

Vollgeld 101

The Future of Money - Conference

Manuel Klein



**International Movement
for Monetary Reform**

Quotes from central bank publications

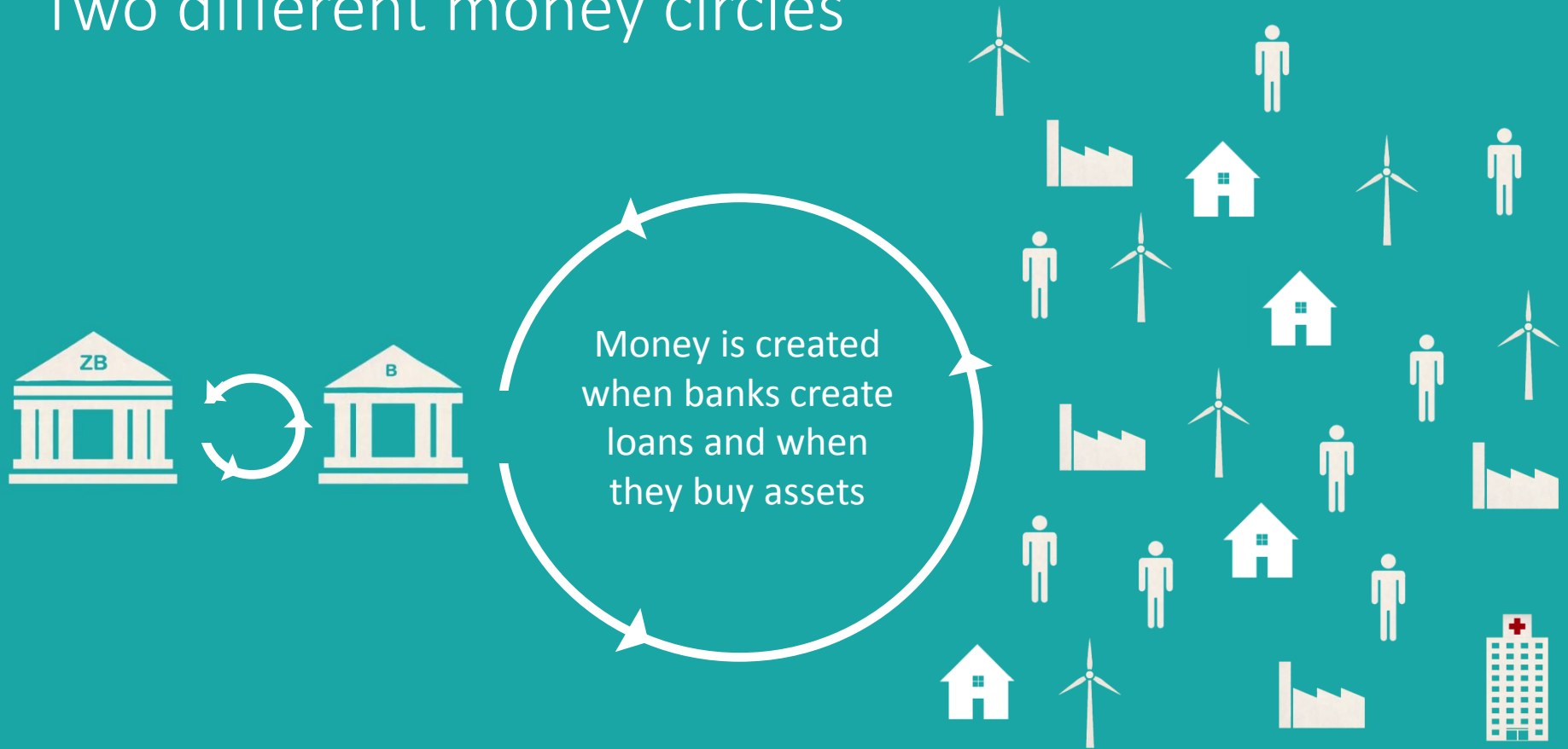
- *“Money creation in practice differs from some **popular misconceptions** — banks do not act simply as intermediaries, lending out deposits that savers place with them, and nor do they multiply up central bank money to create new loans and deposits.
Whenever a bank makes a loan, it simultaneously creates a matching deposit in the borrower’s bank account, thereby creating new money.”*

- McLeay, M., Radia, A., and Thomas, R. (2014) Money creation in the modern economy, **Bank of England** Quarterly Bulletin 2014 Q1

- *„Tatsächlich wird bei der Kreditvergabe durch eine Bank stets zusätzliches Buchgeld geschaffen. Die weitverbreitete Vorstellung, dass eine Bank "auch altes, schon früher geschöpftes Buchgeld, z.B. Spareinlagen, weiterreichen" (könne), wodurch die volkswirtschaftliche Geldmenge nicht erhöht wird, trifft nicht zu.“*

