Yes to the Swiss Sovereign Money Initiative!

Money safe from finance crises: Only the Swiss National Bank can create money

Yes to real Swiss Francs in our bank accounts
Yes to what people want: closing a loophole in the law
Yes to billions for taxpayers and the real economy

The effect of the Swiss sovereign money initiative is what the majority of people would like, and is also what the majority of people think we have today:

- Only the Swiss National Bank is allowed to create our money – not only coins and bank notes, but also the electronic money in our bank accounts
- Banks are responsible for payment transactions, wealth management and credit brokerage. However, they can't create their own money.

What is sovereign money? Sovereign money is full-value legal tender, which is brought into circulation by the Swiss National Bank. Today, only coins and bank notes are sovereign money.

What is electronic money? It's the numbers we have in our bank account. At the moment it isn't legal tender, it's only a promise made by a bank to pay us cash when requested.

The Swiss Sovereign Money Initiative has the aim that only the Swiss National Bank will be allowed to create electronic money, as is the case for coins and bank notes today. Electronic money will become sovereign money, a full-value legal tender.
This is necessary as, at the moment, cash only accounts for 10% of the money supply in circulation in Switzerland; 90% is electronic money.

The Swiss people voted in 1891 to forbid the banks from printing bank notes, giving this responsibility solely to the Swiss National Bank. We now have to extend this and give the Swiss National Bank the job of creating the electronic money as well.
Sovereign money benefits all bank customers, the real economy, the State, the Cantons, taxpayers and traditional banking businesses. The Swiss Sovereign Money Initiative is feasible to implement. The initiative text allows sufficient time to prepare for the implementation of the reform and the Swiss National Bank has the necessary tools to ensure a smooth transition.

Sovereign money is easy to understand, transparent and safe.

[1] Sovereign Money: Yes to real Swiss Francs

The Problem: Unsafe bank-money

Not all money is real money. 73 percent of the Swiss population believe that the money in their bank accounts originally comes from the Swiss National Bank, like the money in their wallets (data from a representative survey*). They are wrong. Our electronic money isn't created by the Swiss National Bank, but by the private banks. When a bank gives credit, new money is created. Banks don't usually lend out the money they have from savers; when a customer asks for credit, they simply credit the customer's account with newly-created money all in a button-click** - that is, with money that didn't previously exist.

Money in a bank account isn't legal tender, but only a promise from the bank that it will pay out cash if requested. Bank accounts don't contain real Swiss Francs. The electronic money in bank accounts makes up 90 percent of our money, and it's only backed by minimal reserves.

If a bank finds itself in financial difficulties, customers won't be able to withdraw their money, although there is a deposit protection scheme up to 100,000 SFr. However, the insurance fund to cover this scheme is only 6 billion SFr, which would only cover 1.4 percent of all bank deposits. In a major banking crisis this deposit protection scheme is far too small to pay all banking customers' their money.

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The Solution: Real Swiss Francs in our bank accounts

The intention with the sovereign money initiative is that in the future only the Swiss National Bank can create money. The banks can't create their own money any more – just like all other organisations and individuals. The banks will only be able to give out credit using money that they already have from savers, other banks or the Swiss National Bank. The Swiss National Bank will have the statutory mandate to ensure that there is neither a squeeze on the supply of credit nor that there's a flood of supply.

Our electronic money will become legal tender, like bank notes and coins. Electronic money is a form of sovereign money. When it's in a bank account it will belong to the holder of that bank account just like cash in your wallet or treasures in a safe. It will always be available, including when a bank hits financial difficulties or even goes bankrupt.

We need the Swiss Sovereign Money Initiative, because legal tender (cash) is used less and less. If we don't have the sovereign money initiative we citizens won't have access to legal tender any more. We'll become completely dependent on unsafe "promises to pay" made by our banks.

