unrelated things, such as how much crime there is in your city, how long people stay married, how often people fall sick and whether they have access to reliable healthcare, and even how long they live. Economic growth affects all these things one way or another, directly or indirectly.

This section explains what growth is and **how to make it work for you.** Let's break it down.

How economic growth affects your life

Sustainable economic growth is a winning ticket for almost any country and any government. Get growth going, and almost everything else falls into place. And yet, at its core, economic growth is a made-up term. It's useful, but also flawed.

Growth means that a country is producing more goods and services than it did before. Economists often use a single number to capture this: **gross domestic product, or GDP.** You get it by summing up everything produced within a country's borders in a year – every machine assembled, every surgery performed, every coffee poured, every app created, every hotel room booked. If the number is bigger than last year, then the economy has grown.

Productivity is super-important for growth. It's how much we can get done with what we've got: time, money, tools and brainpower. It's about making the effort put in count more. If a watchmaker learns to assemble more watches in a given month, or if a logistics company improves its routes to deliver more packages per day, productivity increases. It's how societies get richer without working longer hours.

> Training, education and research all improve productivity. When we figure out smarter ways to work, we produce more without working extra hours.

That usually means more money flowing through the economy and higher wages. But if productivity stalls, the rate of growth can slow and people may start to feel stuck in a rut, no matter how hard they grind.

What growth looks like depends on how rich a country is already. Less wealthy economies, often called **emerging markets** or non-industrialized nations, can grow at around 4% to 7% a year because they start from a lower base. Little improvements go a long way. These countries are still industrializing, still drawing people from the countryside into urban areas, still building infrastructure.

Productivity gains in an emerging economy come quickly when basic systems like transport, education, justice, and banking and lending improve. A new highway can visibly boost GDP. So can a new power plant or mobile phone network. When less wealthy countries grow, they tend to grow rapidly.

Developed, **wealthy economies such as Switzerland** or those in the European Union move differently. Once a country has modern infrastructure, high levels of education and established industries, **growth naturally slows**. You can't double the efficiency of a well-built transport network or triple the output from a highly skilled workforce. It's the small, steady improvements that matter.

Developed economies tend to grow by around 1% to 3% a year. It's not exactly a stellar performance, but it does help life get a little bit better over time. This kind of growth usually comes from smarter ways of working, new tech, efficiency gains through automation or AI, or sometimes changes in trade relations with other nations.

Switzerland totally fits this pattern. Since the 1970s, real GDP growth per capita has averaged between 1% and 2% per year, which is not the fastest, but super reliable. It's a mature economy where world-class industries operate as efficiently and effectively as possible, anchored by high-value exports like precision tools and specialized chemicals, and by sophisticated services like reinsurance and wealth management.

Switzerland's slow but steady development in the 50 years up to 2025 partly reflects **low population growth** and **limited natural resources**, which forces us to rely on knowledge-intensive sectors where brainpower matters.

The Swiss economy doesn't usually grow by adding factories or workers; it mostly grows by doing complex things slightly better each year. In Swiss terms, that's what "normal" looks like: small, consistent gains.

Similarly, Switzerland's overall **productivity has grown** by about 1% annually over the last 20 years, which is also slower than in many advanced economies.

But under the surface, there's a big divide: most gains come from global players like pharmaceuticals, finance and precision technology, but local services haven't made the same progress.

> Global players have scale on their side. When they tweak processes or adopt new tech, those small efficiency gains ripple out across huge markets. That's a big win.

Meanwhile, **smaller firms focused on the Swiss market face tougher conditions**. High wages push up costs, strict regulations add hurdles, and the domestic market is tiny. All that makes it harder for them to invest in innovation and get the same payoff. So, while the many Swiss-based global giants keep pulling ahead, some local businesses struggle to keep pace.

How AI might shake things up

Artificial intelligence is poised to increase productivity in some jobs by automating tasks and improving analysis, as some activities currently performed by people may be done more cheaply, better and faster by using AI.

Companies hope this will cut costs. Techno-optimists hope this will usher in a wealthier era with less work and more leisure time in a new industrial revolution. After all, historically, each previous industrial revolution has produced enormous advances, starting with the introduction of steam to drive factories, then electricity, and then computers. **Now this fourth industrial revolution – which includes AI, big data, and robotics** – will introduce autonomous decision-making, hyper-individualization and leaps in innovation, thanks to AI, according to consultancies, universities and think tanks.

While this may hold true in part, and while previous revolutions did drive progress, they didn't always go smoothly. **They produced both winners and losers.** The gains were not shared equally. Some people saw big improvements while others struggled to adapt. There are few reasons to think that the AI revolution will be any less revolutionary. It's going to get interesting. Critics warn of rising inequality, joblessness and the risk that some people will be left behind.