- Vertiefung: FAQ zum Thema Geldschöpfung – Website der **Bundesbank**

Two different money circles



Money creation = Balance sheet lengthening

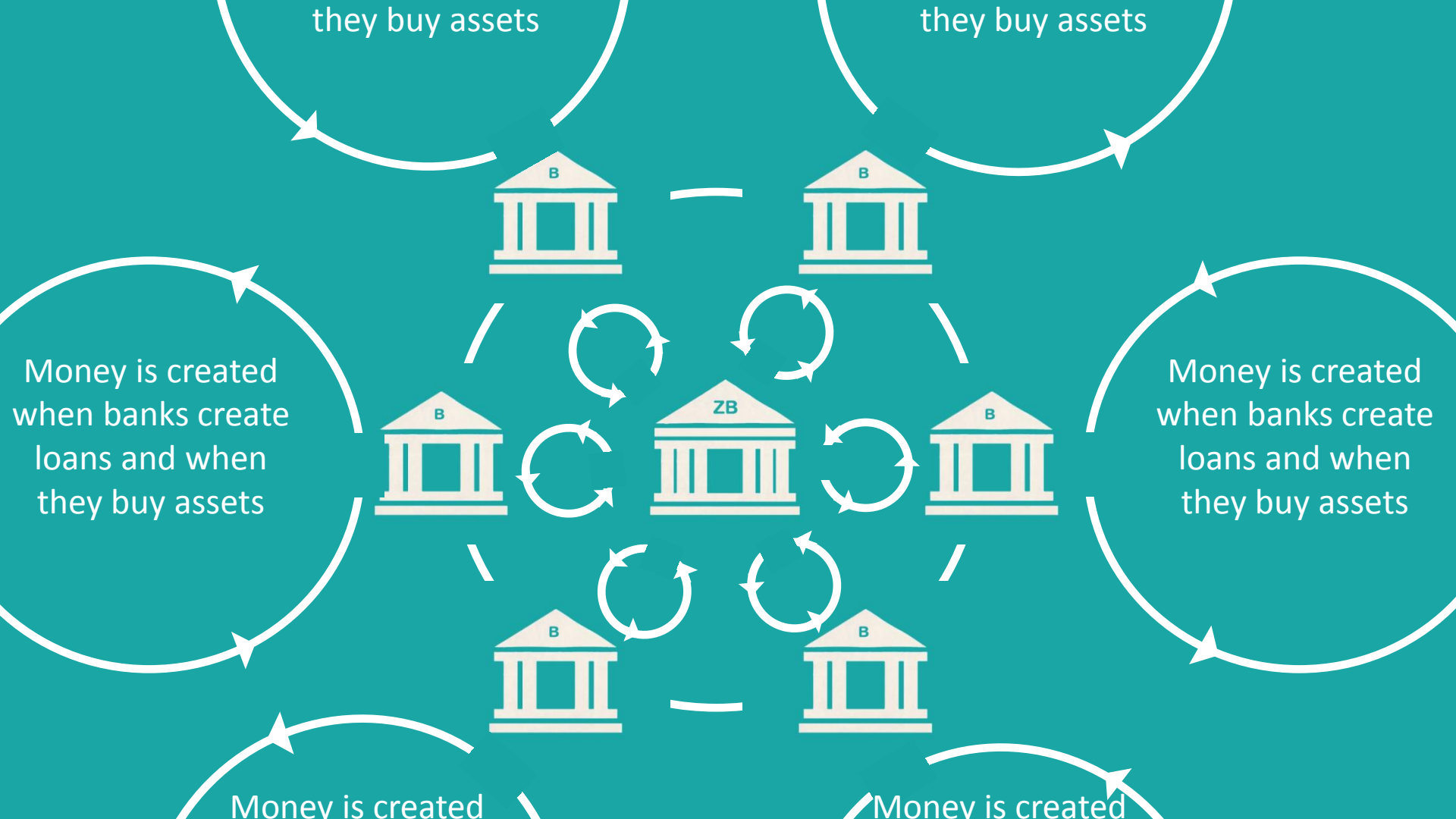
| Activa | | Passiva | |
|--------------|------------|-----------------------|--|
| Reserves | 16 | 200 Deposits | |
| Loans | 800 | 750 Other liabilities | |
| Other assets | 184 | 50 Equity | |
| | 1.000 | 1.000 | |

| Activa | | Passiva | |
|--------------|--------------|-----------------------|--|
| Reserves | 16 | 205 Deposits | |
| Loans | 805 | 750 Other liabilities | |
| Other assets | 184 | 50 Equity | |
| | 1.005 | 1.005 | |

