

The War on Cash are we Throwing out the Baby with the Bathwater?

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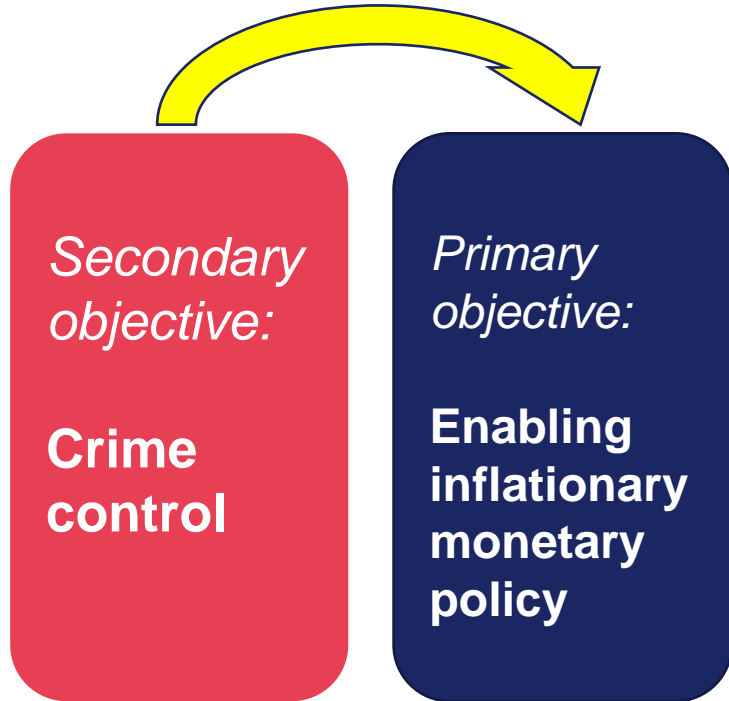
ESTA Annual Conference
Vienna, May 19-21, 2019

Overview

1. The Politics behind “the War on Cash”
2. Public Policy Responses to Cash
3. Conclusions

1. The Politics behind the “War on Cash”

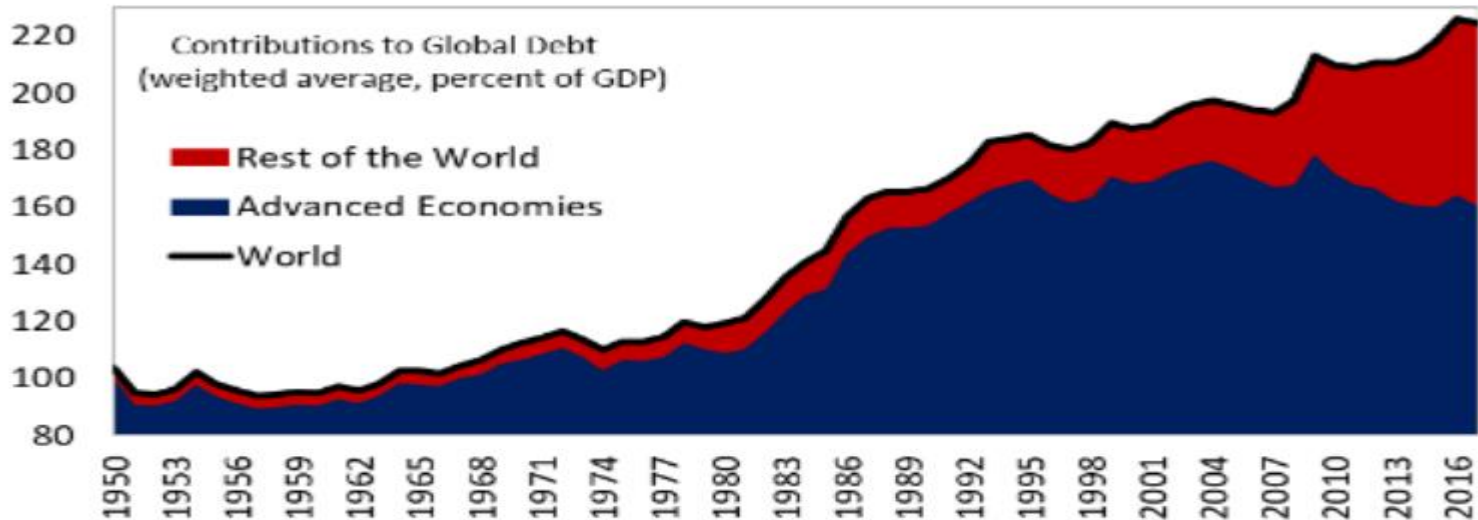
Policy Objectives



“If all central bank liabilities were electronic, paying a negative interest on reserves (basically charging a fee) would be trivial.” (Rogoff, 2014)

1. THE POLITICS BEHIND “THE WAR ON CASH”

Global Debt / Liquidity at an All-Time High (225% of Global GDP in 2017)



