
THE FUTURE OF MONEY – 10 YEARS AFTER LEHMANN AND NAKAMOTO

Lessons learnt from the Swiss Referendum on Sovereign Money

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I. Swiss Direct Democracy

I. Swiss Direct Democracy – Swiss People's Initiative



- Propose a change to the text of the constitution
- Collect 100,000 valid signatures in 18 months
- Initiative is discussed by the Federal Council and in both Houses of Parliament, who recommend adopting it or not
- Booklet and voting papers sent to all eligible voters. Booklet has official recommendations as well as information from people bringing the initiative
- National referendum is held

2. How voters decide



Swiss people
Vote 4 times a year on several topics
including national and local issues

2. How voters decide – Main sources of information

1. Look at summary recommendations in official booklet
2. Look at official booklet statistics on how politicians voted
3. If voters identify with a political party, look at their party's recommendations
4. Talk to their friends
5. Read newspaper articles, read official booklet in full, watch TV debate
6. Advertisements, flyers delivered with post, online ads and posts

Only if the topic is very simple or of great interest do people decide for themselves on the arguments given

3. How ‘influencers’ decide

3. How ‘influencers’ decide – Politicians

How do politicians decide?

- They are likely to look to their party’s policy unless the topic is of personal interest
- They listen to renowned experts
- They debate the topic in parliament

3. How ‘influencers’ decide – Political parties

How do political parties decide? They typically vote on it, taking account of

- whether it is party policy
- the outcome of a debate with experts speaking for and against

3. How ‘influencers’ decide – Who were the ‘experts’

MoMo

- Raffael Wüthrich – BA Journalism and Organisation Communications
- Reinhold Harringer – ex Chief of the Finance Dept. of St Gallen
- Martin Alder – Economist

Our opponents

- Ueli Maurer – Swiss Finance Minister
- Sergio Ermotti – CEO of UBS
- Thomas Jordan – Chair, Swiss National Bank

3. How ‘influencers’ decide – Thomas Jordan & the SNB, spearhead of the NO campaign / I

“A sovereign money system would hurt our country as a whole and also make it difficult for the Swiss National Bank to fulfil its mandate”

Thomas Jordan

3. How ‘influencers’ decide – Thomas Jordan & the SNB, spearhead of the NO campaign / 2

Thomas Jordan’s response to the Sovereign Money Initiative

Speeches:

- 16 Jan: How money is created by the central bank and the banking system
- 3 May: Why Sovereign Money would hurt Switzerland
- 16 May: Consequences for the economy and monetary policy

Also newspaper interviews and an online question and answer session

4. Why was Swiss National Bank against the initiative?

3. Why was Swiss National Bank against the initiative? – List of arguments

SNB published their detailed arguments:

Swiss sovereign money initiative (Vollgeldinitiative): frequently asked questions

MoMo refuted these in press releases, interviews and in a detailed paper* - but didn't get heard

*[https://www.vollgeld-initiative.ch/fa/img/English/Clarifications to SNBs FAQ on Sovereign Money.pdf](https://www.vollgeld-initiative.ch/fa/img/English/Clarifications%20to%20SNBs%20FAQ%20on%20Sovereign%20Money.pdf)

3. Why was Swiss National Bank against the initiative? – ‘Experiment’

SNB: ‘Experiment’

MoMo: Today’s system is an even bigger experiment

- negative interest rates
- SNB purchases of foreign assets (e.g. shares in Facebook)
- expectation of another financial crisis

However, Swiss people do not ‘feel’ they live in an unstable financial system

Observation: ‘Support’ from abroad was unhelpful as it was met with “why should we be the guinea pig? – you try it if you want”

3. Why was Swiss National Bank against the initiative? – ‘political influence’

SNB: Exposure to political influence

MoMo:

- SNB already has this ‘exposure’
- Constitutional text enshrines no political influence

Question: Would it have been easier to gain political support if the direct distribution of Sovereign Money had been only to citizens and not to the cantons or the government?