Money creation = Balance sheet lengthening

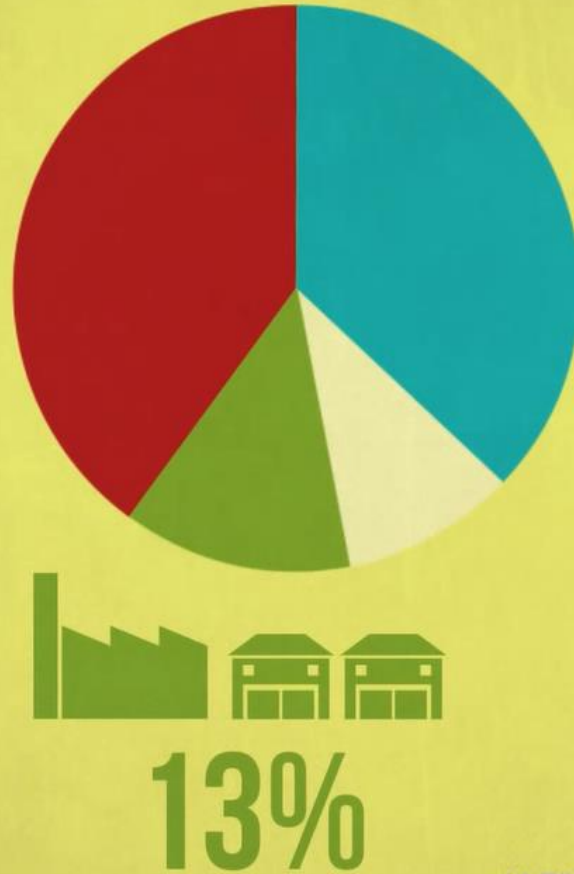
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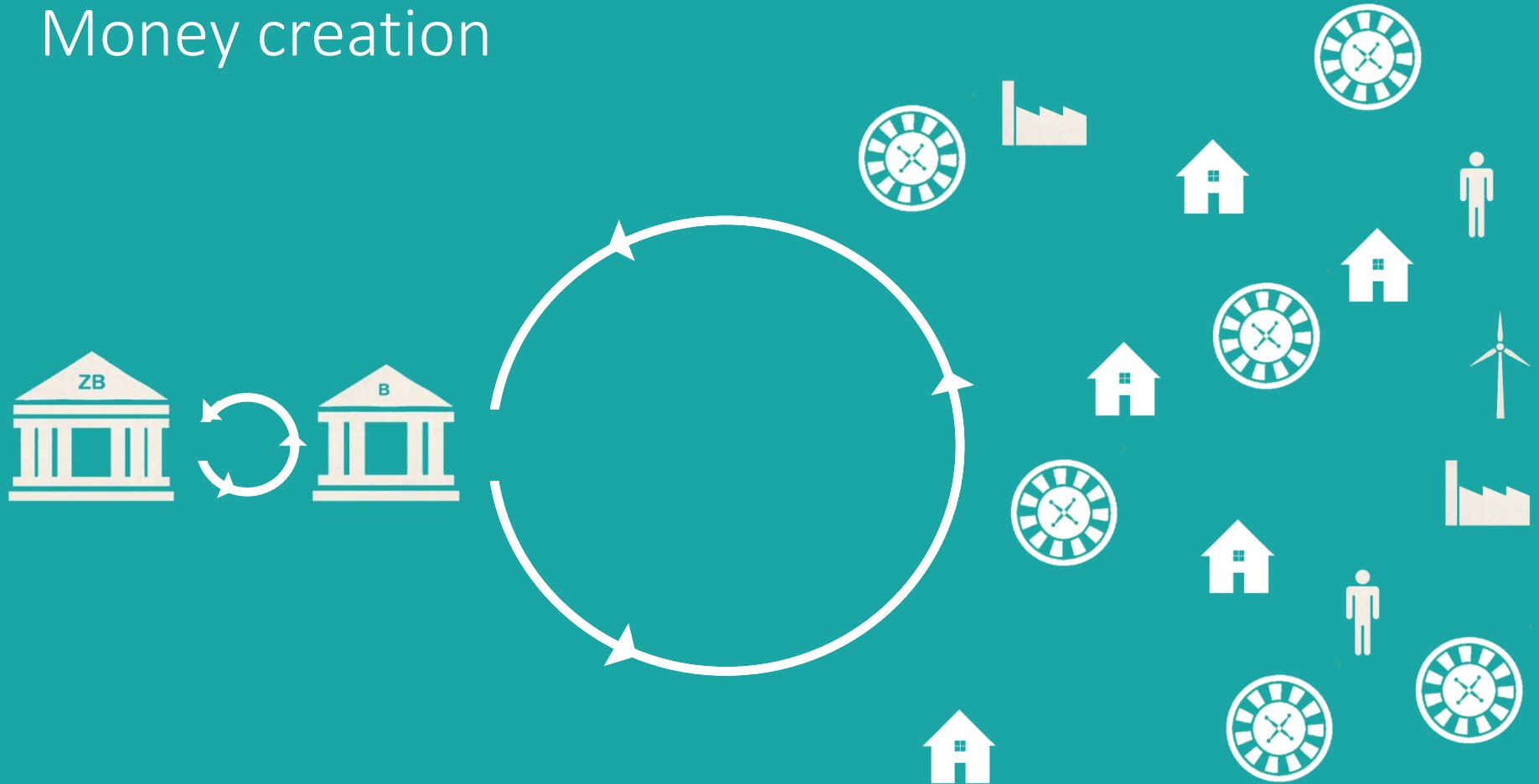
Ideal case





