
The Politics of Unconventional Monetary Policy: The Swiss Case

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SCHWEIZERISCHE NATIONALBANK
BANQUE NATIONALE SUISSE
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SWISS NATIONAL BANK



Agenda

A. The Times They Are a-Changin'

- Tell Me That It Isn't True: Switzerland and the Financial/Euro Crisis
- Shelter from the Storm: Swiss Unconventional Monetary Policy

B. It's Alright, Ma (I'm Only Bleeding): the politics of discontent

- Bringing It All Back Home: The Gold Initiative
- I Want You: A Sovereign Wealth Fund
- Gates of Eden: The Sovereign Money Initiative

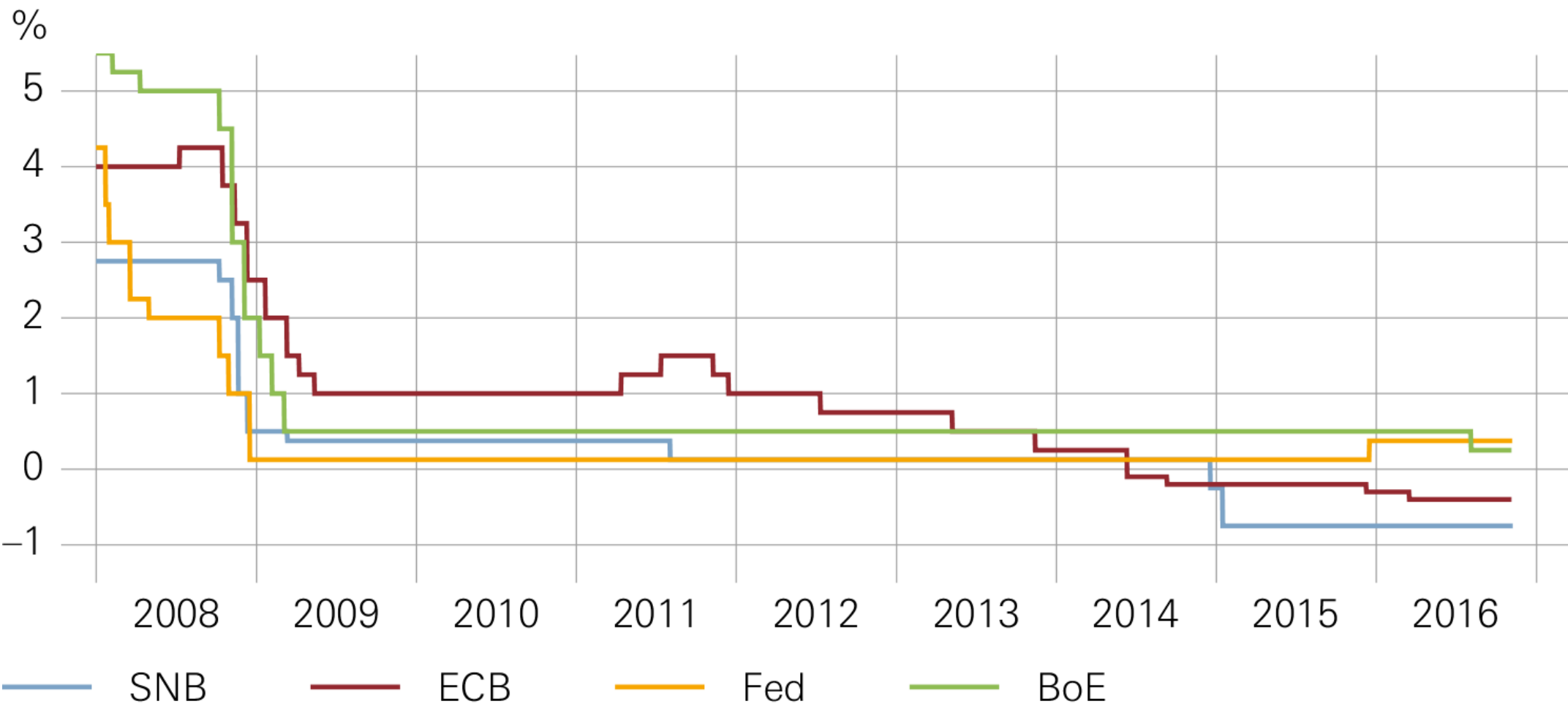
NOMINAL EXCHANGE RATES

CHF per foreign currency

CHF



Source: SNB



Sources: Bloomberg, SNB

NOMINAL EXCHANGE RATE



Source: SNB

REAL EFFECTIVE EXCHANGE RATE

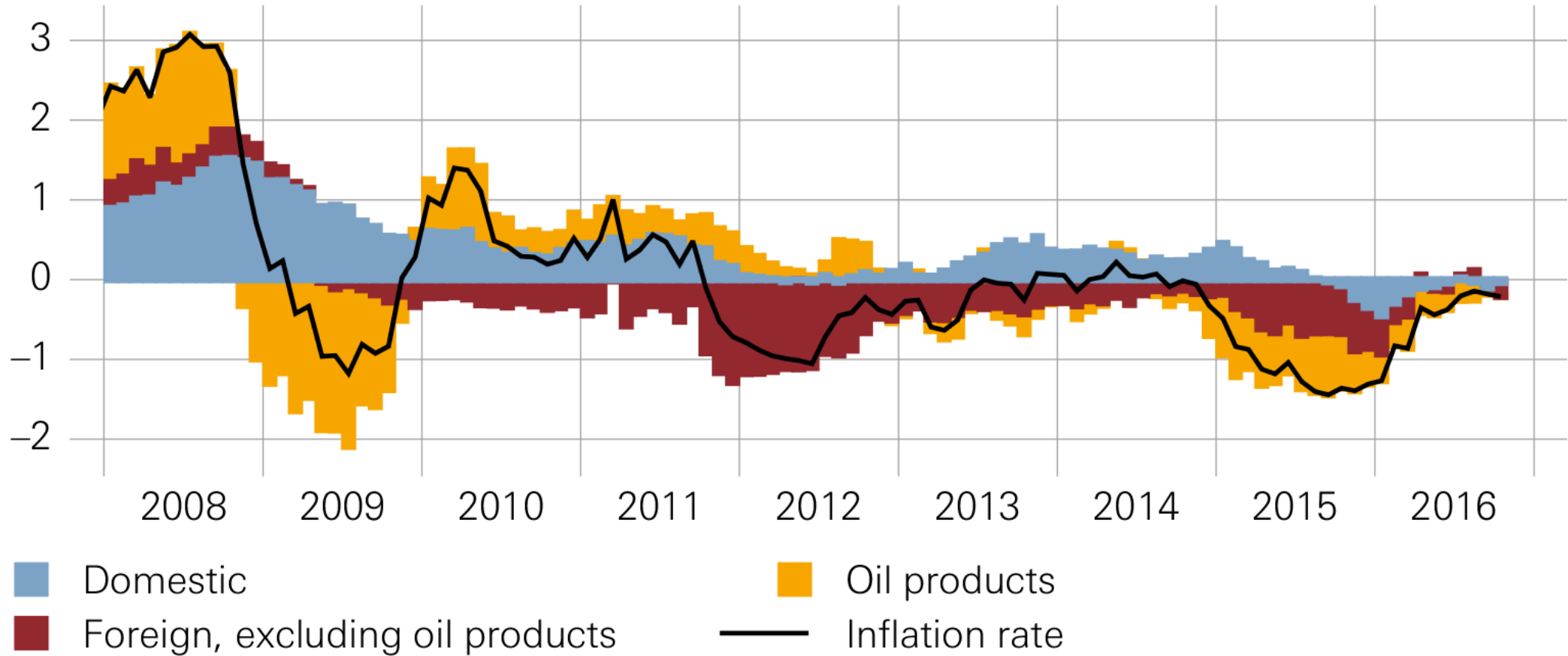
Index, August 2008 = 100



Source: SNB

INFLATION AND ITS COMPONENTS

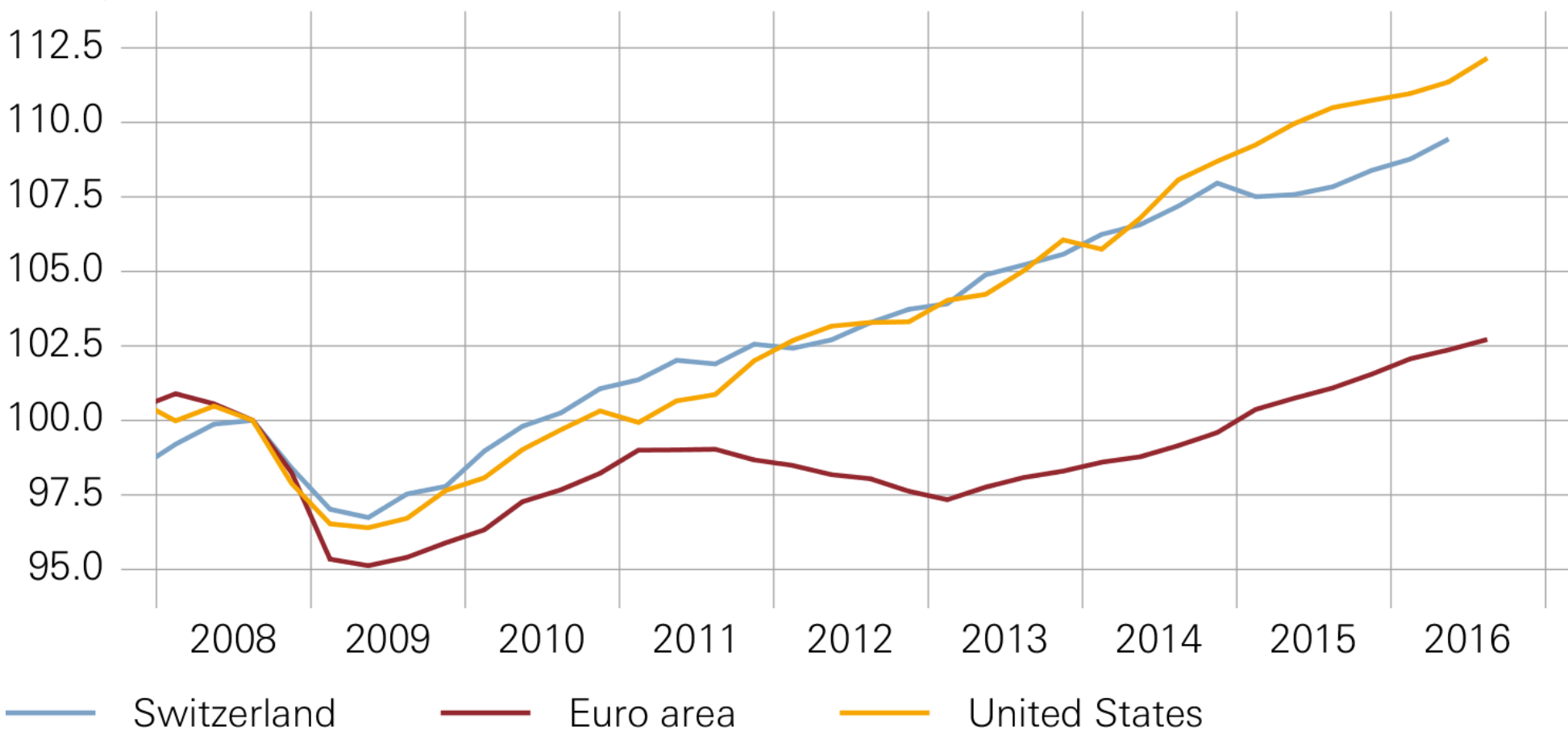
%, contribution of components in percentage points