3. Why was Swiss National Bank against the initiative? – financial system / monetary policy

SNB: Complete upheaval to financial system, SNB would have to target quantity of money instead of interest rates

MoMo:

This is wrong – system could be managed almost as it is now:

SNB could set an interest rate at which they would always lend to banks

Question: Would it have been helpful to make this argument more prominent? People don't like big change

3. Why was Swiss National Bank against the initiative? – credit crunch

SNB: Credit crunch

MoMo:

Only if SNB doesn't lend the banks enough funds at reasonable rates

Initiative text states it must ensure the functioning of the credit system

Observation: This was a big worry for businesses. What if the SNB didn't provide the funds? Would loans have become more expensive?

3. Why was Swiss National Bank against the initiative? – issue with foreign assets

SNB: Not possible to deal in foreign assets

MoMo:

Yes it is!

Observation: This could have been more explicit in the initiative text

3. Why was Swiss National Bank against the initiative? – concluding remarks

The SNB was a key influencer which is respected and trusted.

➡ support from the SNB was necessary

However, adoption of the initiative would have:

- Given the SNB a new mandate, with new challenges and extra work
- Put the SNB in the world's spotlight

Question: How could the SNB have been persuaded to back the Sovereign Money Initiative?

5. Result of vote

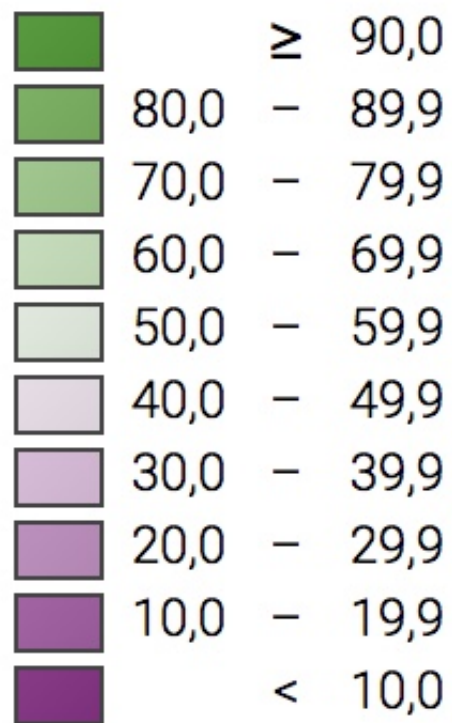
5. Result of vote – language regions and type of settlement

	German Switzerland	French Switzerland	Italian Switzerland	Switzerland
Cities				
→ Centres	27.8%	32.6%	25.4%	28.8%
→ Agglomeration	21.4%	25.9%	24.3 %	22.5%
Rural communities	21.3%	23.9%	24.7%	22.0%
Switzerland	23.2%	27.4%	24.7%	24.3%

