

Swiss Vollgeld: Voting behaviour matters for this financial experiment

This weekend, the Swiss are due to vote on whether to fundamentally reform their national monetary system. If the 'yes' vote prevails, we could see an unprecedented shake-up in the way money is created, with uncertain short- and long-term outcomes



Source: iStock

Supporters of the Vollgeld initiative promise the change will eliminate market fluctuations while those opposed to the idea label it a [dangerous experiment](#). [Recent polls](#) have shown that support for the measure is low, but the outcome could still surprise and the implications of a 'yes' vote are too significant to ignore. So what exactly is it?

A Vollgeld primer

In a nutshell, Vollgeld would change how commercial banks operate. Currently, like the majority of developed nations, Swiss commercial banks issue credit without initially sourcing it from a central body, accessing the credit only after the service has been promised and confirmed for the customer. By doing this, commercial banks are essentially creating money because they issue it before having it approved by the central bank.

The change that the Vollgeld referendum proposes would remove the authority to do this from commercial banks and restrict money making capability only to the central bank. To offer credit to customers, banks [would first need to source it from the Swiss National Bank \(SNB\)](#).

Unprecedented experiment

It may seem like a minor change at first glance, but economists say a 'yes' vote would yield an immediate period of great uncertainty and in the longer term, limited and expensive credit supplies for the economy. Under Vollgeld, the central bank would have responsibility for all lending liabilities, taking on a more politicised role.

Vollgeld is a change that has not been attempted before, so how it might play out remains uncertain. While Vollgeld is not expected to pass, [voting can easily swing in unexpected directions](#), as we have seen in the recent past. So does the Swiss referendum have the potential to be another Brexit?

It comes down to the voting and individual behaviour on the day.

Bias and overconfidence

The low probability of Vollgeld may mean we are confident of the outcome, but as Brexit and President Trump's appointment showed, we can't always be so certain.

Much of the commentary and predictions around voting events are based on computer-generated predictions. However as Leslie John, an associate professor at Harvard Business School, explains, algorithms are created by humans so inevitably will have inbuilt biases. Computer-generated analysis is only as accurate as the data it works with, therefore predictions can't always be accurate, despite a strong belief in their predictive ability.

And while we might be listening to inaccurate predictions, unanticipated outcomes can also come from [overconfidence in our expectations](#). It's common to be too sure of our predictions as seen in many aspects of life, [not just voting](#).

When someone is overconfident, whether it be a candidate, lobbyist, journalist or other, they can appear to be more authoritative or competent than they actually are, [possibly earning extra status and support](#). This can lead us to ignore the source or legitimacy of what is being presented. We have a tendency to think narrowly when assessing information to make a decision.

However, having people tell us which way to vote isn't always going to sway us. [Psychological reactance](#) refers to our tendency to do just the opposite to what someone is suggesting, if we feel that they are challenging our freedom to make up our own mind. While we tend to like advice and guidance when making decisions, we also like to feel as if we have made them ourselves so are hesitant to listen to those being over-persuasive.

Better the devil you know

It isn't easy to launch ourselves into the new and unknown. The value that we place on what we have now, the environment that we know works and which is comfortable, usually ranks higher than the risk of the unfamiliar. Instinctively, we want to minimise potential losses rather than maximise any gains. The less the Swiss feel they can make an informed decision, the less likely they may be to vote for change.

The status quo is comfortable. So much so that in the case of Brexit, it led to outright [predictions of impossibility](#). But we also can't forget that everyone's status quo is slightly different. It may be that different experiences create a range of norms, meaning that people move [towards different preferences](#), stimulating votes for change as well as votes for the current status quo.

When voting, it's also easy to focus on the immediate benefits of our decision rather than any [long-term improvements or challenges](#). Some may argue it's excusable to vote for change now and worry about any negative impacts later. Especially when the outcomes won't be experienced until far into the future, or are very uncertain, meaning really anything could happen.

When it comes down to the day though, voting is a game. In the case of a referendum, the teams are for and against, the players- all of society, and the outcomes dependant on the motivations of those on the voting front line. We play based on our expectations of others' votes and hence can be motivated to either win for our cause or to take a cause away from the other team.

And when considering the many others involved, voting can become quite emotional, especially if the impact of the outcome is far-reaching or significant. When emotions run high so, too, do our reactions to information. In recent voting events, we have seen that emotive, simple and short-term focused campaigns can capture a large following. 'Make America Great Again', is [a well-used example](#), which directly targets our emotional, or system 1 thinking. Our more rational or logical side, known as system 2, might question what this actually means or enquire how this might actually occur. But in the moment, system 1 can often take over, focus on what is easy to understand as the messaging often has a strong link to our [feelings of wellbeing](#).