The challenge this time is **digital growth**. Tech makes it possible for companies to expand and grow and become more profitable, but without adding lots of workers.

> A single developer using AI can build an app that millions of people use.

AI can sometimes take over tasks that used to require whole teams. That's great for productivity, but not for workers, who need jobs to earn money to feed their families. That's because the **gains from AI-driven growth** may well flow to those who own the tech – the investors – rather than to the workers. If those rewards stay concentrated, rising inequality may leave a lot of people feeling angry and left out. The fourth industrial revolution raises a lot of burning questions for governments and regulators, who are expected to manage the fallout.

You can already see such growth disparities in parts of Switzerland's economy. Fintech and biotech firms may use advanced digital tools and AI to create huge value with only a limited number of hires. Their commercial success boosts exports and tax revenues, but the benefits cluster around a small, highly skilled group. Meanwhile, sectors that can't automate easily – such as hospitality and care – may struggle to become more efficient and increase profitability. This gap matters because these sectors employ many people.

> That means the big question isn't whether AI will change work, but rather how society deals with the change.

The sticky part of growth

This potential shift raises uncomfortable questions. If economic growth leads to longer lines of unemployed workers, is it really progress?

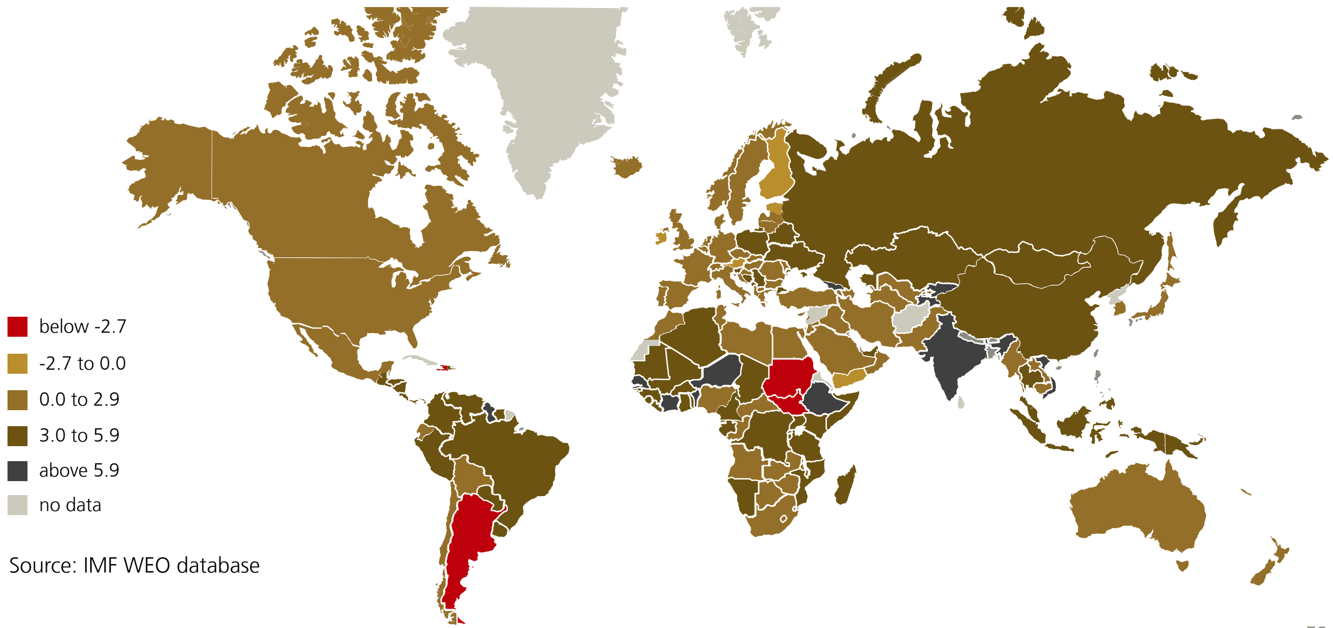
Growth is good, but shared growth is better.

How governments and society handle these challenges by shaping our economy and sharing its prosperity is essential.

That may require redefining what "successful growth" even means. For example, is GDP the best way to measure growth? It's been the holy grail since the middle of the last century, when economists worked out a standardized way to measure a country's output, largely so governments could see what was broken and how to fix it. Switzerland ranks near the top globally, once the strong Swiss franc's purchasing power is taken into account, with a GDP of about USD 96,400. According to OECD data for 2024 that's well above neighboring Germany at around USD 74,000 per person, France at roughly USD 62,500, and Italy approximately USD 62,200. It even surpasses the United States, which stands at about USD 86,100 per person.