Source: BFS voting statistics

5. Result of vote – cartographic visualized results

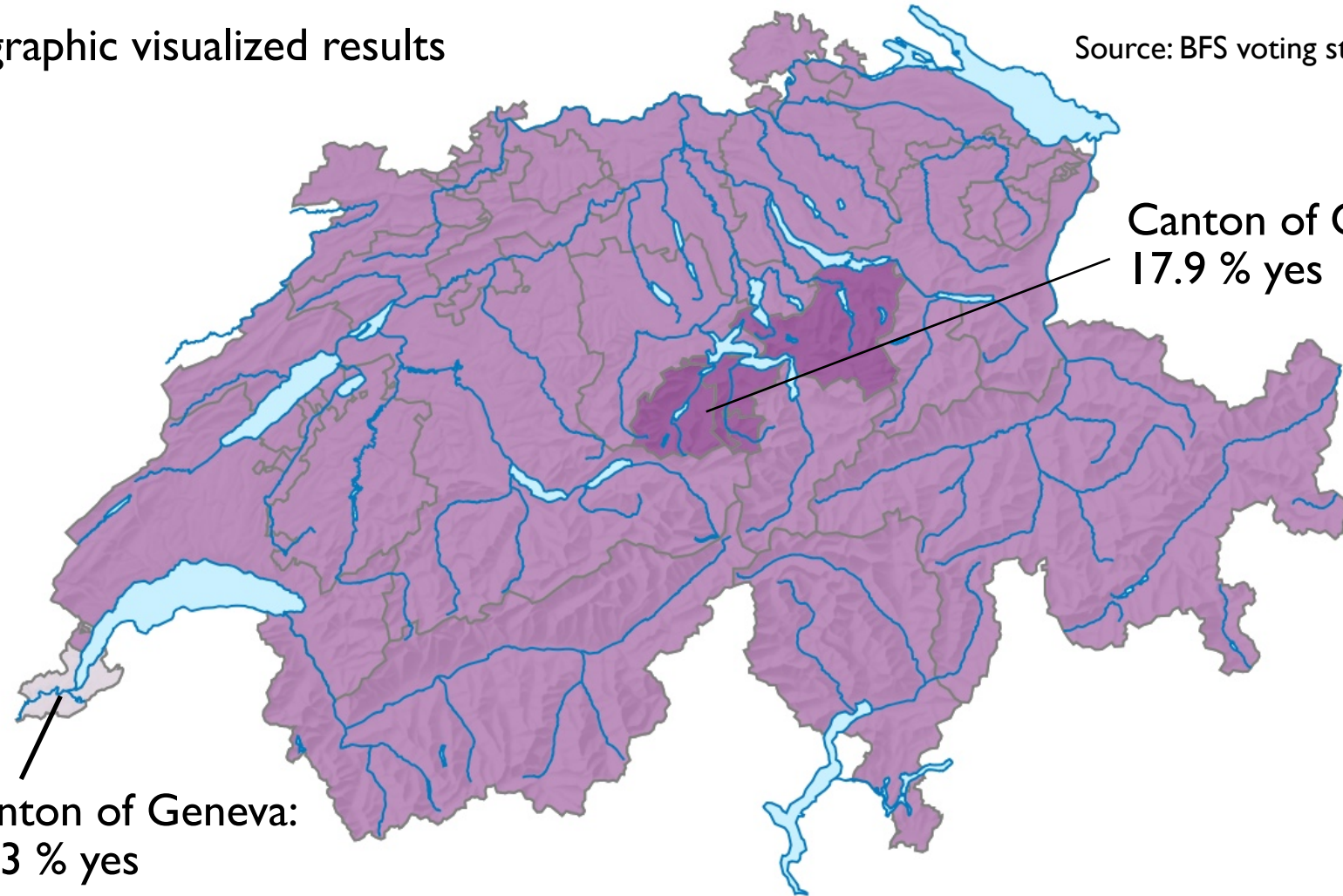
Source: BFS voting statistics



Yes-votes, in %

Canton of Geneva:
40.3 % yes

Canton of Obwalden:
17.9 % yes



5. Result of vote – voting participation

- Voting participation: 33.8 % -> the lowest in Switzerland since 2006 (average participation 2011 - 2017 = 46.5 %)
- Total yes votes: 442'387 (1'379'448 no) / Cantons: 0 yes (23 no)
- Compared to basic income vote 2016: 568'905 yes (1'896'963 no) / Cantons: 0 (23 no)
-> 23.1% yes / voting participation: 46.4%
- Higher participation does not automatically lead to more yes votes in percent