*LENDING OF TOP FIVE BANKS 1997 - 2007

Money creation



(Asset price) Inflation



Figure 9: Broad money (M4) and nominal GDP indexed from 1970

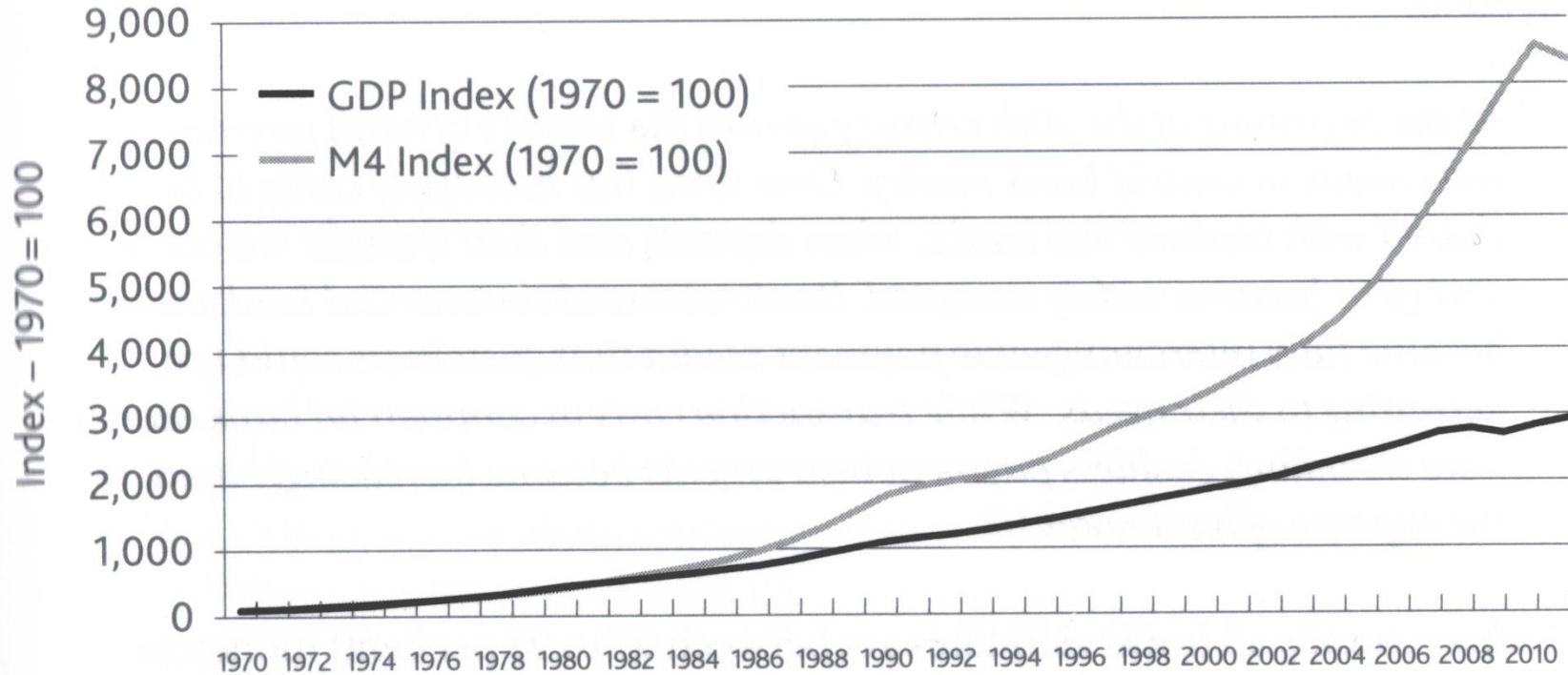
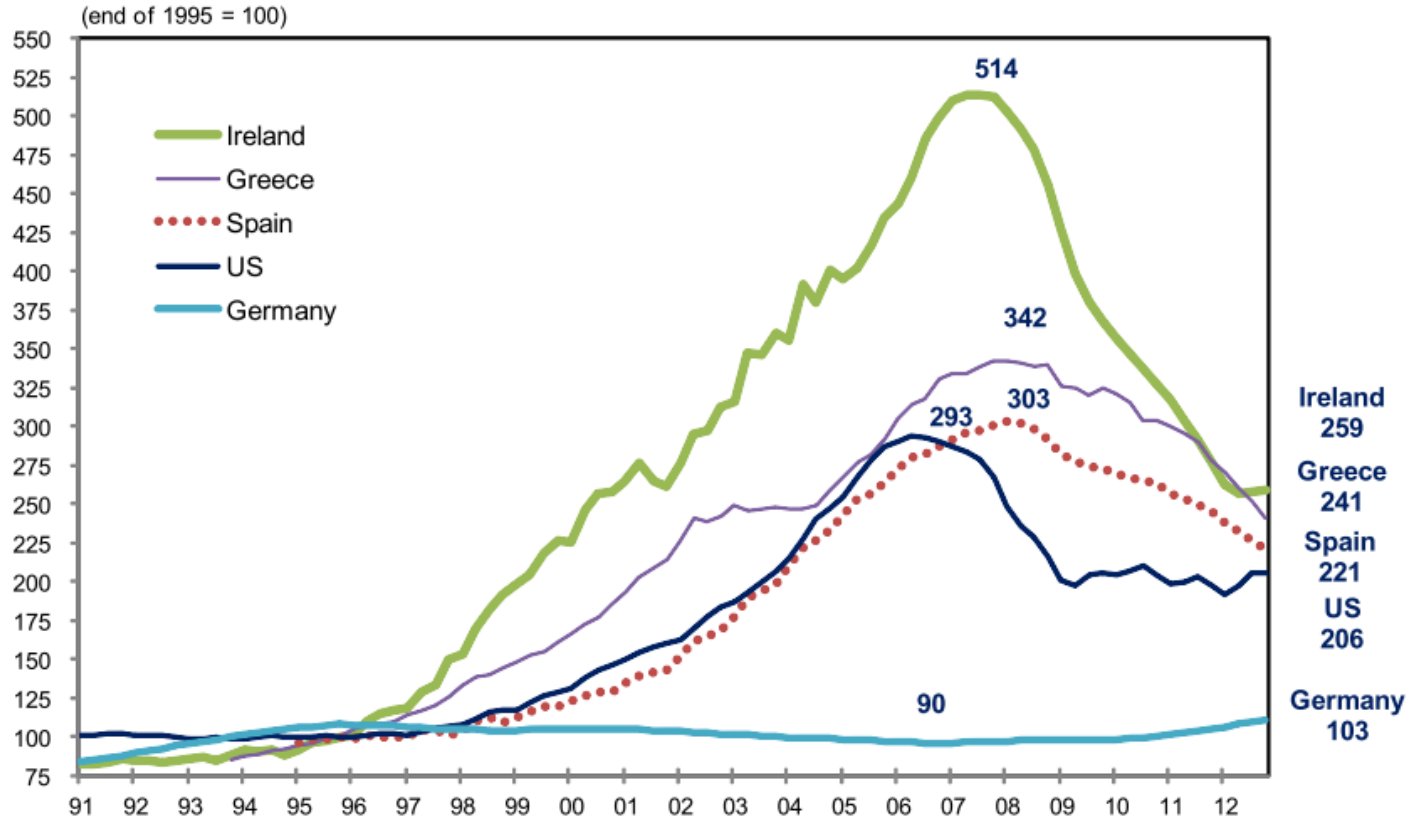