Sources: SFSO, SNB

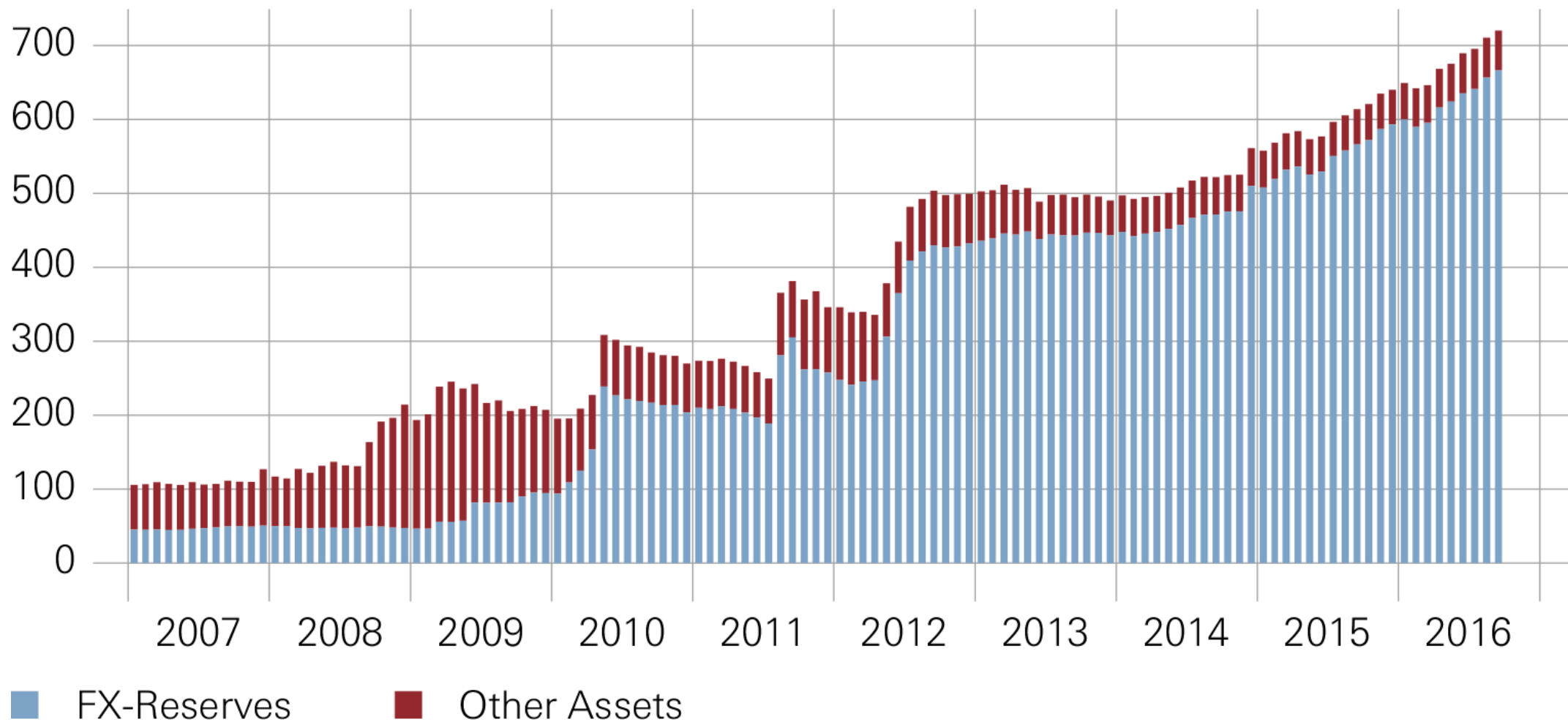
REAL GDP

Index, Q3 2008 = 100

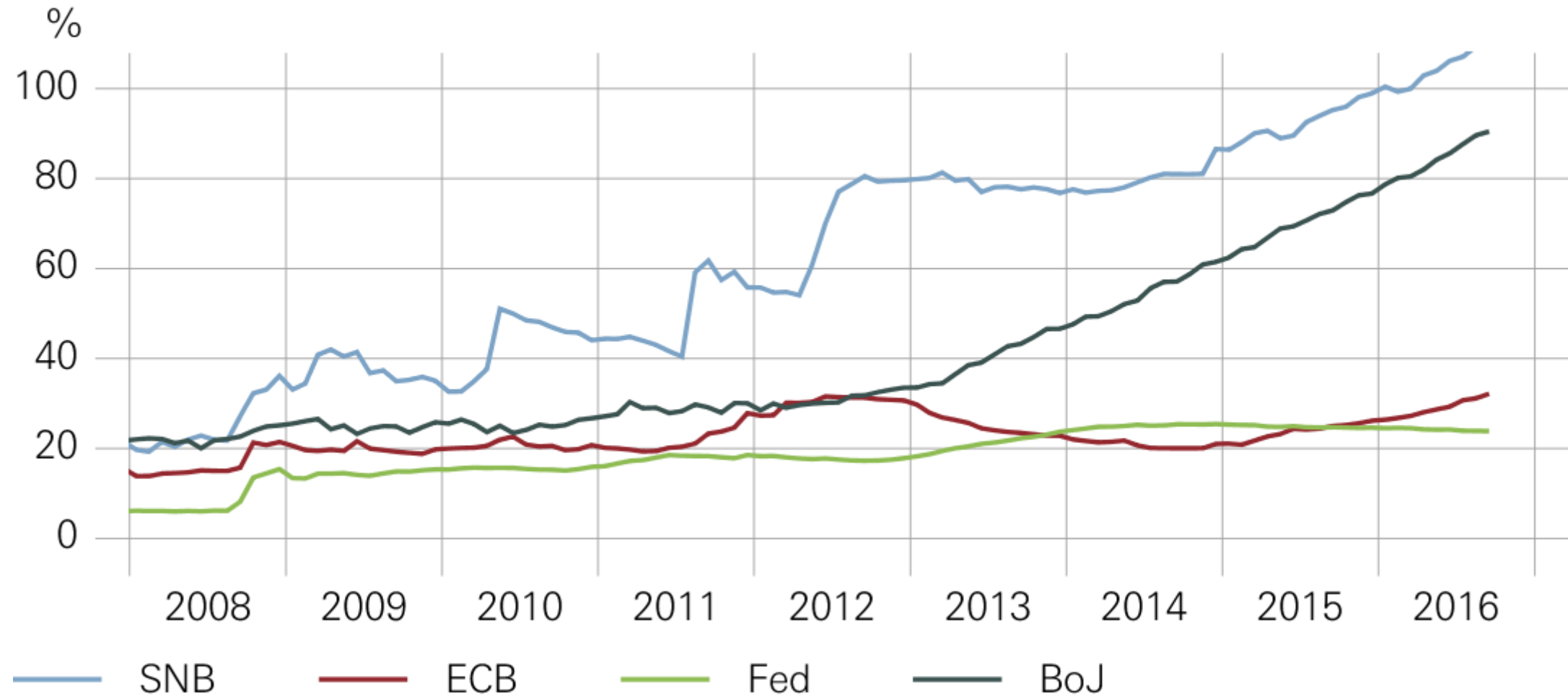


SNB BALANCE SHEET

Mrd CHF



CENTRAL BANKS' TOTAL ASSETS-TO-GDP RATIO

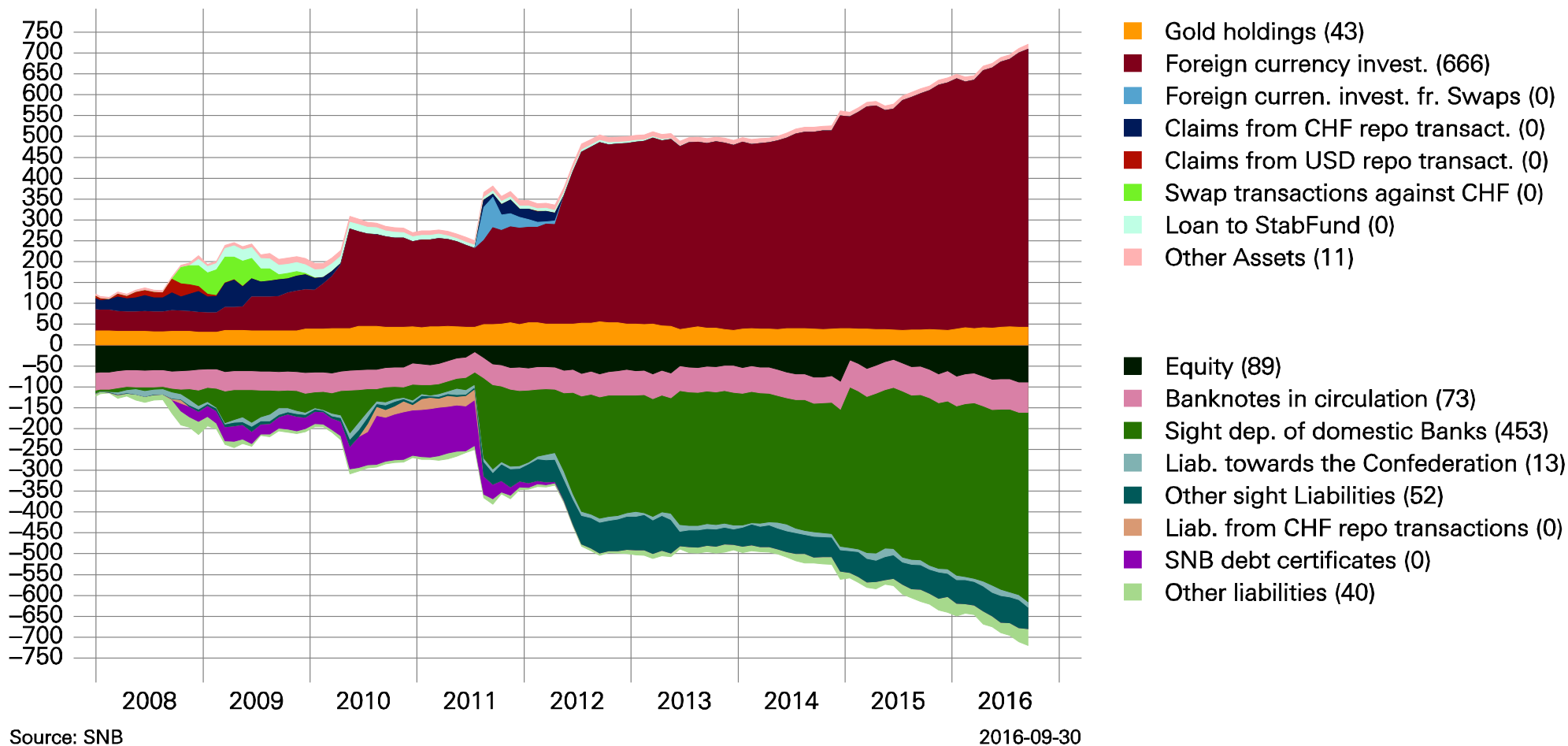


Sources: BIS, Bloomberg, SNB

BALANCE SHEET DEVELOPMENT

Monthly data, amounts at end of September 2016 in parentheses

bn CHF



Political Rights in Switzerland

– Popular initiative:

Anyone can launch a popular initiative (specifically worded or as a general proposal) to require a partial revision of the Federal Constitution. 100'000 eligible voters must provide their signature in support of the request within 18 months for the initiative to be put to the popular vote.

– Optional Referendum:

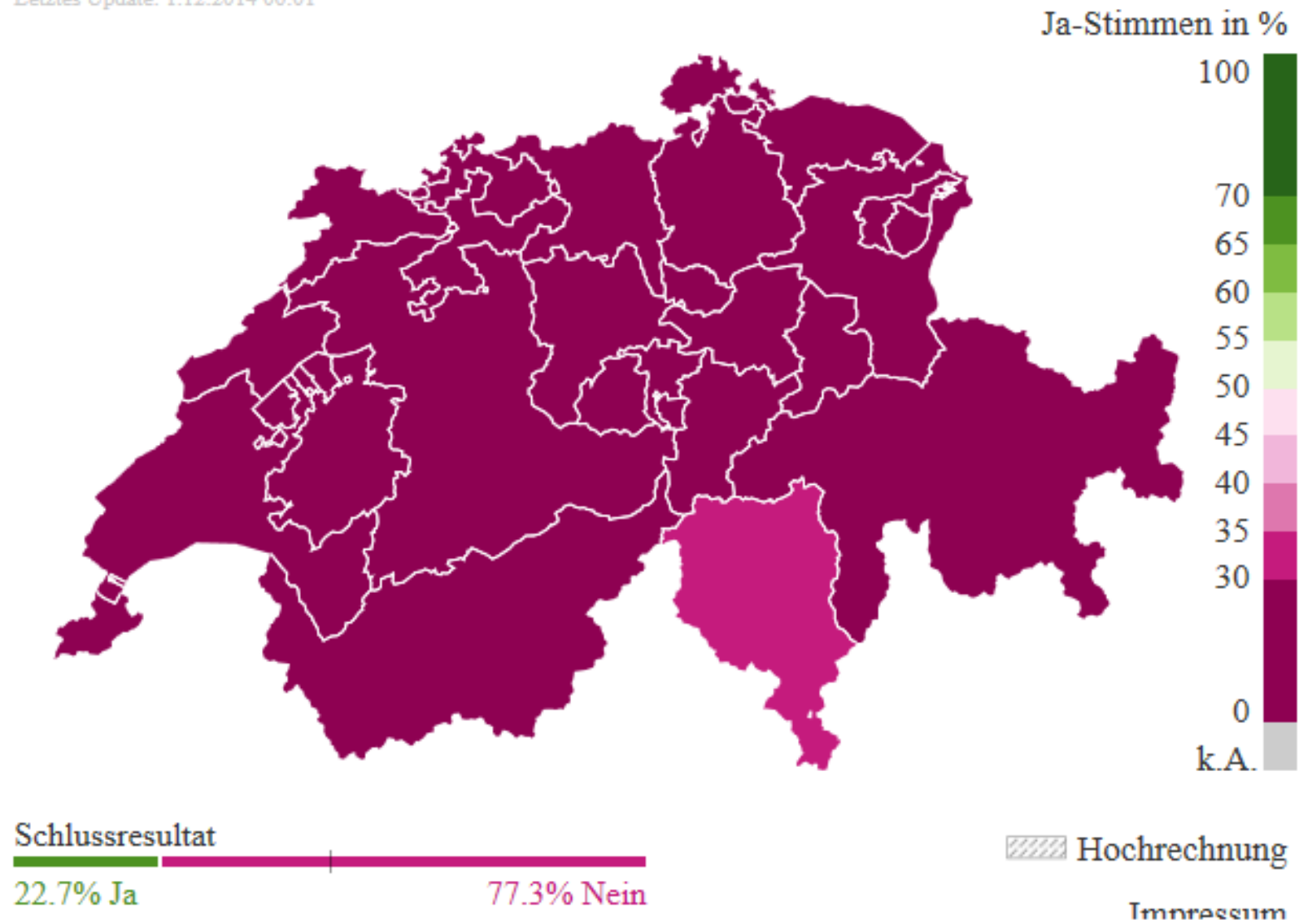
If you disagree with an act of parliament, it is possible to oppose it by launching a referendum. 50,000 eligible voters must provide their signature in support of the request within 100 days for the referendum to be put to popular vote.

I. Gold Initiative ("Save our Swiss Gold")

Requested constitutional amendment:

- The gold reserves of the Swiss National Bank are unsalable
- The gold reserves of the Swiss National Bank have to be stored in Switzerland
- The share of gold of the Swiss National Bank's assets needs to be at least 20%

- Signature collection: September 2011 – March 2013
- Popular vote: November 2014

