



Vollgeld-Initiative

Postfach 3160, 5430 Wettingen
info@vollgeld-initiative.ch
www.vollgeld-initiative.ch

+41 (0)44 586 69 94
+41 (0)79 773 34 50
Postfinance 60-354546-4
IBAN CH61 0900 0000 6035 4546 4
BIC POFICHBEXXX

Initiative Monnaie Pleine

Case postale 3160, 5430 Wettingen
info@monnaie-pleine.ch
www.monnaie-pleine.ch

Iniziativa Moneta intera

Casella postale 3160, 5430 Wettingen
info@moneta-intera.ch
www.moneta-intera.ch

Statement about Sovereign Money presented at the General Meeting of Shareholders of the Swiss National Bank on 29th April 2016

Dr. oec. Reinhold Harringer (Member of the Swiss Sovereign Money Initiative Committee)

[translated from German]

Mister President, Shareholders of the Swiss National Bank

My name is Reinhold Harringer. I've been a shareholder of the Swiss National Bank (SNB) for a few years, and the success of our national bank means a lot to me – as it does to everyone in this hall. At the same time I speak for the Swiss Sovereign Money Initiative. Therefore, I would like to demonstrate why the Sovereign Money system would be an advantage for our institute and our country.

We'd like to thank the organisers for giving us the opportunity to introduce our cause in 10 minutes here today. It seems to appropriate to us as the introduction of a Sovereign Money system would directly affect and positively impact both the status and the work of the National Bank.

Last December over 110,000 signatures supporting the Sovereign Money Initiative were officially handed in. These signatures were collected without the support of political parties, other organisations or sponsors. This achievement, by itself, is a small sensation. These signatures are, from our point of view, a clear indication of the widespread unease concerning our current financial system.

I'd like to divide my presentation into three parts: the content of the Sovereign Money Initiative; its background; and how it could be implemented.

A.) What do we want to achieve with the Sovereign Money Initiative?

1. We want the SNB to issue all money – including electronic money – instead of only printing new bank notes.
2. We want the banks to only be able to lend out money, and not to be allowed to create it themselves any more. However the banks would remain responsible for giving out credit, payment transaction systems, and wealth management. We do not want a nationalisation of either the banking system or bank lending.
3. Banks should look after money belonging to their customers like trustees. We want bank accounts in which money is safe. Bank accounts should be organised like custody deposits, outside of the banks' balance sheets. In this way payment transactions systems would be safe and the danger of bank runs would be eliminated. All the too-big-to-fail problems would be solved or can be addressed.

B) Why do we need Sovereign Money?

Two fundamental convictions lie behind the principle of a Sovereign Money system:

1. More than 100 years ago the National Bank was given the sole right to bring “coins, bank notes and other similar species of money” into circulation. We believe that this right should now be extended to include electronic money, which in the meantime has become very important. It is one of the central tasks of the State to control its own currency. The National Bank doesn't have sufficient influence over the money supply in today's system, because about 90% of the means of payment is created by private banks who act in their private interests not “in the interests of everyone” as is the legal duty of the National Bank.

This privilege of the banks has contributed to the overpowering dominance that the financial sector now has. The problems arising from this are well known: recurring economic booms and busts, financial and banking crises, debt problems, etc. With the Sovereign Money system the SNB will finally have the possibility of effectively controlling the money supply, rather than just providing bank reserves retrospectively. Giving our National Bank better options for enacting monetary policy is of the main concerns of the Swiss Sovereign Money Initiative.

2. Currently most money is created in the form of book-money by banking institutions, and it is always created hand-in-hand with debt. This link between money and credit (or debt) is unnecessary and dangerous. How can the accelerating indebtedness of society be slowed, or the aggregate debt be paid down, when we need ever more money and this money can only be created together with debt? What are the dangers of this giving rise to a recession? Does our monetary system contribute to the development of democracy or does it foster the tendency towards plutocracy? What is the consequence of these high debts on the distribution of income and wealth?

Public debt in Switzerland is, in fact, under control. However Switzerland belongs to the group of countries with the highest private debt – a fact that we like to forget. Sovereign Money illustrates that money can be created without debt.