Exhibit 5. House Prices in the West* Experienced Bubble



Money reduction



Money reduction



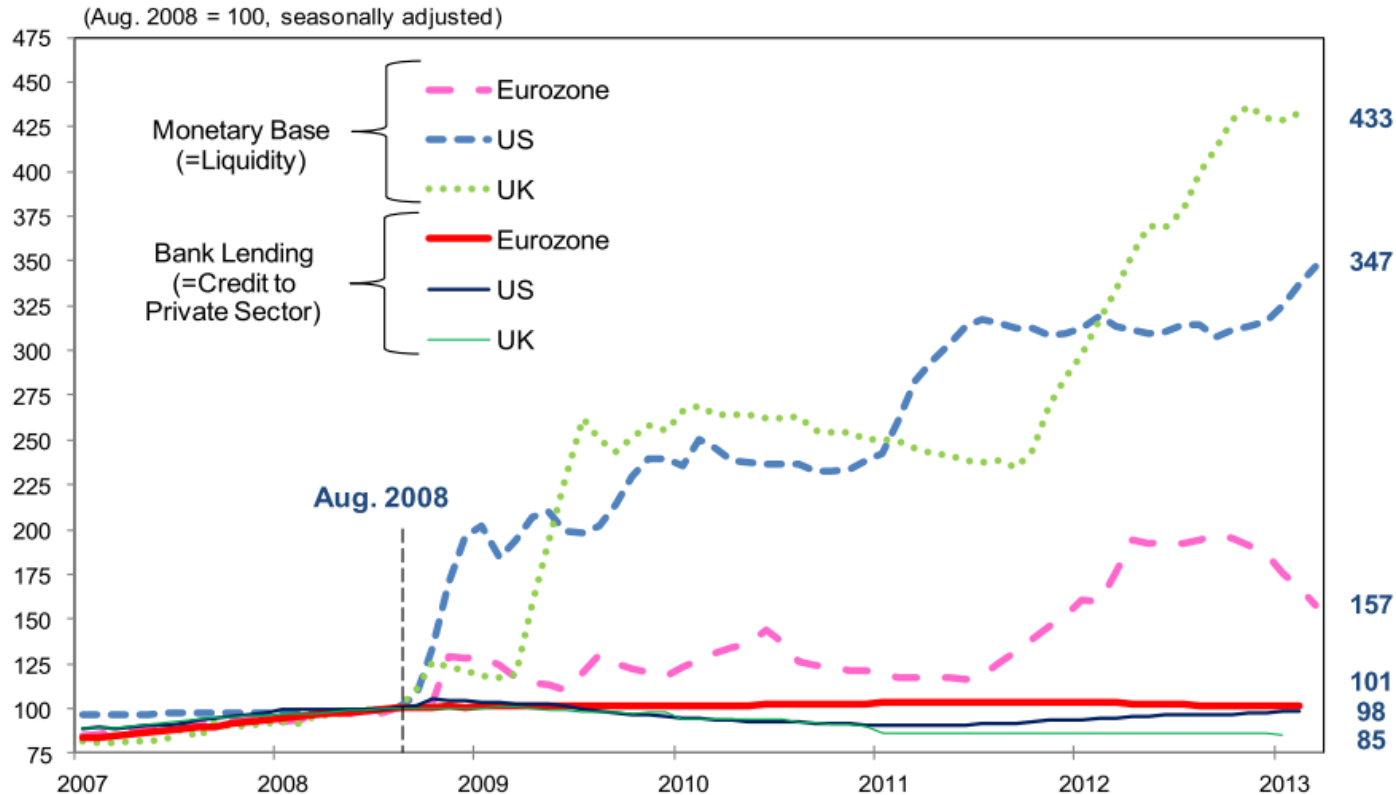
Money supply \approx net position between loan issues and repayments