That sounds great for Switzerland, and it is, but **GDP alone doesn't tell the whole story**. It measures value created, not value shared. GDP also ignores the unpaid work that quietly keeps society running; caring for elderly parents, raising small children, volunteering and the time you spend studying for your exams. It doesn't deduct the cost of pollution or burnout. Nor does it measure happiness or overall welfare. Critics say GDP, which was never designed to measure directly what matters in people's lives, has been hijacked to do just that.

Countries by real GDP growth rate in % for 2024



Source: IMF WEO database

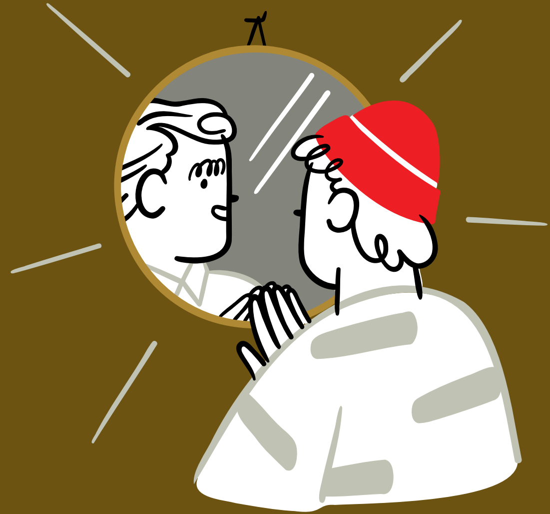
It also has a funny way of glossing over the growing gap between rich and poor.

> Roughly speaking, the richest 10% typically control well over half of all private wealth in OECD countries (the world's advanced economies), while the bottom half of the population owns only a small single-digit percent, according to the World Inequality Database.

That gap is mostly about who owns real estate, stocks and businesses and who gets a head start through inheritance. Increasingly, **a small group of people at the top owns a huge share of everything**. Switzerland is no different. The same data shows that in Switzerland the top 10% own around 63% of all private wealth, while the bottom half own only about 4%.

Although Switzerland's riches are spread unevenly, there are several factors that help soften the impact. People in Switzerland usually have good jobs with decent pay, and unemployment is low. The country also offers strong public services like healthcare and education, so even those who aren't wealthy can enjoy a good standard of living. Progressive taxes on wealth and income help fund these services and reduce some inequalities.

However, disparities in wealth are still significant and can create challenges, such as making it harder for some people to afford housing or move up the economic ladder. Even though Switzerland consistently ranks high in global quality of life surveys, it's important to recognize that not everyone experiences this prosperity equally.



Understanding Gross Domestic Product (GDP)

Economic growth

Reality check: learn what counts toward economic output as measured by GDP and see how it affects you.

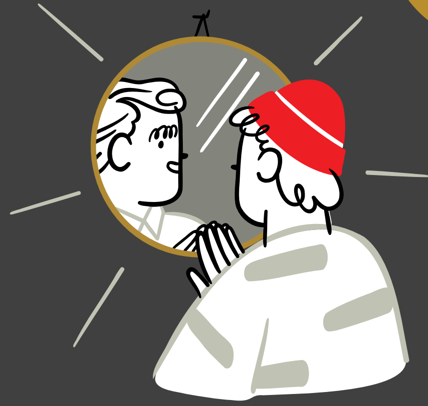
Instructions
Go through the list of activities and decide if it should or should not be included in GDP. Then choose two items and write one short reason for each choice explaining why it should be included or excluded.

Tip
A lot of valuable stuff doesn't count! Ask yourself: Is this a paid item? Is it officially recorded? Was it produced in this country?

What it shows
GDP is a useful measure that reflects many important economic activities, though it can ignore other activities that are important parts of our daily lives and overall well-being.

Activities	in GDP	not in GDP
a haircut	○	○
volunteering at a shelter	○	○
tutoring your sibling	○	○
hospital surgery	○	○
fixing your own bike	○	○
building an app	○	○
studying for exams	○	○
cleaning your room	○	○

for detailed explanation go to page 50



Item	Reason

Personal reflection
1. What surprised you about the activities which count toward GDP?
2. Were there any items you expected to be included / excluded that were classified differently?

Measuring happiness

This leads to one of several critical questions about economic growth, which isn't "how much?" but "for whom?"

Economists distinguish between growth that benefits everyone and growth that mostly helps the few: between equitable and inequitable growth. Growth is equitable when the benefits are spread broadly, and wages rise across different jobs, when public services improve and when regions prosper together. It becomes inequitable when the gains concentrate in a few privileged areas.

