The Swiss Sovereign Money Initiative: Answers to Critisisms

1) Won't the Sovereign Money Initiative lead to a reduction of the banking sector in Switzerland?
On the contrary! With sovereign money the Swiss Franc will become the safest currency in the world. That's a huge competitive advantage for Swiss banks, so they're likely to win lots of new business in the area of wealth management.
The sovereign money reform will encourage a higher standard of quality controls in the financial industry, as is normal for industries in the real economy. This will ensure that Swiss banking jobs are "future-proofed".
After a sovereign money reform, banks will no longer be able to trade with money they have created for themselves. This is likely to lead to a reduction in the number of people employed in investment banking. This has already been observed over the last few months, as this business model is becoming less and less viable. Banking will be profitable and stable with the traditional business model. Jobs in banking will be safe. This model has already been shown to work as it is in use by "PostFinance" (the financial service run from Post Offices in Switzerland) which is operating successfully without being able to create money. PostFinance doesn't have a banking licence, so it can't create money: instead it has to work with money it has from savers or by borrowing from other banks. Over the last few years PostFinance has made an average profit of about CHF 600 million. Other financial firms and insurance companies are also profitable businesses without being able to create money.

2) Is it possible for Switzerland to bring in a sovereign money reform alone?
Yes! Fundamentally it's irrelevant to organisations outside Switzerland how money is created in Switzerland – whether it's backed with gold or not, or whether the minimum banking reserve is 2, 10 or 100%. For them it's more important that the Swiss National Bank has a "good" monetary policy which maintains price stability. International business partners from outside Switzerland won't notice anything different when Switzerland changes over to sovereign money. Foreign exchange trading will continue as now, and foreign currencies will continue to be able to be exchanged with Swiss Francs. Switzerland will profit from the advantages of sovereign money, regardless of whether other countries bring in a sovereign money reform or not.

3) Does it follow that there will be upwards pressure on the Swiss Franc?
As sovereign money is so good and secure, there is a danger that funds will flow into Switzerland putting an upwards pressure on the value of the Swiss Franc. The Swiss National Bank already has experience of this, and can take appropriate measures in order to stabilise the exchange rate. In addition to targeted foreign exchange purchases there are also other proven interventions such as introducing negative interest rates for foreign investors, or capital controls. A weak currency is generally much more of a problem to a country than a strong one.

4) Won't sovereign money result in a threat to the independence of the Swiss National Bank, or a concentration of power in the Swiss National Bank?
No, it's not that the Swiss National Bank will be given a major new mandate with the introduction of sovereign money, but rather that it will have more effective instruments with which it can fulfil its current mandate. The Swiss National Bank will only have responsibility for the total money supply, not for individual loans. The Swiss National Bank acts only in accordance with the Swiss Constitution and the law, and therefore acts independently from the Swiss Federal Council, politics and industry.

5) How can the Swiss National Bank know how much money is needed?
The Swiss National Bank needs the sovereign money reform to be able to fully control the amount of money in circulation. The Swiss National Bank collects the best statistics on the economy, and therefore has the best overview as to how much money is needed. What's new is that it alone can create money. This is a necessary precondition for it to be able to take on its full responsibility of acting in the interests of the country. Individual private banks don't act on economic data for the country; rather they only act from a limited business perspective with the aim of maximising shareholder value. The information from finance and capital markets doesn't disappear in a sovereign money system: these markets function as they do today making risk assessments and setting prices. Finally, if banks are lacking the funds they need to make loans, they can ask to borrow funds from the Swiss National Bank.