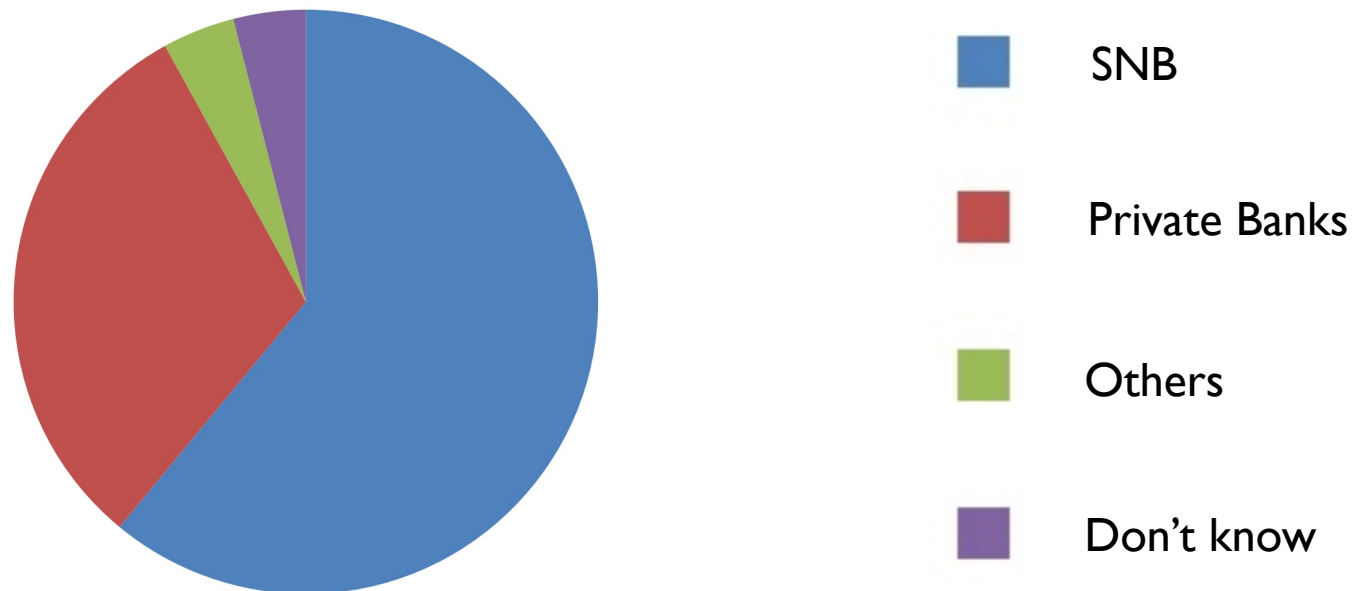
6. Survey after vote

6. Survey after vote – Method

- Online questionnaire
- Statistical population: People between 15 and 79 years in French and German Switzerland
- Sample size: n=991
- Survey conducted between June 15th and 25th 2018 by Link institute