Switzerland shows both sides of the growth story. It is one of the world's richest countries, but its wealth is less evenly spread than in many of its EU peers. Official 2024 numbers from the Swiss Federal Statistics Office show that people working in pharma, finance, or tech make more than double what people earn in hotels and restaurants.

Regional differences also play a role: jobs in Zurich, Basel or Zug tend to pay more than those in peripheral or rural areas. Much of Switzerland's economic dynamism comes from export-oriented and globally integrated industries, while domestically focused services expand more slowly. As a result, national growth does not always translate evenly across sectors or regions, even if Switzerland does a good job of addressing inequality already.

While Switzerland holds together well and offers robust support to displaced workers, growth that leaves too many people behind feels unfair and can weaken the social fabric over time, especially in countries with significant social problems.

> If citizens sense that "the economy" is doing great while their own pay barely covers rising rents, they start doubting the system itself.

Because of that, many people think that GDP alone is too narrow a metric to measure people's overall well-being. There are alternatives, however. To capture it more accurately, economists often turn to indicators such as the **Human Development Index (HDI)**, which combines income, education and life expectancy, or the **OECD Better Life Index**, which offers a more holistic view than GDP alone. None of these are perfect, but they all start from the same intuition: that **prosperity is more than production**.

How growth can work for you

For young people entering the Swiss jobs market, the challenge is to understand how the economy affects your choices.

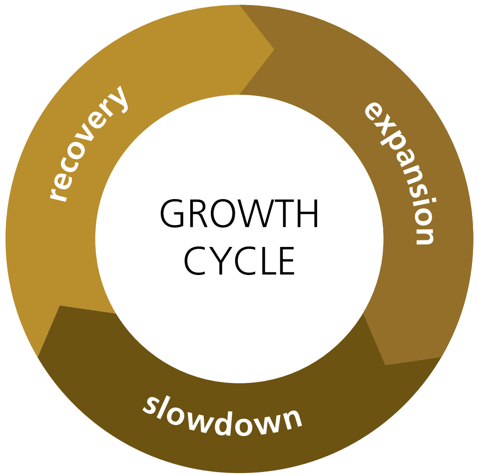
Growth moves in cycles – expansion, slowdown and recovery – and knowing which types of careers are affected makes a difference. Expanding firms hire more, take greater risks and create new roles. Contracting firms freeze recruitment, merge departments or favor temporary contracts. Understanding these shifts helps you position yourself for the future.

Switzerland's growth cycles often hinge on the health of the global economy. In boom periods, exporters may scramble to find enough skilled people. In leaner times, domestic services or public projects may hold steadier. Knowing these rhythms lets you time your entry by choosing to enter the workforce now if opportunities abound or to prolong your studies if the jobs market is dry. It also helps you focus your energy; you may choose to focus your efforts on high-growth industries if the economy is in an upswing – or maybe focus on the slower-growth firms that hold up better in a downturn. Either way, knowing the rhythms may help you spot niches and opportunities.

Finally, paying attention to the growth cycle teaches you that job markets aren't random: they flow with the economy. You can't step into the same river twice, for it is constantly flowing and changing. And while you can't change the course of economic history, you can try to flow with it.

> If you find your career dreams collide with economic reality, you may feel left out and frustrated.

That's normal and even healthy, because you can use that energy to power your response. You have more influence than you might think over when, where and how you shape your career, and what you choose to learn along the way. Ultimately, you're responsible for you. Stay curious about career- and economic trends and be flexible with your choices. Growth comes and goes, and sometimes it pops up in places you wouldn't expect.



Boom or bust. Change is constant.

The economy never stops moving between cycles of boom and bust, reinventing itself, and changing in dramatic ways. You need to change with it.

Nature dislikes straight lines

It loves curves and spirals that create symmetry or dissolve into chaos. The same goes for the economy. It's in a state of constant flux, moving between one end of the economic spectrum and the other.

All you need to know in order to navigate these uncharted waters are a few ideas to make better decisions about what work you do, how you manage your spending, and how you live your life.

Here's what's inside

Learn how economic cycles shape everyday life and shape opportunities. Booms and busts are natural patterns. Recognizing them helps you make smarter choices about jobs, education and life.

See how **inflation quietly erodes your spending power** over time. Even small price increases can impact your budget and savings.

Discover why **governments and central banks can't fully control the economy**. Their policies can help, but global events and individual choices play a big role.

Explore **how cryptocurrencies are changing** the financial landscape. Digital money offers new possibilities but also brings volatility and uncertainty.

Learn practical ways t**o protect yourself from economic ups and downs**. Building money management skills and making informed financial decisions can help you thrive.

