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Who should create our money?

1. In the discussions so far, people have often acted as if the Sovereign Money Initiative is incredibly complex. One could discuss this topic in doctoral seminars, but it is not the sort of question to put to the people in a referendum. Apart from the fact that this attitude is undemocratic and arrogant, it is also factually incorrect.
2. If money means power, then power belongs to those who create money. For money rules the world, but who rules money? Who should have power and who should rule – in a democracy these must be determined by the sovereign, which in Switzerland means the people.
3. The Sovereign Money Initiative poses a very important question for our country: Who can manufacture our Swiss francs – i.e. create money? Who is to be given this power and privilege, which, by implication, is also linked to social responsibility? Ultimately – to put it simply, it is a question of who should govern over money and with it over our country.
4. This question is very important due to the fact that the creation of money involves on the one hand individual and commercial profit opportunities, but on the other hand there are also social risks linked to these. So who should create the money with which our society ultimately works? The big banks UBS and Credit Suisse, which are increasingly owned by foreign shareholders and which, with a view to maximising their own profits, can also decide themselves what the money they create (!) will be used for? Or should it be the Swiss National Bank which is obliged by the Constitution and by statute to act in accordance with the interests of the country as a whole and which must keep an eye on the well-being of our country?

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5. The technical discourse between experts over the details of the Sovereign Money Initiative is certainly important, as we Swiss citizens must be able to make our decision based on sound information. In Switzerland the people are sovereign, and only they have the democratic legitimacy to make the decision about this important issue. It is not university professors, nor is it the President of the Swiss National Bank – especially since he personally will be affected by the decision.

6. The Sovereign Money Initiative clarifies these fundamental questions: Who should be allowed to create Swiss francs? Who should profit from the creation of money? Who should be able to excise the huge power related to this? This is a question for the Swiss people, not a doctoral seminar. Common sense and reason are sufficient for an answer.

7. The Sovereign Money Initiative poses a classic governance question. And thus it is in tune with the times. Which services in our society and economy should be provided by private organisations and which by public ones? Our answer is clear: Money creation should be done by the Swiss National Bank, but private banks should continue to offer credit, manage payment transactions and offer asset management services. We're advocating a separation of responsibilities in the money system.

   Ultimately it is a fundamental discussion about who is better placed to have the power and privilege of money creation to ensure the overall well-being of our country. Private commercial banks with their duty to maximise shareholder value and which are answerable to their shareholders around the world? Or an institution such as the Swiss National Bank, which has a constitutional mandate and is obliged by law to work for our country, and whose profits benefit everyone? That is why we're asking Swiss voters the question: Who should create our money?

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What is the Aim of the Sovereign Money Initiative

1. Amendment of the Federal Constitution

   The Sovereign Money Initiative is a proposal for a relatively minor change to the Federal Constitution - a correction back to a stable system: (1) Electronic book money should also be incorporated in the Federal Constitution and (2) Our electronic money should be created by the Swiss National Bank. Looking back in history shows that this is, in principle, not a radical system change: Swiss voters have already voted for a similar change in 1891 when the Swiss National Bank was founded and became the sole organisation authorised to bring banknotes into circulation. And now, in the 21st century, we are talking about the same thing but this time with electronic money instead of banknotes. We want to extend the National Bank's monopoly to the ever-increasingly important electronic money. In the following I would like to explain why it is imperative that we take this step.

2. Today, 90% of the money in circulation is created by private commercial banks. They do this when they grant loans and when they buy real estate, businesses, gold, securities or other assets with money they have created themselves. This fact is no longer disputed and has been confirmed by central banks and academia. Therefore, it needs no further detailed explanation here. This electronic money then ends up in our accounts as a wage or other payment after detours through the economy. The problems arising from the creation of money by banks will be highlighted by Katharina Serafimova.

3. What is so special about sovereign money? First of all, it is nothing new. Coins and banknotes are already sovereign money. Banks have electronic deposits with the Swiss National Bank, which are also sovereign money. Banks only pay each other with sovereign money! The characteristic of sovereign money is that it comes from, and is secured by, the National Bank.