Quantitative Easing

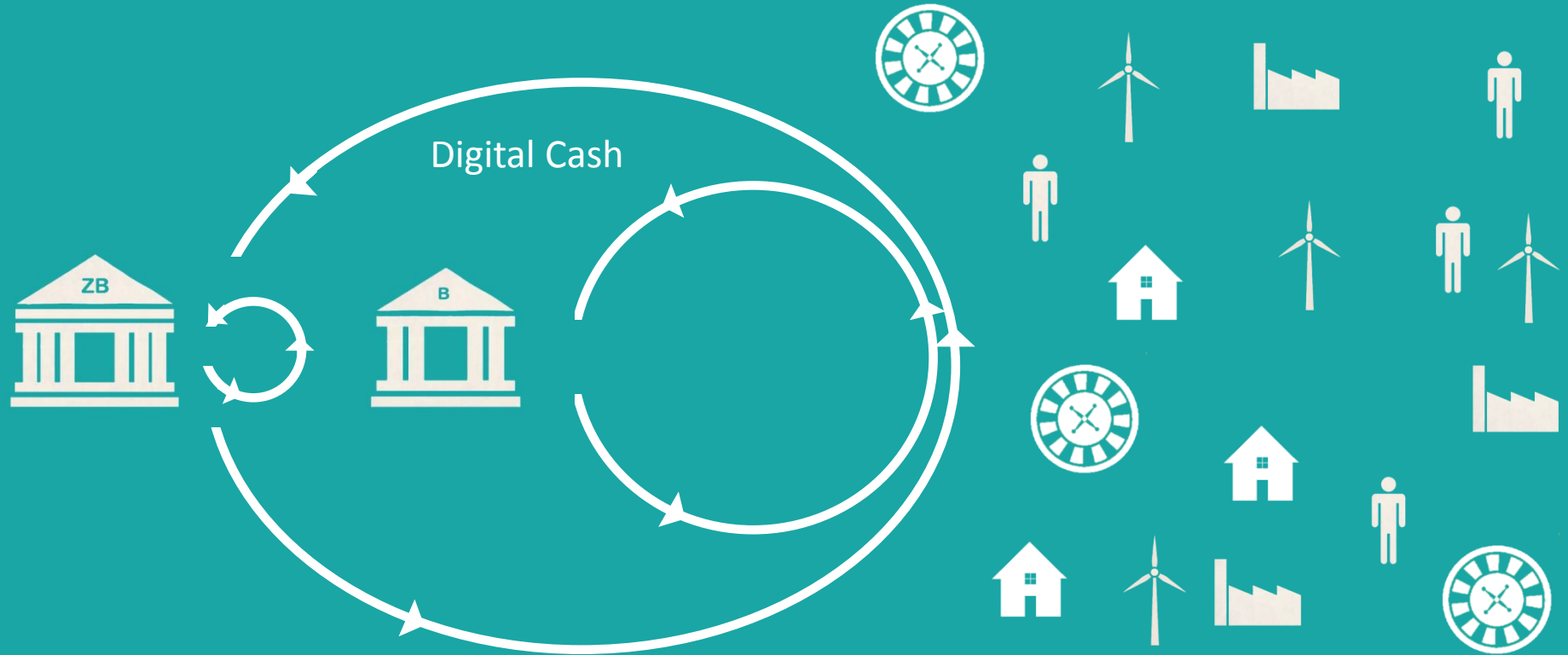


Money supply in the real economy is not stimulated by QE

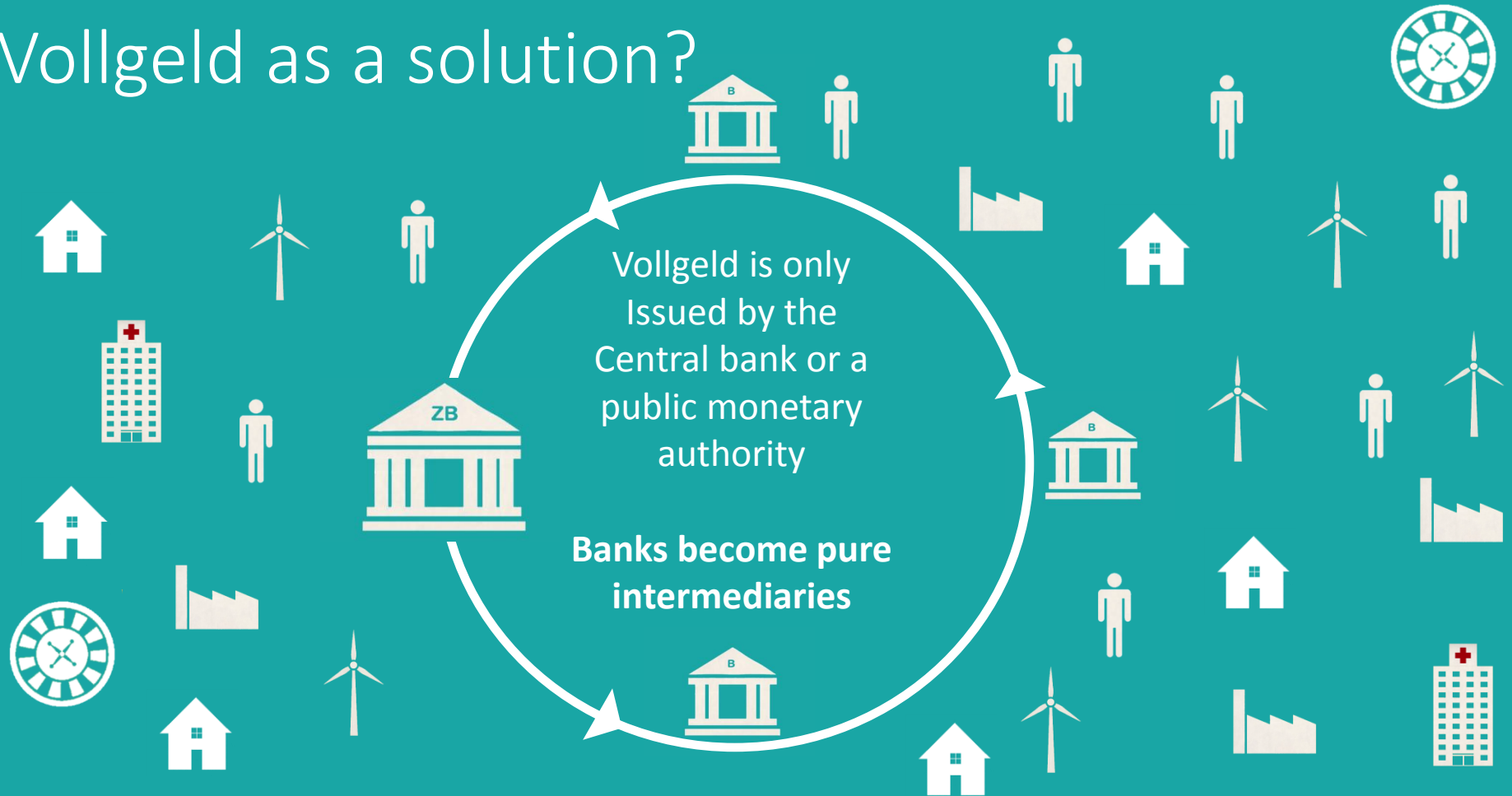
Exhibit 1. Massive Quantitative Easing Failed to Increase Credit to Private Sector



Peoples' Quantitative Easing / Digital Cash