Learning goals

The economy moves in cycles, creating booms and busts.

Know what kills my spending power and what's just hype.

Learn how to stay flexible so you can make smart choices when things change.

Cryptocurrencies may look pretty cool, but they're full of challenges.

Booms, busts, inflation and policy responses

People love the idea of smooth progress, that growth happens in a straight line. Nature dislikes straight lines. Nature loves curves, spirals and branching patterns that build their own symmetry or dissolve into unpredictable forms.

The economy is in constant motion, sometimes calm and predictable, at other times turbulent and uncertain.

It forms patterns through cycles of boom and bust where growth creates prosperity that eventually turns on itself, only to self-destruct and be born anew.

Economists give these phases names such as **expansion, peak, recession and recovery**. But don't imagine neat stages like in a textbook. They overlap and blur. Each cycle is born out of millions of everyday choices, including borrowing, hiring, spending, saving, quitting a job or starting a company. The economy is not a machine. It's more like a crowd.

Understanding what drives these cycles will help you make informed decisions about careers, education and life. This section explores the nature of economic cycles, the persistent challenge of managing inflation, the roles of fiscal and monetary policy, the impact of financial globalization, and the disruptive potential of digital- and cryptocurrencies. You don't need to predict the future. You just need to spot clues that will help you **seize opportunities** and weather shifts in the cycle.

Economic cycles

Economic cycles reflect swings between easy and difficult times in business, trade and employment.

In boom times, factories are whirring away, their loading docks bustling. Restaurants are booked out weeks in advance and stores are crowded with eager shoppers. Businesses hire to keep up with more orders than they can handle. People want new cars, new washing machines, new clothes. They want to go on vacation far away and splash out on fancy meals. You might see construction cranes on the skyline. New shops and cafés are opening and your friends are landing apprenticeships or jobs. This describes an economic **expansion**; it's a period of growth. It's a boom.

But a growth cycle can create trouble if inflation or overconfidence get out of hand and lead to overheating: people take on too much debt for things they can't afford, or businesses build more factories than they need. Companies might struggle to find enough workers, so they offer increasingly high wages to attract them. Well-paid workers then spend more on discretionary items – nice stuff you could do without – which pushes up prices. People splash out on big-ticket items they can barely afford, such as holiday homes or fancy cars. Meanwhile, the economy is growing faster and faster. Everything feels so right.

But it doesn't stop there. Investors feel optimistic because profits are pouring in. Stock prices keep rising. Some investors believe that the good times will get even better, making them complacent about risks. If this continues, stock markets will hit one record high after another, crypto values will soar, and house prices may become out of reach for many people who want to get a foot on the housing ladder. Now we're headed toward a market bubble. That's when the price of things like houses, stocks, or even tulips rises way above what things are really worth, mostly because everyone gets excited in thinking prices will keep going up. People jump in because they don't want to miss out, not because everything is more valuable.

So, we're at the point where factory bosses, investors and consumers are euphoric. Markets are most likely in a bubble. Everything is running at full speed. The problem is, a sprint only works for short distances. At some point, you've got to slow down. Eventually, reality bites, the excitement fades and prices can drop quickly, sometimes crashing back down to earth.

> Why does the party end? Each time it's different. Like a bubble in search of a needle, there's always something that makes the markets go pop.

Maybe customers start to pull back because things have gotten too expensive. Then orders for new stuff slow down, and those newly built factories sit cold and silent. Those same businesses that were desperate to hire new staff are now letting people go. The cycle is starting to turn. The economic cycle has passed its **peak**.

This feeds on itself. As people worry about their jobs, they spend less, so shops and restaurants see less business. Some close, and empty storefronts appear. People who over-borrowed during the boom struggle to repay their loans, leading to defaults or bankruptcies. If that happens to a lot of people, it can put stress on the financial system and on banks, who need people to repay so that they can keep lending. This leads to a "credit crunch", where banks are unable or unwilling to lend because they're worried about getting their money back. This slows the economy further still.

When reality catches up, the boom turns to bust. Optimistic investors betting on a winning streak are now surprised to see things slowing down. Worried, they sell their investments, causing markets to weaken. This sparks fear and other investors sell. Now fear in the markets is stronger than greed. The bubble has burst.

Markets may fall back to levels that reflect what people can actually afford, which is sometimes called a correction. Or markets may even crash, which is when many investors try to sell at the same time, sending prices sharply lower, often below what they're realistically worth.

An economic **slowdown** is when things are still getting better, but just not as fast as before. An economic **downturn** is when things turn negative and economic activity shrinks. If it keeps shrinking for at least six months in a row, it's a **recession**. If the recession is severe or goes on for years, it's a **depression**.