*http://www.vollgeld-initiative.ch/umfragen (German)
or http://positivemoney.org/2015/09/survey-confirms-people-have-no-idea-about-how-money-is-created/ (English)
** http://www.vollgeld-initiative.ch/wie-entsteht-geld/ (References to articles in German and English)
*** www.einlagensicherung.ch

[2] Sovereign Money: Yes to what people want

The Problem: Banks create their own money

Until the end of the 19th century the private banks were allowed to print their own bank notes in Switzerland. That led to financial insecurity and too much money being printed.

The Swiss People chose to set up the Swiss National Bank. In a national referendum in 1891 the Swiss people voted for Swiss money (“bank notes and other similar forms of money”) to be created solely by the Swiss National Bank. However, due to the emergence of electronic payment transactions banks have regained the opportunity to create their own money. The decision taken by the people in 1891 has fallen into oblivion.

As a matter of fact banks create 90 percent of our Swiss money today – namely the sum total of the money in our bank deposits. Most citizens falsely believe that this money was created by the State or the Swiss National Bank.

The solution: Close the loophole in the law: only the Swiss National Bank should be allowed to create the money

The aim of the Swiss Sovereign Money Initiative is to reassert the decision taken by the Swiss people. It’s an initiative force the implementation of this earlier decision. The Swiss Federal Constitution (Article 99[1]) states “The Confederation is responsible for money and currency”. We, the Swiss people, have forbidden the banks to print bank notes in 1891. To keep to the original intention of the Swiss Federal Constitution we must now forbid the banks from “printing” electronic money. Only the Swiss National Bank should be allowed to create money.

The sovereign money banking system is how people imagine the banking system works. Our electronic money won’t be created by banks for their own interests any more, but by the democratically controlled Swiss National Bank with the duty to “serve the overall interests of the country” (from Article 99[2] of the Swiss Federal Constitution). The Swiss National Bank will create the money, and the private banks will be intermediaries between savers and borrowers.

Banks remain banks: With sovereign money banks will continue to carry out payment transactions, lend money and to offer wealth management and other financial services. If needed, they’ll be able to borrow money from the Swiss National Bank to avoid having to ration credit (or having to increase the price of credit). Only the ability to create money for themselves will be taken away from them.

[3] Sovereign Money: Yes to billions for taxpayers and the real economy

The Problem: On one hand the public coffers are empty, and on the other hand there is an untapped source of resources

At the moment we forgo billions of Swiss Francs from the money creation process. We make do with comparatively low and uncertain profit distributions by the Swiss National Bank. The proceeds from the production of electronic money lie untapped while tax hikes, austerity and the dismantling of public services are deemed to be necessary.

Newly created money flows primarily in the financial markets. Today, about four-fifths * of the money created by the banks flows into the financial markets; only about one-fifth ends up in the real economy, where jobs, products and services are generated.

Today's production of money by giving out credit forces debt to be created. Without new debt there will be no new money. A heavily indebted society is susceptible to financial crises and risks losing its independence.

The Solution: Utilise the proceeds from money creation

A 1000-franc note has printing costs of 30 centimes, but has a value of 1000 Swiss Francs. That means there is the possibility of making a profit of 999.70 Swiss Francs from money creation (seigniorage). The production of electronic money is also almost free, whether a single franc or a million francs are generated. This profit from money creation has not been utilised.

A positive consequence of the Swiss Sovereign Monetary Initiative is that the Swiss National Bank would be able to pay out an additional five to ten billion Swiss Francs to the Confederation and cantons. The actual amount (which depends on economic growth) would be two to four times the usual profit distribution of the Swiss National Bank, without triggering any inflation. With this additional income, taxes could be reduced, public debt paid down or public infrastructure and/or social works financed. Another possibility would be to distribute newly created money through an annual dividend of 500 to 1,000 Swiss Francs to all citizens. Society and the real economy benefit from the additional profits from the creation of money.

The parliament will decide how these additional funds will be distributed. The independent Swiss National Bank has to act under the law within the remit of the constitution to ensure price stability and to determine the money supply, but has no say in how these additional funds should be used.

Newly created money will flow in the first instance into the real economy: When the Swiss National Bank brings new money into circulation, taxes can be reduced, public works financed or citizens can be paid a citizens' income. These actions will directly benefit the real economy rather than financial markets. In this way the Swiss economy will become stronger, SMEs will benefit and jobs will be safe.