6. Survey after vote – Result

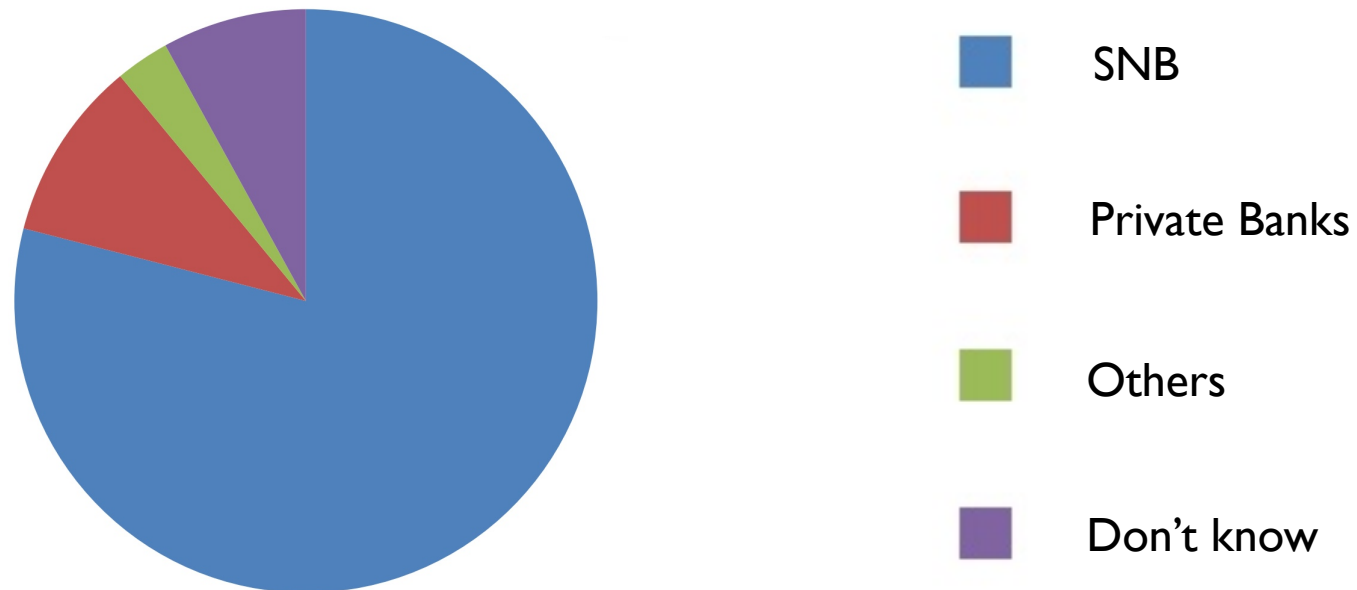
«What do you think: Who creates most of the money in Switzerland? »



Source: Kohler, Juli 2018

6. Survey after vote – Result

«What do you think: Who should be allowed to create money in Switzerland? »



Source: Kohler, Juli 2018

6. Survey after vote – Result

- Only 10% think that private banks should create money. But 76% actually voted in favour of it
- 60% think the SNB already creates most of the money in circulation, hence are still unaware of how the system actually works.
- 80% think that only the SNB should have the permission to create money. There is a big discrepancy between the status quo and what people want.

7. Media coverage

7. Media coverage – Switzerland

19.03.2018 – 03.06.2018 (Vollgeld-Initiative)