Is this how the story ends? Hardly! Once things stabilize, the cycle turns positive. Consumers rediscover confidence. Factories kick into gear. In the markets, greed is now stronger than fear. **Recovery begins**, and the cycle starts anew. Austrian economist Joseph Schumpeter came up with the idea of "creative destruction", saying the new sweeps away the old during this never-ending cycle, making it essential, however disruptive.

> So what? If you're thinking about switching jobs or starting your own business, knowing where we are in the cycle can help you time your moves, and maybe avoid getting caught in a downturn.

When we talk about economic cycles, we're describing this pattern of rising and falling activity, playing out all around you. Success breeds more success, and failure breeds failure. Upturn and downturn. Boom and bust. Fear versus greed. It never stops. Always in cycles. And never in a straight line.

Inflation: how it works against you

Inflation is the general rise in prices over time. When prices go up, the money in your bank account is worth less because it buys less stuff than before. It's rarely a big deal in Switzerland, but it's essential to understanding the economy.

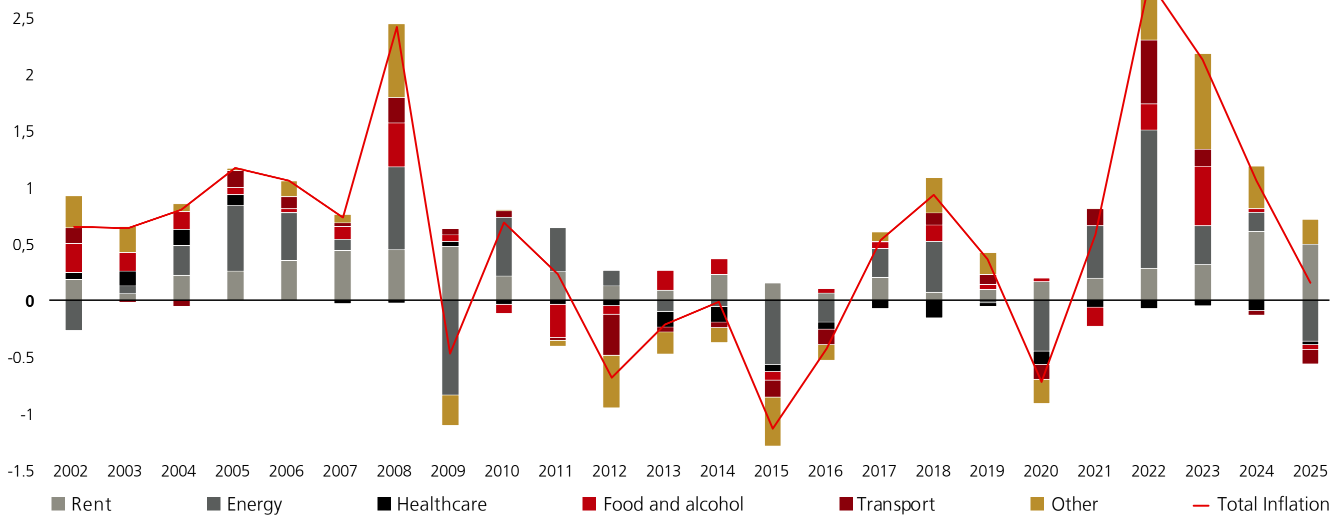
People notice inflation most in the steady rise of everyday expenses: groceries, rent, transportation and health insurance. In the past, going out on a Friday night might have set you back about CHF 50. Now it costs CHF 52. Your rent goes up, even though your income doesn't. If your wages don't keep up, your standard of living gradually declines. You may feel it suddenly, or **you may wake up to it late**, when you're struggling to make ends meet.

How does it begin? In several ways. When people are confident in the future and buying more stuff, demand rises faster than supply and prices go up. That's **demand-pull inflation**. There's another kind of inflation that happens when energy, transport, materials or labor become more expensive. Companies then raise prices to cope. That's **cost-push inflation**. Sometimes, a sudden disruption, such as a natural disaster or geopolitical crisis, can cut the supply of key goods or services, causing prices to spike; this is known as **supply-shock inflation**.

Some experts say that inflation is a technical imbalance that happens when there's more money in the economy than there are goods and services to buy; basically, too much money is chasing too few things. In geek-speak, that's the monetary theory of inflation rooted in the **quantity theory of money**. Inflation makes people poorer, and that's why central banks like the Swiss National Bank (the SNB) watch the economy like a hawk: to keep inflation under control.

Central banks often aim for a mild and manageable rate of inflation, often around 2%. Why not zero? Because central banking is not an exact science and inflation sometimes over- or undershoots the target. However, people postpone spending when they expect things to cost less in the future. When everyone delays spending while waiting for stuff to get cheaper, the economy slows down.