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4. The implementation of sovereign money consists of 4 elements.
    1. Our electronic Swiss francs are also created by the Swiss National Bank.
    2. Banks are no longer allowed to create their own money, but must obtain pre-existing money to lend out further. This means that they can do what they have claimed to have been doing for decades: they should act as intermediaries between savers and investors (who need to borrow funds), but they can no longer create money themselves.
    3. Banks manage customers' sovereign money accounts on a fiduciary basis, i.e. outside the banks' balance sheet. As an example: an account into which a salary is paid is – for the first time - completely safe. This is a big advantage of the Sovereign Money Initiative, which is not disputed by opponents. Today, all wage-earners who have their salaries paid into a bank account are granting the bank a loan – it is the customers who have to take the risk of bankruptcy of their bank, whether they like it or not.
    4. New money from the National Bank can come into circulation directly and debt-free via the state/cantons or citizens. This money flows very quickly into the real economy and not into the financial sector. The National Bank may grant additional loans to banks if there is too little money available in savings accounts (or which can be borrowed from other banks) for the banks to be able to offer the credit needed by participants in the economy.
5. For clarification: The SNB can continue to buy foreign currencies and carry out open market operations. Its balance sheet will still be fat with assets. The SNB can continue to use all its existing instruments, such as interest rate management. Under no circumstances will it grant loans directly to the state or the economy. Its risk liability remains low. The extent to which the individual instruments are used is left to the National Bank to decide, as the initiative does not contain any provisions on monetary policy. By using the SNB's repayable loans to banks as well as open market operations and the purchase of foreign currencies the SNB has the flexibility to fine-tune the money supply at all times, allowing it to grow or even shrink – depending on the need, for example to maintain price stability or the exchange rate.
6. Conclusion: the changeover to sovereign money can be planned and managed. In comparison to the other changes in banking resulting solely from technological developments, this change is rather modest. But it is with these

changes in mind that it is important that we keep an eye on developments, particularly in the area of public and private crypto currencies, and that we resist further establishment of the privatisation of the Swiss franc.

Loss of Sovereignty

1. The original answer Swiss voters gave to the question of who should be allowed to create money is clear. Our ancestors and the founders of modern Switzerland wanted the National Bank to take over the task of creating money. This was – for the reasons mentioned above – one of the classic tasks of the state, because money creation is about questions of power (checks and balances). In 1891, in a referendum initiated by the Federal Council, the federal government's banknote monopoly was approved. Previously, almost 40 banks had been allowed to print their own notes, which had led to crises of confidence among the banks and subsequently to financial crises.
2. Unfortunately, in recent decades we have moved further and further away from the basic idea that the National Bank should create our money. Switzerland has gradually lost its sovereignty over money supply management and monetary policy. 90 percent of the money in circulation today is electronic book money generated by commercial banks.
3. 50% of this money is generated by the two foreign-controlled global players – the big banks UBS and CS, 60 – 80 percent of which are owned by foreign investors. This is unacceptable!

4. We in Switzerland are therefore far from being able to conduct a sovereign monetary policy. What risks this implies, I do not have to explain to you in a globalised environment and at a time increasingly dominated by trade wars.
5. This has consequences for our economy and our business landscape, which is largely shaped by SMEs. If monetary policy is largely dominated by foreign interests, the SNB has little influence on it. And this is exactly what is becoming a problem for our SMEs and many private households: there is more money than ever before. But our SMEs have limited access to the loans needed for investment and innovation because banks channel 80% of their new money directly into the financial markets and not into the real economy. This is also reflected in the fact that lending to SMEs has been reduced by 40% in the last 10 years.
6. The creation of money by private banks leads to an erosion of Swiss sovereignty and, due to high levels of debt, to a restriction of the political and social capacity to act. It leads to the subjugation of all areas of life to the financial market - we have long been a "financial market-compliant" democracy. We therefore have neither a primacy of the state, society and politics, nor of the economy as a whole, but a primacy of the financial market, which determines our everyday life. This also explains why the big banks (led by the Swiss Bankers Association and economiesuisse) are so opposed to this proposal, even though the banks' money creation ultimately creates huge systemic risks for the entire economy and society. The rescue operation necessary to save UBS in 2008 showed this very clearly. "Too big to fail" has been the motto ever since! All this should give us food for thought, because the lack of monetary sovereignty massively restricts our freedom of action.