Source: IMF

“Fiscalization” of Monetary Policy

- Long-term period of **low** nominal interest rates
- Asset purchasing programs (“Quantitative Easing”)
- Fixed (minimum) foreign exchange rates (“pegs”)
- **Zero & negative** nominal interest rates

1. THE POLITICS BEHIND “THE WAR ON CASH”

Currency & Trade Wars

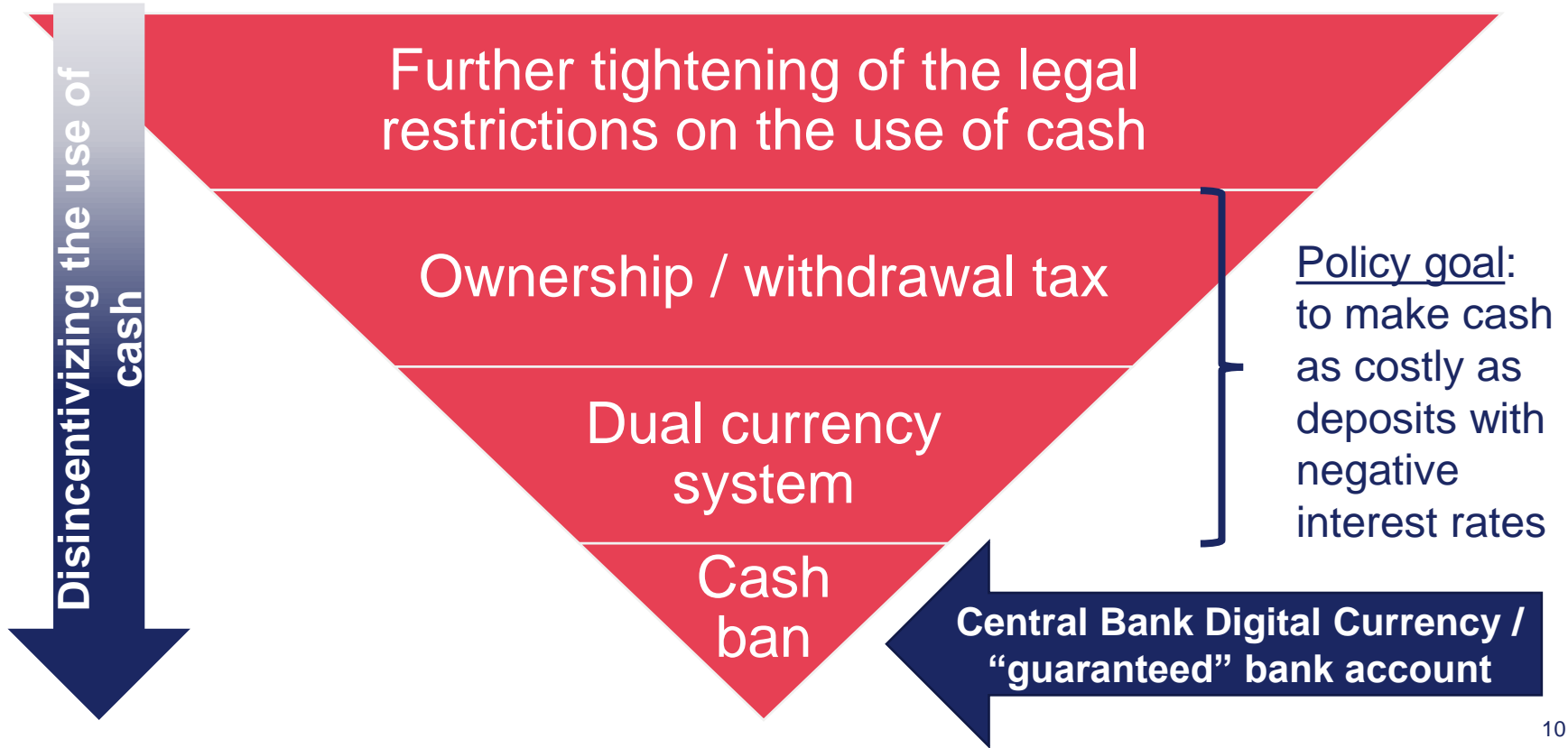


Zero Lower Bound

- The **existence of cash** does effectively **limit** the leeway of today’s monetary policy.
- **How far** can (central) banks go **below zero**?
 - “Carry costs” of cash **vs.** costs of bank deposits
 - Banks’ willingness to bear the costs **vs.** readiness to impose the costs on their customers