* Growth of the money supply M1 in comparison to economic growth (GDP)

[4] Sovereign Money: Yes to a fairer free market economy

The Problem: An uneven playing field

The privilege that the banks have of being allowed to create money comes together with an enormous state subsidy. At the moment banks have an unjustified competitive advantage compared to all other businesses and individuals. To make investments, other businesses must first either earn the funds they need or borrow them at interest. Also, private individuals can only pay out as much money as they have available. Banks, on the other hand, work with money that they can create for themselves. Such distortions don't fit well with a free market economy.

Banks can lend money that they don't have, and they can even buy real estate and securities with money that they've created for themselves. That's why the so-called proprietary trading is so popular with banks: their own investments can be financed more easily and therefore pay off more quickly than those of other operators in the market.

There's a lack of transparency and understanding. While other subsidies are publicly discussed in great detail, the subsidy that the banks have is hardly known and not explicitly discussed. This is unfair and undemocratic.

The Solution: Sovereign money creates true competition

The privilege of the banks to create their own money is revoked. Consequently, the banks will be treated in the same way as all other businesses. They'll only be able to use money that they have from savers, other banks or, when necessary, borrowed from the Swiss National Bank. If the deposits in savings accounts are insufficient to cover the demand for credit, the Swiss National Bank can lend money into the banking system.

[5] Sovereign Money: Yes to the Swiss banking sector

The Problem: Big banks may have to be bailed out (too big to fail)

Big banks can take on more risk than they alone can carry, as they know that they'll be bailed out with taxpayer's money if necessary. No state can allow the transaction payment system to collapse, as that would result in economic chaos. If the accounts of a major bank were blocked due to the bank being insolvent, millions of residential and business customers wouldn't have their money any more, and wouldn't be able to pay their bills. The consequences would be queues of desperate people at bank counters and ATMs, and an immense chain reaction of bankruptcies followed by economic stagnation. To avoid such drastic consequences states are forced to save big banks.

Today's banking system is too complicated. Even for the regulatory bodies as well as the banks themselves, the system is very difficult to understand and sometimes uncontrollable. The impact of the escalating regulation can hardly be overestimated.

Banking regulations are flawed: Their complexity is ever increasing, leading to considerable extra work and costs for the banks. Rather than regulate the basics, the legislature loses more and more in detail. New regulations are, however, quickly circumvented with ever-more ingenious financial products.

Regional banks are at a disadvantage. The increasing banking regulation hits small and medium banks extra hard. It is designed with big banks in mind, and it is an excessive burden which overwhelms smaller banks, which tend to serve the regional economies.

The Solution: Secure customers' money instead of saving the banks

After a sovereign money reform, all the money in our bank accounts will become legal tender, to all intents and purposes like electronic "cash". This money will really *belong* to the account holder – like money in a wallet or treasures in a safe. Therefore this money is completely safe. Banks won't need to be saved by the state any more: this will be a huge benefit for our national economy.

Sovereign money promotes traditional solid banking practices. Banks can operate profitably with long term stability in the sovereign money system. Jobs in the banking sector will remain safe. This is proved by PostFinance (a banking service offered by the Swiss post office) which operates profitably without creating money. PostFinance can't create money when it gives credit because it doesn't have a banking licence. Instead, it works with the money it has from savers and money it has borrowed from other banks. Despite not being able to create money it has made an average annual profit of about 600 million Swiss Francs over the last few years. Insurance companies and other financial services are also profitable without being able to create money.

Banking regulations can be fundamentally simplified. Instead of ever increasing legislation and regulation to fight the symptoms, the root cause of the problem can finally be tackled. Risky business can no longer be financed with internally generated money. Therefore a sovereign money reform also enables a reduction of bureaucracy in the banking system. Operating out of Switzerland will give the Swiss financial sector an advantage in global competition.

Advantages for regional banks. Smaller regional banks will no longer have to comply with complex regulations designed for big banks because banking regulations can be drastically reduced after a sovereign money reform.