Swiss annual inflation 2002-2025



Source: Federal Statistical Office

> So a little inflation is considered healthy. It keeps the economy running smoothly, like oil for the engine.

It nudges people to spend and lets companies raise prices gradually. The SNB targets inflation under 2% over the medium term; anything higher is excessive. That's because high inflation eats into savings and can trigger a spending rush. It can spiral.

For young people **in Switzerland, inflation probably feels like a distant worry**. After all, the country is famous for stable prices. For much of the past few decades, average inflation here has hovered around zero. But even in Switzerland, prices can rise, and when they do, it can have a real impact on your daily life and long-term plans. You might notice your rent creeping up, your regular lunch spot getting more expensive, or your monthly health insurance premia rising.

What can you do if inflation starts to rise? First, look for ways to adjust by shopping around, cutting back on non-essentials or renegotiating contracts like your phone plan or gym membership. Consider **building professional skills** and experience that can help you negotiate better pay or a new job, since higher wages are the best defense against rising costs. It's also a good idea to think about your savings: money sitting in a regular savings or current account can lose value during inflation, so you may consider investing, if you're comfortable with the risks.

Understanding inflation

“Inflation vs. me” challenge

Inflation can be a sneaky thief. See how you might change your habits if inflation comes knocking.

Instructions

1. Write down today’s prices for: one movie ticket, one favorite snack, one holiday flight, and one subscription (phone/streaming).
2. Now add 10% to each item and assume your budget stays the same.

Decide how you’d adapt:

- What would you cut?
- What would you swap for something cheaper?
- Would you take on extra work to cover the gap?
- Would you consider moving to cheaper housing?

What this shows

Inflation directly shapes your everyday choices.

Item	Price	Price +10%	Difference
Movie ticket			
Favorite snack			
Holiday flight			
Subscription (phone/streaming)			
Total			

CUT

SWAP

EXTRA WORK

OTHER IDEAS

Managing economic cycles

Governments are super important in managing economic cycles and responding to inflation. After all, when things go wrong, most people look at local and federal officials and ask "Why aren't you fixing this?" Fair enough. Governments are there to respond to our needs. They can try to do some things to create healthy economic conditions. But they don't control the economy. It's way too complicated, way too big, and way too dependent on things outside government control.

But governments do have a modest-sized toolbox. During recessions, governments often increase spending or reduce taxes to support people and businesses. During booms, they may try to pull back on spending and avoid overheating (which takes some guts, because voters usually dislike that). Public money builds roads, supports research, assists public health systems, and prepares for challenges such as flood control or defense. But public spending has its limits. Debt must be repaid. Governments cannot command growth. They can primarily create conditions in which growth becomes possible.

Government decisions to control taxation and spending are called **fiscal policy**. This can put a lot of money into people's pockets – or take it out – and have a big impact on business and the economy.

> When governments are working to tame a cycle, either up or down, this is counter-cyclical fiscal policy.

It's not easy. More and more, small economies like Switzerland are influenced by developments outside their control in larger economies, such as the eurozone, China or the United States. Advances in technology, trade agreements, and the rise of global supply chains have made it easier for goods, services, and capital to move across borders at lightning speed. This **financial and economic globalization** has brought both opportunities and risks. It's the reason why you can order sushi in St. Gallen, and the reason why a mortgage crisis on Wall Street can cost you your summer job in Geneva, as it might have done for some in the global financial crisis of 2008.

For Switzerland, globalization has brought prosperity to most, though not all, of the country. It has opened new markets and attracted investment. But it leaves the economy vulnerable to external shocks, proving how problems in one corner of the world can tear through Swiss banks and businesses. To be fair, Switzerland is not unique in this regard; globalization affects everyone everywhere. And it may not last forever. Globalization may go into reverse if countries raise trade barriers, tighten immigration rules or turn inward in response to political pressure.

Central banks, which are often mostly independent of government control, are another beast entirely. Their main job is to keep inflation low, usually by setting key interest rates.

Lowering interest rates makes it cheaper for people, governments and businesses to borrow. This increases the supply of money. This encourages investment and supports the economy. When interest rates drop, your savings will earn less, which gives you an incentive to spend. By contrast, **raising interest rates** makes it more expensive for everybody to borrow. This decreases the supply of money. This slows down economic activity and may be necessary to contain inflation.

Switzerland is fortunate to have a powerful central bank of high global standing. The SNB is recognized for its independence, credibility and prudent monetary policy. It's known for keeping prices stable, managing the Swiss franc with care, and acting decisively during financial crises. The SNB's transparency and clear communication create trust with markets and the public. And that reinforces Switzerland's reputation as a stable and reliable financial center.