2. Public Policy Responses to Cash

Anti-Cash Policies



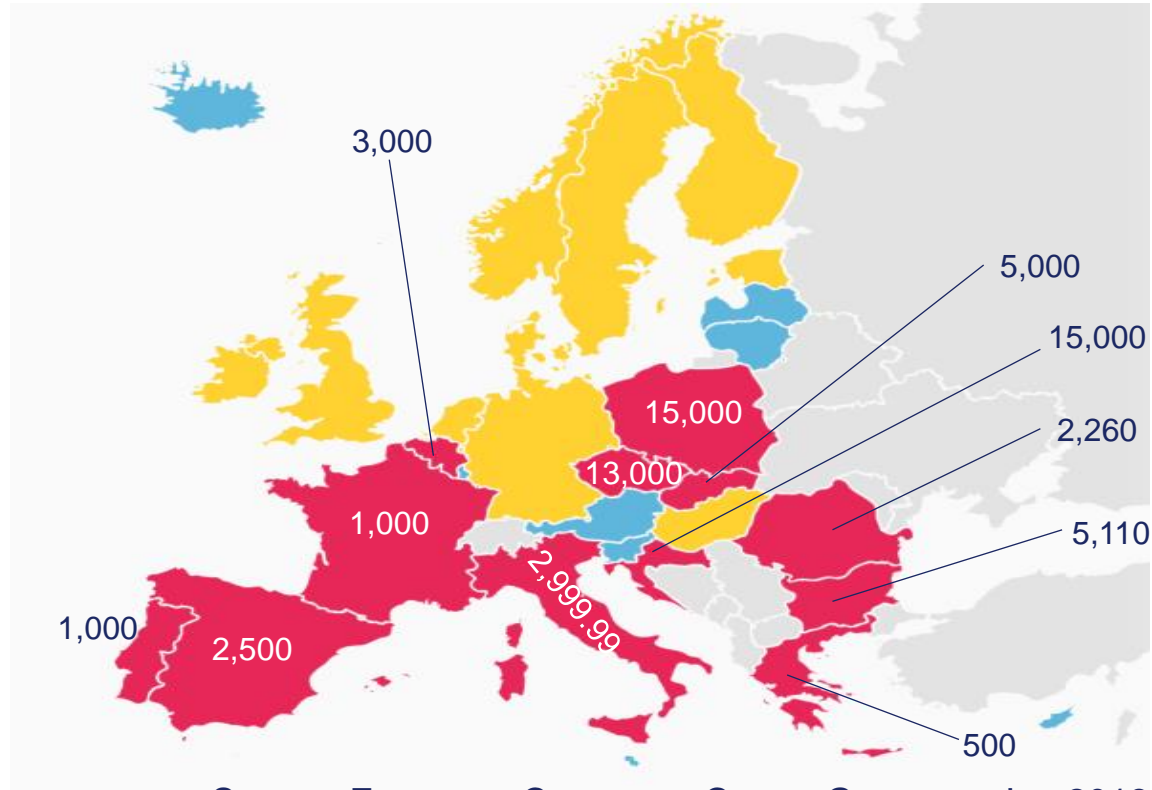
2. PUBLIC POLICY RESPONSES TO CASH

Maximum Amounts in Commerce (in EUR)

No maximum amounts

No maximum amounts but certain exceptions

Maximum amounts apply



Source: European Consumer Center Germany, Jan 2018

Phasing Out of (High) Denominations

India, 2016



Source: Hindustan Times

Central Bank Digital Currency

Sweden's Riksbank eyes digital currency

Oldest central bank to decide on ekröna within two years



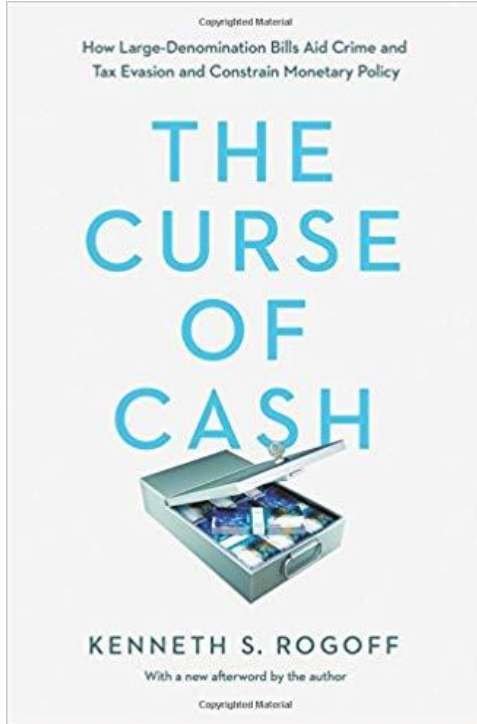
Source: Financial Times

“Personally I would like to design it in a way that is most like notes and coins.”
(Cecilia Skingsley, 2016)

3. Conclusions

3. CONCLUSIONS

Cash – a curse?



Source: Amazon

“It’s the Deficit,
Stupid!”

3. CONCLUSIONS

Don't forget about the Baby!



Source: Getty Images

Thank you.