[6] Sovereign Money: Stability instead of experiments in finance markets

The Problem: Finance markets create speculative bubbles

Investment banking experiments with ever increasing financial products and, in doing so, creates excessive amounts of money. Between 1990 and 2012 the money supply in Switzerland rose five times more quickly as economic growth (GDP). The consequences are speculative bubbles, notably in the real estate sector and stock markets.

Treating the symptoms doesn't solve the problem. At the moment a huge effort is being put into controlling the experiments in the finance markets. However, the regulator is usually one step behind with the regulations, addressing only symptoms and consequential damages. The prescribed increase in banks' capital requirements is sensible, but doesn't go nearly far enough.

The Solution: The Swiss National Bank controls the money supply

A money supply suitable for growth in an economy will guarantee stability in financial markets and in the real economy. This can only work when the central bank can actually direct the amount of money in circulation. The Swiss National Bank unlike the other banks has a duty to serve "the overall interests of the country" (Swiss Federal Consititution Article 99[2]) and ensure price stability.

The transition to a sovereign money system can be well prepared for in advance and carried out without difficulties. It's only a matter of an accounting change on a particular "changeover" day; the sovereign money system will then gradually become established over a few years. Switzerland can do this alone: fundamentally nothing changes for the national and international payment transactions with a sovereign money reform. The Swiss National Bank has the necessary tools available to it at all times to effectively react appropriately in all situations.

The Swiss Sovereign Money Initiative gets to the crux of the problem with our insecure money system. It provides a scientifically based, accurate and balanced solution. It is the long overdue, logical extension of the proven cash system to include electronic money.

(Extra subject – to be communicated as necessary:)

[7] Sovereign Money: Yes to reducing debt in our society.

The Problem: New money comes into circulation as debt

The current electronic money (book money) is based on debt. Book-money is created when banks grant credit. This means the creation of new bank deposits come hand in hand with the creation of money and the creation of debt. As a growing economy is dependent on having an increasing amount of money in circulation, there also has to be an increasing amount of debt.

It's not possible to have debt repayment on a large scale, as this would cause money to disappear out of circulation. It's therefore pointless to complain about the increasing value of national and private debt: with the current system an economy can never pay off its debts.

Switzerland is also heavily indebted. Unlike other countries, the public debt in Switzerland is indeed under control, but companies and individuals are heavily indebted. The private debt in Switzerland is higher than in Greece or Italy.*

Interest must be paid on debt. Between 2003 and 2012, the total money supply in Switzerland was, on average, CHF 340 billion. At an interest rate of only one percent, CHF 3.4 billion must be spent annually to service this debt. After a sovereign money reform such high levels of debt servicing would not be incurred.

High levels of debt and associated interest payments contribute to the concentration of wealth. Since financial assets are concentrated in the hands of relatively few people, more and more money in the form of interest flows from the financially weaker classes in society to the wealthier ones.

The Solution: Debt-free money

After a sovereign money reform, money comes into circulation without corresponding debt. It comes into circulation either by being spent into circulation by the state, or by being given to citizens as a citizens' dividend.

Interest will still need to be paid on loans. It's just money creation which will take place debt-free and interest-free. However, interest will still have to be paid on bank loans. How interest rates will develop with after a sovereign money reform will depend, as in the current system, on many factors.

Reduction of the total debt. When money is created without debt, Switzerland's total debt can be reduced; taking both private and public sectors together this will be in the order of CHF 340 billion. This is a big relief for the economy and society.

Redistribution (from poorer to richer members of society) will be reduced. As no interest will be payable on the money supply (CHF 340 billion) after a sovereign money reform, about CHF 3.4 billion (at 1% interest rate) will no longer have to be paid in interest. This reduces the systemic redistribution from poor to rich.

* Table from NZZ newspaper (In German: Schuld = Debt, BIP=GDP)
http://images.nzz.ch/eos/v2/image/view/620/-/text/inset/20825679/1.18219140/1389427370/tab-original.jpg
and From City A.M. newspaper: http://www.cityam.com/1411501631/debt-map