Vollgeld as a solution?



Implications

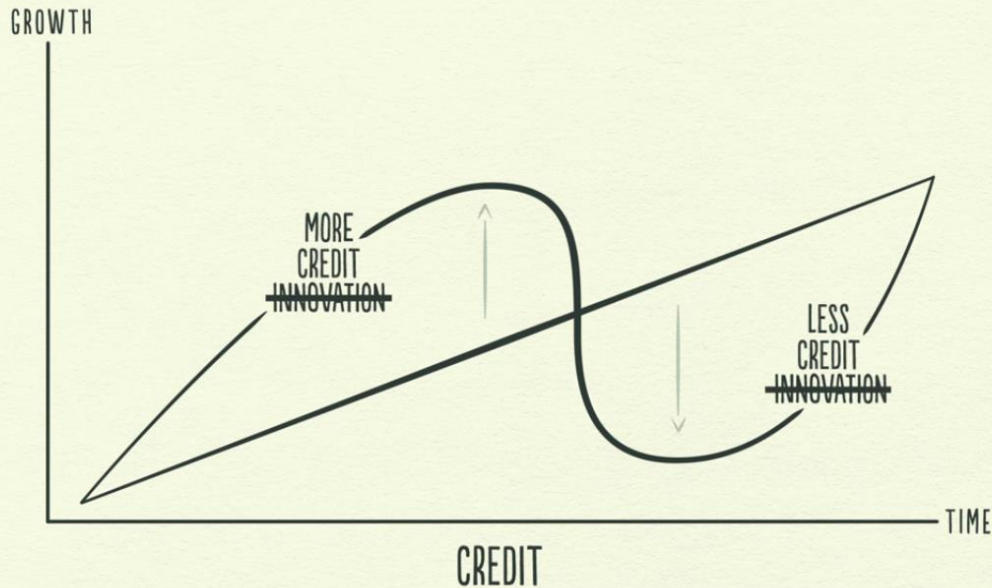
- Elimination of Bank-Runs
- Safe money and method of payment – also in crises
- Banks can go bust
- Dramatic reduction of government and private debt through the one time seigniorage