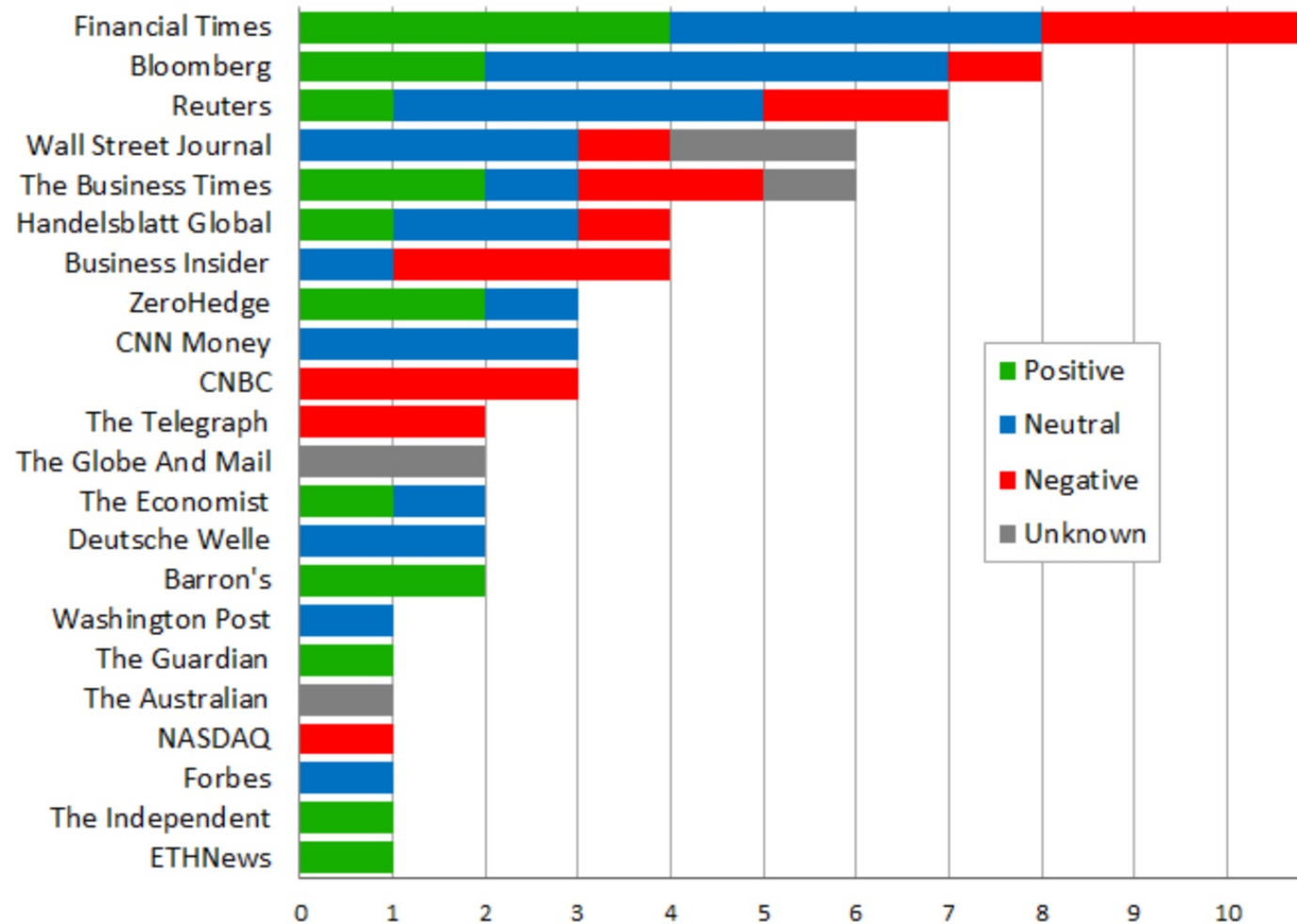
- Tonality
- Number of articles



Source: fög / University of Zurich

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7. Media coverage – international



Source: Dawnay, October 2018

7. Media coverage – overview

- More than 200 articles on Vollgeld from March to June in Switzerland
 - almost all of them with a negative tonality
- Dozens of articles on Vollgeld in international media
 - Tonality more balanced (let the Swiss get radical and see what happens)
- Swiss and international commentators vividly discuss the role of banks and the SNB in the process of money creation
 - Private Banks create most of the money in circulation becomes general knowledge for journalists and the informed public

8. Lessons learnt

8. Lessons learnt – general lessons / I

- A Swiss peoples initiative is a great tool to raise awareness for a specific subject on a national and international level. It can help facilitate change.
- The first step of a monetary reform is to raise awareness that the monetary system actually can be reformed
- The Vollgeld-Initiative triggered a public debate about monetary reform. Hence, the Vollgeld-Initiative marked the beginning of the reform process, even if Swiss public voted against Vollgeld.
- In a direct democratic system like Switzerland a reform proposal must include the interests of at least some of the influential stakeholders (i.e. SNB, parties, syndicates, civil society organisations, economic & trade associations, etc.) in order to have a chance for success

8. Lessons learnt – general lessons / 2

- It is very helpful if the monetary reform proposal is backed by peer reviewed quantitative research that estimates the impact of the reform on a countries economy
- A monetary reform proposal must use tools and language that make sense for the audience that is addressed
- A monetary reform proposal needs to respect that change happens at the margin in a democracy
- Monetary reform is a step by step long term operation. Hence, advocates of monetary reform may consider identifying, branding and promoting single steps instead of all-at-once monetary reform

Questions



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