Jean-Marc Heim

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Money as a Common Resource

1. The question of which tasks the state should undertake has become increasingly the focus of political debate in recent years. This includes the Pro Service Public Initiative as well as the recent discussions about the business conduct of PostBus Switzerland or the role of the Swiss dispatch agency SDA in our media system. And we all still have the No Billag (abolishing radio and television fees) referendum very much in our heads.
2. For market radicals, the answer to the question as to whether private commercial banks or the National Bank should create our money is quickly and simply answered: why hand something over to the state when the private sector is also able to do it? To the eyes of opponents of the Sovereign Money Initiative, creating money is not a classic function of the state, because the private sector is able to do it as well.
3. But this view is too short-sighted because it ignores or conceals one thing: private commercial banks have a limited perspective compared to the National Bank: They are obliged only to their shareholders and not to the overall interest of the country. The fact that the creation of money is now in the hands of private banks means that the additional profits from money creation are made by these banks, while the risks fall to the state and thus to the general public.
4. This system, which has been extoled more and more unrestrainedly in recent decades, has far-reaching consequences for our society. There is no doubt that the expansionary money supply policy pursued by private commercial banks in recent years has widened social differences. Even CS Chairman Urs Rohner admitted in an interview on the fringes of the WEF this February that he has:

concerns about the increasingly unequal distribution of private wealth; concerns about social cohesion in our country; and concerns about the once highly praised federal solidarity between various social groups. Unfortunately, he did not mention that this development was mainly due to the business policies of our big banks, which prefer to create money for those who already have more than enough of it anyway. SMEs and ordinary citizens usually get nothing.

5. The creation of money is a classic public service undertaking and not a private one. Precisely because it has an impact on all other political and social areas and thus also on the future of all of us, Article 99(1) of our Federal Constitution already states this now: The monetary and currency system is a federal matter. There's no mention of private commercial banks!

6. With the No Billag vote, the Swiss people have clearly shown that SRG (the Swiss public broadcaster) is needed as a public service. The point now is to show that the monetary system, an even more important infrastructure in our country, must be a matter for the public authorities. We cannot leave the creation of money to the private sector. Those who said yes to the SRG and also say yes to the Public Health, Transport, Police and Education Service should also say yes to the Sovereign Money Initiative.

Katharina Serafimova

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Why we need Sovereign Money

1. As a scientist and social entrepreneur, I have asked myself time and again: Why is it that we have such a gap between the financial industry's flows of money and the solutions we urgently need for a sustainable and viable world? Why do we destroy the foundations of our livelihoods with our economic activities?
2. These questions lead very quickly to the realisation that we live in a system that harms us (society, nature and economy). And at the basis of this lies the very essence of today's money. The debt-money requires evermore new credit and new growth, just in order to be able to pay the interest, and all this just to keep the money supply stable. As a result, today's monetary system puts us in a situation of persistent stress. In this context John Maynard Keynes reminds us of the child's game of musical chairs, in which - when the music stops - there is always one chair too few. But we're not running for chairs, we're running for resources. We run to stay in the game. And ultimately, we run for our existence.
3. It is very important to realise that our money is built on debt, which means the more money the system needs, the more debt that has to be incurred. This leads to problems in the medium and long term, and repeatedly leads to banking and financial crises. Therefore we need a different money system which has, whenever possible, no debt creation at the act of money creation.
4. The previous response to the instability of the system, which has triggered more than 400 systemic financial crises worldwide in the last 40 years, has been

more and more regulation. This has led to a steadily growing bureaucracy, which has not yet been able to successfully reduce instability.

5. In my view the measures implemented so far focus only on the symptoms instead of the underlying root causes. And these root causes lie, among other things, in the existing debt-based monetary system. In this current system we leave the creation of money to private banks, which in the past have repeatedly shown that they have no interest in creating money for the common good.
6. Today we have a global situation in which an oversized financial market is far removed from the needs of people and a resource-compatible real economy. There is a growing international consensus among experts that these problems cannot be solved without a reform of the monetary system. And here in Switzerland, too, growth in the money supply has been far above the growth of the real economy and has led to an expansion of the financial economy. Here, too, the Swiss franc has lost half its value since the 1970s. Here, too, the rising level of debt is contributing to an increasing concentration of wealth. Here, too, the National Bank's monetary policy and the creation of money by the banks have led to inflation in the property and financial markets, which has caused property prices and rents to rise.
7. Even the National Bank is not comfortable with the increase in mortgage debt - that is the reason for its interventions in the mortgage market.
8. We have long since given the responsibility of how we organise the monetary system, and with it the organisation of our society, to private institutions. The Sovereign Money Initiative is a first important step to mitigate the self-reinforcing excesses of today's money system. On 10th June we have the chance to take back responsibility for the money system again. So that the money and finance system becomes what it was meant to be: a public good, in the service of the citizens and the real economy.