Drastic government debt reduction

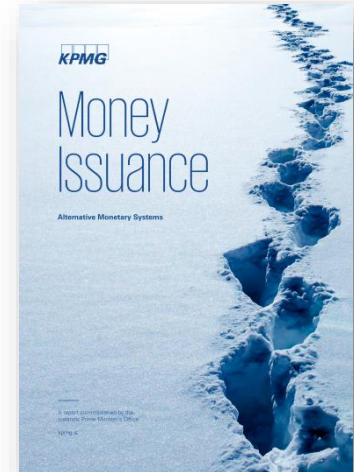
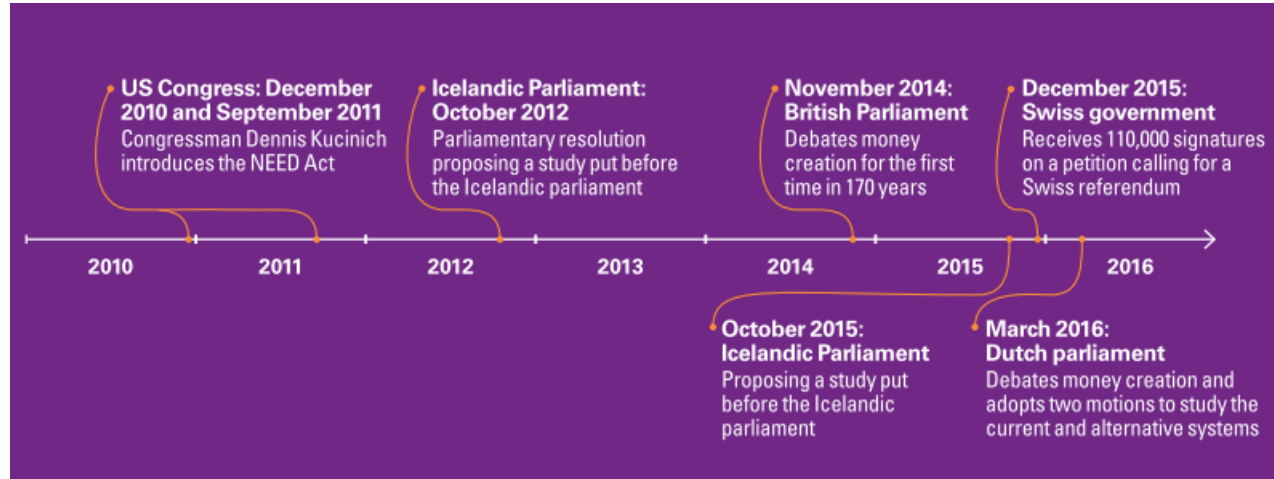
| | Government debt 2011 in Billions | in % GDP | M1: Vollgeld in Bill. | Government debt after the change | Remaining debt in % of GDP |
|-------------|--|----------|--------------------------|--|----------------------------------|
| Belgium | 361 | 98 | 168 | 193 | 52 |
| Germany | 2.088 | 81 | 1.314 | 774 | 30 |
| France | 1.717 | 86 | 987 | 730 | 37 |
| Greece | 280 | 132 | 136 | 144 | 68 |
| Ireland | 169 | 108 | 77 | 92 | 59 |
| Italy | 1.897 | 120 | 867 | 1.030 | 65 |
| Austria | 217 | 72 | 135 | 82 | 27 |
| Portugal | 184 | 108 | 121 | 63 | 37 |
| Switzerland | 205 | 35 | 268 | 0 | 0 |
| Spain | 734 | 68 | 576 | 158 | 15 |

Better control of credit cycles and inflation



<http://www.economist.com/node/5381959>

Evolution of the Vollgeld Movement



05.08.2016:

Primeminister of Island (Sigurður Jóhannsson) and KPMG Island organize a conference about Vollgeld in Iceland.



VOLLGELD
INITIATIVE

FÜR KRISENSICHERES GELD:
GELDSCHÖPFUNG ALLEIN
DURCH DIE NATIONALBANK!

Referendum about the implementation of a Vollgeld-System in 2018

~25 % said Yes –

it has been a big step forward for the discussion about the money system

Who should create money? Swiss vote promises a revolution



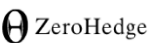
Could the Swiss Vollgeld referendum offer an opportunity to truly take back control?

Unknown to most of the population, 90 per cent of Switzerland's money is created by private banks 'out of thin air' when they lend



¿Y si los bancos dejaran de poder 'fabricar' dinero?

Una vota el domingo una polémica iniciativa popular que revolucionaría el sistema financiero



The "Vollgeld Initiative" - Switzerland's 'Once-In-A-Lifetime' Chance To Save The World

Bloomberg Let's Watch the Swiss Get Radical and See What Happens

This far-out financial idea is worth a try -- as long as somebody else goes first.



Almost 500,000 People In Switzerland Voted For A Bitcoin-Like Financial System

FINANCIAL TIMES

Why the Swiss should vote for 'Vollgeld'



A referendum on the way money is created



Switzerland votes on whether to stop banks' money making machine

THE WALL STREET JOURNAL

Central Bankers Versus the Market: Who Would Lend Better?

A radical idea from the 1930s about controlling credit growth is being put to a vote in Switzerland

Handelsblatt

Das Vollgeld-System ist eine gute Idee – nur nicht in der Schweiz

Frankfurter Allgemeine

Die Schweiz und das Vollgeld

Die Schweizer stimmen über das Vollgeld ab. Die Idee, ein Geldsystem ohne übermäßige Schulden zu schaffen, hat einiges für sich.

Bloomberg Sovereign Money Isn't Dead, Even If the Swiss Reject It



'Vollgeld' takes center stage in Switzerland this weekend

FINANCIAL TIMES

Treat money as the public good it is

Börsen-Zeitung

Top-Ökonom fordert Debatte über Geldsystem

William White: Alternativen ernsthaft prüfen

SPIEGEL ONLINE

Abstimmung in der Schweiz

So funktioniert Vollgeld

manager magazin

Die Schweizer Lösung für die Eurokrise