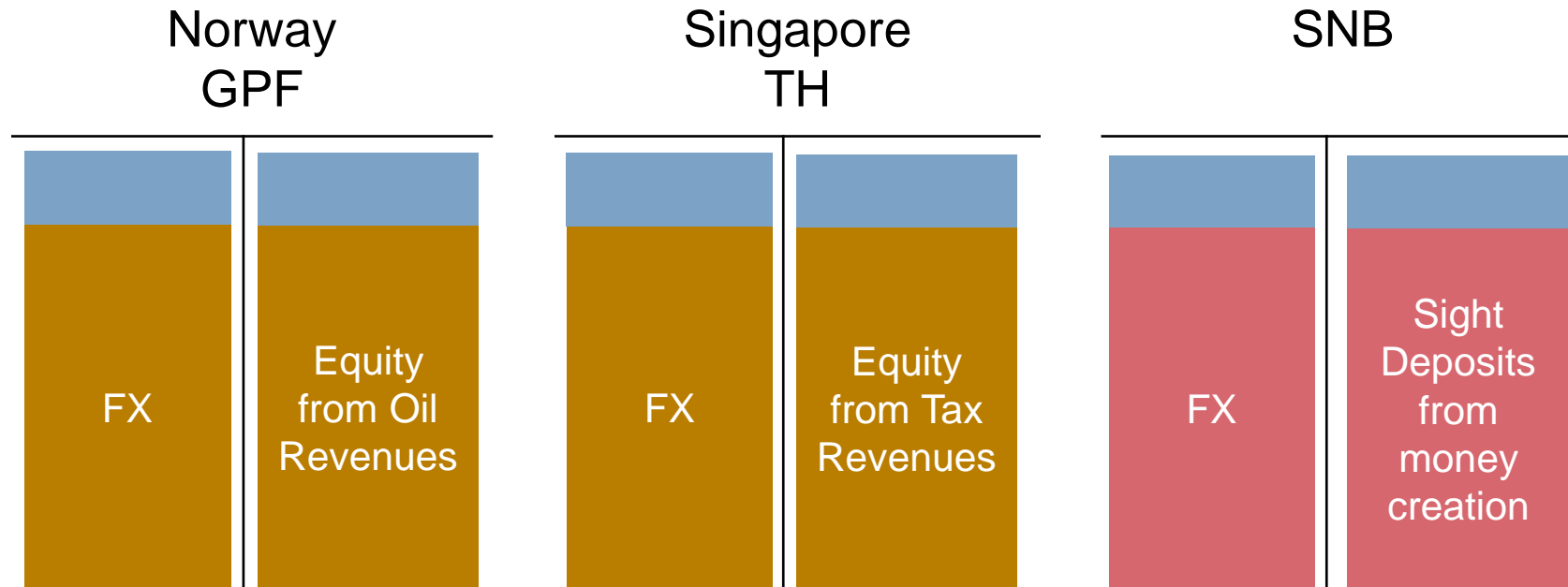


II. Sovereign Wealth Fund

