# Europe Economics Presentation to ESTA

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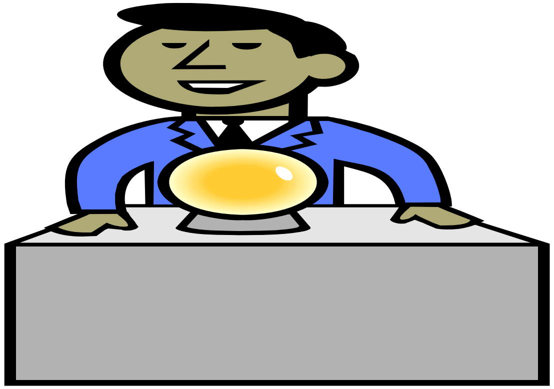
Europe Economics

# The Future of Cash



# EU Directive: the Commission's case.

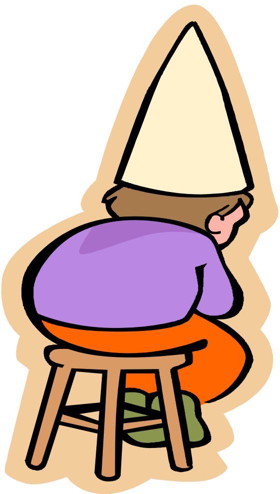
- Efficient payments help competitiveness.
- Efficient payments release the potential of the Single Market.
- Increased competition best achieved via a "level playing field."
- Cash in inefficient and expensive.

# EU Directive: another view.

- No evidence provided!!
- Consumers should be allowed to find their own preferences.
- Efficiency and markets.
- “Level playing fields” can reduce competition.
- “Unintended consequences.”

# How large are the potential efficiency gains from payments systems?

- Money is money, barter is barter.
- The EU says payments amount to 3% of GDP.
- Oh no they don't……..

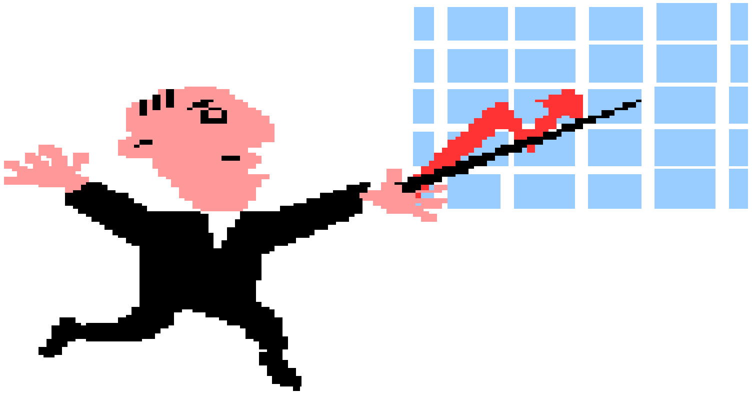


# What is the basis of an efficient and secure payment system?

- The right price signals and consumer choice.
- This requires a full range of options.
- Each payment method has pluses and minuses on security.
- Security of the system as a whole.

# What are recent trends in payments systems?

- Electronic payments on the increase.
- Cash still very significant (in volume and value).



# How do payments score on cost and efficiency?

# Have some costs/benefits of cash/electronic been ignored?

- The Seigniorage issue.
- The importance of fixed costs for electronic payments.
- Employment costs of decommissioning cash.
- Insufficient differentiation within electronic (credit cards!).
- Potential improvements in handling cash (“money in” and “money out.”)

# Some wider concerns: have they even been considered?

- The potential impact on monetary policy.
- Conditions vary within and between the twenty five member states of the EU.
- Regulations favouring one technology may create an (unintended) bias against new ones.

# Some conclusions.

- A modern system of payments is best seen as a spectrum of alternatives, of which cash is one.
- It is impossible to know in advance the optimal balance, but if all methods of payment are given equal treatment, consumers (not regulators) will find the optimal balance between cash, paper and electronic payments.