avenir analysis

SNB, to depend on independence

How to protect the Swiss National Bank from political influence

The Swiss National Bank's (SNB) primary mission is to ensure price stability, an obligation it has successfully fulfilled. It is perhaps for this reason that political interventions aimed at assigning it additional tasks are multiplying. Avenir Suisse's latest analysis warns against such attempts, and proposes concrete measures to strengthen the SNB's independence.

Stefan Legge and Fabian Schnell, Adjunct Fellows at Avenir Suisse, and Jürg Müller, Director of the think tank, have closely examined the Swiss National Bank. In order to guarantee the long-term stability of the Swiss franc, the authors recommend explicitly stating the monetary policy mandate in the constitution. Today, while the SNB's independence is enshrined in the constitution, medium- and long-term price stability is only stipulated in the National Bank Act. It would be more difficult to politicize the SNB if this mandate, like that of independence, were elevated to constitutional status.

The authors also emphasize that the SNB should pursue a neutral investment policy. Recently, there have been calls for political considerations to guide its investments, for example in green investing or in the creation of a sovereign wealth fund with political objectives. On the contrary, the SNB should adopt a neutral, broad-based approach in its investments in equities and corporate bonds. This way, it would no longer be possible to exclude legitimate companies for political reasons. In the long term, this approach also serves the interests of politicians, as the authors explain.

Against politicizing profit distribution

The authors take a close look at the SNB's profit distribution, which has recently attracted increasing attention. Often overlooked in this discussion is the fact that the SNB's share capital has fallen sharply since the financial crisis, as its balance sheet has grown. The risks for the SNB as a "company" have therefore increased. Higher profit distributions to the Confederation and cantons, encouraged by political motives, could destabilize the institution.

Profit distribution must not serve the interests of lobbies. The best way to avoid this would be to redistribute SNB profits directly to the population. This "atomization" would diminish the pressure for more generous payouts.

CHF 110 to 440 per person per year

The SNB should set its own annual profit distribution. This would allow it to retain the portion of its profits needed to fulfill its mandate. The remainder would be paid out to the population. This distribution could be made in the same way as the current redistribution of the CO_2 tax through health insurance premiums or tax refunds.

To get an order of magnitude, we can refer to distributions over the last twenty years. These generally fluctuated between one and four billion francs a year, which equates to 110 to 440 francs per person.

Stefan Legge *is a lecturer in economics and Vice-Director of the "Institut für Law und Economics (ILE-HSG)" at the University of St. Gallen, and Adjunct Fellow at Avenir Suisse.* ***Fabian Schnell*** *is Director of the Aargau Real Estate Association ("Hauseigentümerverband Aargau") and was delegate for economic relations and member of the Executive Board of the SNB. From 2016 to 2020, he was Senior Fellow at Avenir Suisse and is now Adjunct Fellow.* ***Jürg Müller*** *is Director of Avenir Suisse.*

avenir analysis : "SNB, to depend on independence", Stefan Legge, Fabian Schnell and Jürg Müller, 13 pages, available online as of September 17, 2024, 5 a.m. from the website avenir-suisse.ch/en.

For further information: Jürg Müller (+41 44 445 90 13, juerg.mueller@avenir-suisse.ch)