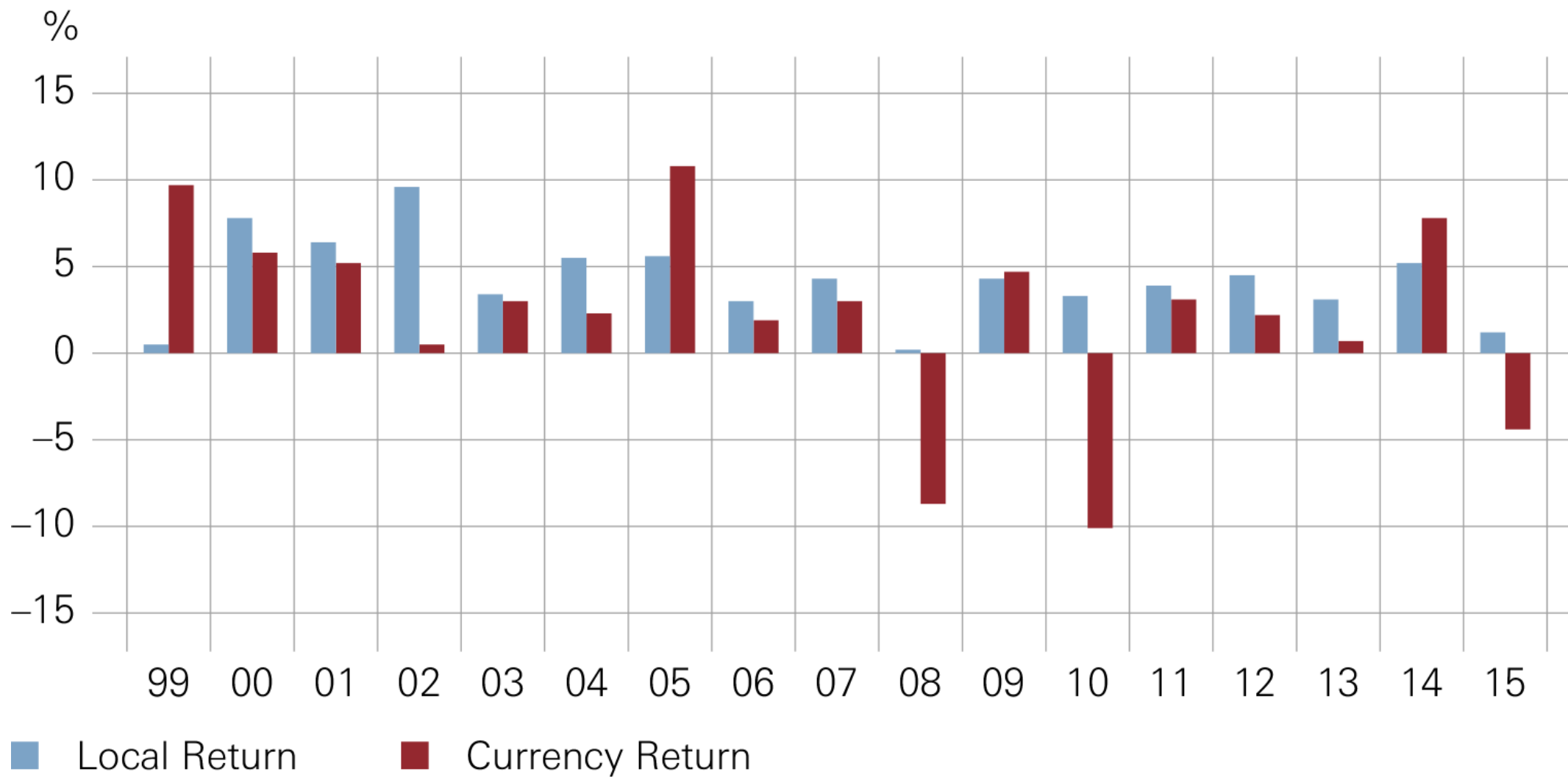
Arguments being made:

- It's a free lunch!
- It would help the SNB by
 - taking risks of the balance sheet
 - giving SNB more room to intervene
 - giving Switzerland an additional vehicle to intervene in the FX market
- The assets could be "better" invested
 - more profitable
 - more strategically

Sovereign Wealth Fund



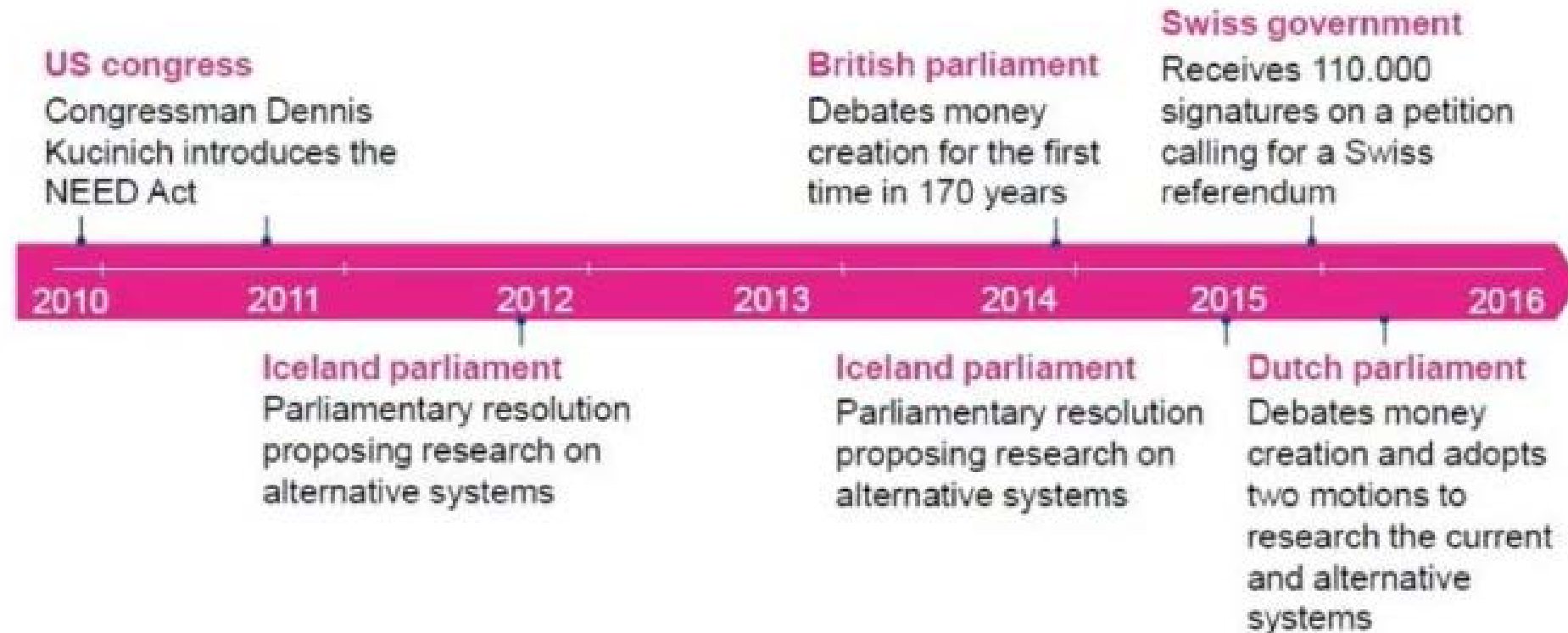
INVESTMENT PERFORMANCE



III. The Sovereign Money Initiative

- Fundamental monetary reform:
 - end of fractional reserve banking and
 - separation of money and credit.
- Part of an international movement: e.g., USA (American Monetary Institute), Australia (Fair Money), UK (Positive Money)
- SLOGAN:
 - "a global movement to democratise money so that it works for society and not against it"
 - "Banks create most of the money, in the form of bank accounts, when they make loans. This means that they effectively decide a) how much money there is in the economy, and b) where that money goes. ... This is at the root of many of the social and economic problems."

Political development



Sovereign Money Initiative ("For a crisis-proof money: money creation only by the SNB")

1. All physical and electronic money is created by the central banks (all money should be base money)
2. Commercial banks are not allowed to create sight-deposits anymore; they can only administer transaction payments and serve as intermediaries
3. All new money is brought into circulation by way of transfers from the Central Bank to the Treasury or to citizens directly (money should be created debt-free)
4. Transition: Deposit claims vis-a-vis commercial banks would be transformed into claims vis-a-vis the central bank and deposit liabilities of commercial banks would be transformed into liabilities of those banks vis-a-vis the central bank. Within a certain time span, commercial banks would have to repay those liabilities

Sovereign Money Initiative

- Signature collection from June 2014 to December 2015
- Parliamentary Discussion 2017
- Vote 2018