

Do we still need cash in the future?

Good morning, ladies and gentlemen!

Like most of you in this room I have been using cash all my life. But in the last six years – as member of the board of the Austrian Central Bank – I have not only been using cash, I have been talking about it.

In these six years, I have heard many times about the imminent arrival of the cashless society.

Yet also in that six years, I have come to realize that cash is as important as ever.

Let me just say at this stage that although I am a firm believer in the continuing use of cash, I recognize the important role for cashless payments.

And yes, I have been using alternative forms of payments for many years. I am talking about credit cards, debit cards and – more recently – contactless payments. Because even central bankers sometimes have to go shopping. But the important thing is cash has always been there!

Some of you might be thinking that I am speaking from a purely Austrian or Eurozone perspective; and yes I accept there are differences from country to country, region to region – and this will always be so.

But having said that, there are – in my opinion – universal principles which underpin the success of cash now and in the future; principles which are relevant everywhere. So what are these principles?

The **first principle** is about freedom and privacy.

We are living in a time when more and more people are becoming worried about data protection and the use of personal data. Even a hundred and fifty years ago Dostojewski philosophized: Cash meant freedom. And I think is still true today ...

So, let's talk about freedom! By using data - gathered during digital payment transactions - it is possible to create user profiles. The steady rise of digital technologies keeps bringing us closer and closer toward mass surveillance. Should we be worried? Unfortunately, yes! By introducing the so-called Social Credit System, China has shown us potentially the extent and impact of digital profiling.

For this reason, the question of the future of cash is also a question of democracy! Because anonymity of cash protects you from state control and institutions.

This is not about the fight against money laundering and illegal activity, it is simply about the right of the individual and individual privacy. – whether you are buying medicines, whether you are going to the supermarket or buying a beer in a pub.

In any case, IT giants like Paypal, Google or Amazon do not need to know everything about us. The Facebook data scandal, which saw data improperly used for political purposes, has made it clear how easily our most personal data can be abused, even in Western democracies.

The **second principle** is about flexibility.

Cash is flexible **and this** is its strength. This flexibility means it is a compliment to more technology-based means of payments; and it always was. And it is for this reason, this flexibility and this working together that will give people – like me, like you, and even your children - the flexibility and choice in deciding how to pay for something.

But it is not just about buying things. Think about power cuts and other unexpected events. In these kinds of emergency situations, digital money is of no use whatsoever. **This is** when cash is **truly** king!

- Environmental disasters,
- blizzards sweeping through New York.

And think about this: What would happen if we only lived in a world of digital payment systems which crashed due to a technical breakdown or due to a cyber-attack? Most of us use online banking – in some form or another – so imagine how you would feel if you couldn't access your account for several days and you had no cash at all?

The **third principle** concerns stability and security.

The Euro system has a duty to safeguard the integrity of the euro banknotes and to continue improving banknote technology → second series of banknotes!

What I want to say: the number of counterfeits remains modest confirming the enhanced protection of Euro banknotes against counterfeiting. In other words, the likelihood of receiving a counterfeit is extremely small compared to cyber-attacks and other kind of fraud when making electronic payments.

The **fourth and last principle** is about emotion. What I'm saying is cash is about peace of mind **and** this is why people **continue to** love cash.

Here in Austria the Central Bank carries out regular surveys about the Austrian's relationship with cash. The last survey was carried out in the late 2018 and the result might surprise you:

- 70 % of Austrians believe that cash should keep its current importance.
- And for another 24 % cash could lose its current importance but have no desire to live without cash.

But you probably think this is just cash dinosaurs (= old fashioned) like myself. Yet, **even** amongst the sixteen to thirty five age group, the figures are 52 % and 39 % respectively.

In short, the attitude of the Austrian population has barely changed over the last 20 years **and** cash is still by far the most frequently used means of payment in Austria.

Is Austria the only country with such an affinity for cash? I don't think so.

The amount of cash in the euro area and outside the euro area keeps increasing. **Indeed**, since the start of the euro, the amount in circulation has **multiplied by 4**. And what's more, it keeps increasing further, at annual growth rates of **4% to 6%**.

One figure ... The total amount of cash in circulation added up to the enormous sum of **EUR 1,231 billion** end of December 2018 (+5,1% compared to the end of 2017).¹ To put this figure into perspective: if we were to place all of the euro banknotes that are currently in circulation alongside each other, they would cover seven times the distance between the earth and the moon. To me, this is not a means of payment that is going to disappear any time soon!

All in all this does not indicate a cashless society will be a reality very soon

But even in the UK which is outside the Eurozone cash is still king in many parts of the economy.

The Access to Cash review – a report published in March 2019 – found 97 % of the UK population carry cash with an average amount of 41 pounds.

The report said it was, and I quote “A mistake to think the need for cash is limited to those who don't want to move with the times...Cash doesn't need IT to run once it's been issued by a bank, and will work even if banks fail.”

¹According to current estimates by the OeNB, EUR 31 billion were circulating in Austria at the end of 2018.

Ladies and gentlemen, let me sum up.

As a central banker I know very well of not only the need to follow digital developments but the need to improve our systems especially with instant payments. But, my basic message is this: competition between cash and cashless payments is essential for the reasons I have already talked about; the principles of freedom, flexibility, stability and emotion!

Cash will survive, cash will go on, cash will continue to complement digital payments because using cash is not only about choice, it's about necessity!