Considering the outcome

Once we have an outcome, it can be [easy to convince ourselves we saw it coming](#), even if it is surprising. We all suffer from hindsight bias and so whatever happens with Vollgeld, I expect some will say [they saw it coming from the start](#). We also have the tendency to only seek out information that supports our current view, which can influence our attitudes towards the outcome. Known as confirmation bias, we generally aren't looking to be proven wrong. This leads us to actively seek confirmation that [our views are relevant](#).

With many factors at play, it may feel near impossible to predict how every single person will place their vote. Let the games begin.

Author

Alissa Lefebvre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Michiel Tukker

Senior European Rates Strategist

michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland

michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Jesse Norcross

Senior Sector Strategist, Real Estate

jesse.norcross@ing.com

Teise Stellema

Research Assistant, Energy Transition

teise.stellema@ing.com

Diederik Stadig

Sector Economist, TMT & Healthcare

diederik.stadig@ing.com

Diogo Gouveia

Sector Economist

diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT

jan.frederik.slijkerman@ing.com

Katinka Jongkind

Senior Economist, Services and Leisure

Katinka.Jongkind@ing.com

Marina Le Blanc

Sector Strategist, Financials

Marina.Le.Blanc@ing.com

Samuel Abettan

Junior Economist

samuel.abettan@ing.com

Franziska Biehl

Senior Economist, Germany

Franziska.Marie.Biehl@ing.de

Rebecca Byrne

Senior Editor and Supervisory Analyst

rebecca.byrne@ing.com

Mirjam Bani

Sector Economist, Commercial Real Estate & Public Sector (Netherlands)

mirjam.bani@ing.com

Timothy Rahill

Credit Strategist

timothy.rahill@ing.com

Leszek Kasek

Senior Economist, Poland

leszek.kasek@ing.pl

Oleksiy Soroka, CFA

Senior High Yield Credit Strategist

oleksiy.soroka@ing.com

Antoine Bouvet

Head of European Rates Strategy

antoine.bouvet@ing.com

Jeroen van den Broek

Global Head of Sector Research

jeroen.van.den.broek@ing.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare

edse.dantuma@ing.com

Francesco Pesole

FX Strategist

francesco.pesole@ing.com

Rico Luman

Senior Sector Economist, Transport and Logistics

Rico.Luman@ing.com

Jurjen Witteveen

Sector Economist

jurjen.witteveen@ing.com

Dmitry Dolgin

Chief Economist, CIS

dmitry.dolgin@ing.de

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Egor Fedorov

Senior Credit Analyst

egor.fedorov@ing.com

Sebastian Franke

Consumer Economist

sebastian.franke@ing.de

Gerben Hieminga

Senior Sector Economist, Energy

gerben.hieminga@ing.com

Nadège Tillier

Head of Corporates Sector Strategy

nadege.tillier@ing.com

Charlotte de Montpellier

Senior Economist, France and Switzerland

charlotte.de.montpellier@ing.com

Laura Straeter

Behavioural Scientist

+31(0)611172684

laura.Straeter@ing.com

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Suvi Platerink Kosonen

Senior Sector Strategist, Financials

suvi.platerink-kosonen@ing.com

Thijs Geijer

Senior Sector Economist, Food & Agri

thijs.geijer@ing.com

Maurice van Sante

Senior Economist Construction & Team Lead Sectors

maurice.van.sante@ing.com

Marcel Klok

Senior Economist, Netherlands

marcel.klok@ing.com

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Paolo Pizzoli

Senior Economist, Italy, Greece

paolo.pizzoli@ing.com

Marieke Blom

Chief Economist and Global Head of Research

marieke.blom@ing.com

Raoul Leering

Senior Macro Economist

raoul.leering@ing.com

Maarten Leen

Head of Global IFRS9 ME Scenarios

maarten.leen@ing.com

Maureen Schuller

Head of Financials Sector Strategy

Maureen.Schuller@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Inga Fechner

Senior Economist, Germany, Global Trade

inga.fechner@ing.de

Dimitry Fleming

Senior Data Analyst, Netherlands

Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research

+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist

+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist

+31 20 563 8801

martin.van.vliet@ing.com

Karol Pogorzelski

Senior Economist, Poland

Karol.Pogorzelski@ing.pl

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Viraj Patel

Foreign Exchange Strategist

+44 20 7767 6405

viraj.patel@ing.com

Owen Thomas

Global Head of Editorial Content

+44 (0) 207 767 5331

owen.thomas@ing.com

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone

peter.vandenhoute@ing.com

Benjamin Schroeder

Senior Rates Strategist

benjamin.schroeder@ing.com

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE

chris.turner@ing.com

Gustavo Rangel

Chief Economist, LATAM

+1 646 424 6464

gustavo.rangel@ing.com

Carlo Cocuzzo

Economist, Digital Finance

+44 20 7767 5306

carlo.cocuzzo@ing.com