Sounds boring? Good! That's the way they like it: calm, competent and effective. But in reality, central banks are some of the most interesting and exciting players in the economy, shouldering enormous responsibilities. Every day they crunch reams of real-time data, make bold decisions, communicate carefully with the public and governments, and shape policies that affect every one of us, either directly or indirectly, from the price of your gipfeli to the size of your pension.

> If the stone edifice of the SNB on the banks of Lake Zurich seems cold, it's an illusion. Inside, it's buzzing like a beehive.

Yet **the influence of central banks is limited**. They cannot fix structural issues in the economy, such as outdated infrastructure or an aging population. Nor can they shield a country from global shocks, like wars or pandemics.

That leaves central banks and governments to do the best with what they've got. Sometimes it's party time. Sometimes it's curfew. It's not easy. They're almost always working to nudge the economy into slow and steady growth; what economists call the "Goldilocks" scenario: not too hot, not too cold, but just right.

Cryptocurrencies: welcome to the new world

The task of central banks is becoming even more complicated, as digital and cryptocurrencies become more popular. By design, these challenge traditional notions of money and finance because they work differently from the cash and bank accounts we're used to.

Unlike traditional money, called **"fiat currency"**, which is issued by central banks, cryptocurrencies such as Bitcoin or Ethereum are digital creations invented by people who want to change how we use or think about money. Some want a new type of currency freed from government control; others want to engineer more efficient ways of managing international finance.

Crypto runs on computer networks, often using the **blockchain**, which is like a digital notebook that everyone can see but no one can erase or change. Every time someone sends or receives cryptocurrency the transaction gets entered into this notebook. Because copies are stored on thousands of computers around the world, it's hard for anyone to mess with the records. That's what makes blockchain technology trustworthy and important for cryptocurrencies. No single authority is in charge. Blockchain lets transactions happen directly between people across borders in ways that make owners' real identities hard to track.

Sounds exciting? It is! Crypto can make cross-border payments faster and cheaper, and some projects are building new ways to save, borrow or invest that don't rely on big banks or middlemen. For the pro-crypto crowd, it's about having more control and freedom over their own money in a digital world.

> But sometimes crypto is just a little too exciting.

That's because the same features that make crypto appealing, like anonymity and no central control, also attract scammers and swindlers. Prices can swing wildly, and without strong regulation, there's more risk for investors. Exchanges have been hacked. Many digital coins have no real purpose. It gets used by criminals or foreign states to fund illegal activity, including money laundering, terrorism, and other schemes. This raises **questions about trust**, security, and how financial systems should be regulated.

> Crypto is like a new world with big risks, big rewards and no sheriff. Crypto has forced everyone to rethink what money is and how it should work in a digital world.

It’s still early days, though. Some people see crypto as a way to give more people access to money and banking. But others worry that without rules or supervision, misuse will increase and erode trust in the whole financial system.

So what? If you’re tempted to invest in crypto, remember this; prices can swing wildly and scams are everywhere.

> Only spend what you can afford to lose.

Crypto is a speculative asset, meaning it has little or no real underlying value like stocks, bonds or even gold. Never put more than a tiny fraction of your savings into crypto; and do your homework before jumping in.

Switzerland has become a hotspot for new ideas and businesses in the world of cryptocurrencies and digital finance. One canton in particular, Zug, has earned the nickname “Crypto Valley”. There, you’ll find businesses working on blockchain technology, crypto apps, new digital coins and new ways to use blockchain for everything from art to voting. The city government is even open to accepting some payments in Bitcoin.

On top of that, Switzerland is working toward creating its own official digital currency, the **“digital franc”**. For now, though, it’s only being tested between big banks, not between the general public. The SNB is running a multi-year pilot project where banks can settle trades using a digital version of the franc. But the SNB is unsurprisingly cautious, saying that regular consumers don’t need a digital franc yet because **current payment apps and bank transfers already work well enough**. So for now, the digital franc exists, but only in the engine room of the financial system, not in anyone’s mobile phone.

How this works for you

We've just taken a whirlwind tour through economic cycles and inflation and discussed what governments and central banks can do about them. We've seen that Switzerland is fully integrated into the global economy. And we've looked at how cryptocurrencies hold promise but harbor risk.

With a pinch of curiosity, you can stay abreast of what's happening in the economy around you. If you understand how these forces interact, you may avoid feeling tossed around.

> The best way to protect yourself from economic ups and downs is to keep learning.

New skills make you ready for whatever the economy throws your way. You'll gain confidence and be prepared to adapt to a changing world.

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