The idea that money must be backed by something – even if only with debt – has been proved not to be relevant in our current times, both in theory and practice. What could back the bank notes of the National Bank? The bank notes are on the liabilities side of the SNB's balance sheet, and on the asset side there is gold but above all there are foreign exchange assets, mostly in the form of debt securities. Can one redeem bank notes at the SNB? For gold, for example? No, the obligation to convert to gold hasn't been valid for ages. Or for securities or foreign government bonds? Hardly likely.

The alleged idea that bank notes are backed by something of worth is therefore an illusion which has no practical meaning. However, we can swap our bank notes for bread and meat in our shops and we can settle debts and pay taxes with them. The basis for this lies in trust and the general acceptance of bank notes, not in a theoretical backing by something of worth. What money is, in truth, backed by, is based having on a productive economy, a stable political system and a functioning legal system. We don't need debt to create trustworthy money. The separation of money from credit is another key point of the Sovereign Money Initiative.

C) Can the Sovereign Money Initiative be implemented nationally?

The initiative is not the work of some inexperienced idealists, but is based on decades of work by respected economists. Prof. Brunetti, one of the main advisers of the Federal Council, has said (quote, translated): "Most economists will tell you that a Sovereign Money System can function in principle. However, 'how to get there' is the big problem. If one could construct the Sovereign Money System from scratch, it would be quite a conceivable variant." End of quote. He then goes on that the problem of 'how to get there' would be too big and the benefits too low, and that we should continue on the present path of regulation.

I would like to make the following observations:

1. The formulation, a Sovereign Money System might work in principle, is, of course, a deliberate understatement. Of course it will work, and indeed much better than the current system. An IMF study confirms this impressively.
2. One cannot say that Sovereign Money would be something completely new as we have always had it to some extent: our coins and bank notes have been Sovereign Money for decades and the seigniorage from minting coins already flows directly into the federal coffers.

The existing bank note monopoly will just be extended to electronic book money with a Sovereign Money reform. From a technical viewpoint, "private" book money will be terminated and replaced by "public" book money. The exact same procedure was successfully used over a hundred years ago when the use of private bank notes was abolished and the bank notes of the National Bank were introduced into circulation. The financial system did not collapse at the time, but instead became much more stable. The well-controlled transition to electronic Sovereign Money will also bring more advantages than disadvantages.

3. Sovereign Money corresponds to a traditional image of banking. For individual bank customers very little will change. No negative effects on banks or the Swiss financial centre are expected, as the National Bank has the necessary tools to ensure a smooth transition.

Contrary to people's fears the Swiss Sovereign Money Initiative is therefore neither revolutionary nor a threat to prosperity in Switzerland. The revolution in the banking sector isn't coming from the Sovereign Money Initiative, but from technological developments. This is why it is all the more important for the state to regain sovereignty over money.

One can argue over whether the risks of change are greater than the risks of the current system. But wide swathes of the population have lost confidence in our current system due to the last financial crisis and the subsequent monetary policy experiments.

I conclude:

1. Sovereign Money means that the National Bank will get full control of entire creation of money and can therefore control the money supply effectively. This is one of its core functions.
2. Sovereign Money means not only crisis-proof cash, but also crisis-proof electronic transaction money in a crisis-resistant payment system.
3. The introduction of Sovereign Money will be managed by the National Bank. It will control the whole process, there are no irreversible steps involved and the National Bank will retain its full capacity to act.

D) Final Word

We'd appreciate the contribution the SNB can make to a fair discussion by providing objective explanations about the money system. On the other hand when it concerns political values and fundamental issues, we hope that the SNB will remember the words of its President at the Ustertag in 2014: regarding the Swiss Sovereign Money Initiative Mr Jordan said (quote) "[such] fundamental questions, ultimately, cannot be decided on by a representative of the SNB but by voting citizens. In our democracy, they are the ones who have the final word ... and that is how it should be." (end quote).

In this sense, we want to invite you as shareholders and as citizens to find out about the proposals of the Sovereign Money Initiative and to make your own judgments. We will be happy if we can give you informational material for this purpose.

Thank you for your attention!