


**A WONDERFUL
THING CALLED**



CASH

CASH is...



- 
- ✓ the only form of money that really generates the “pain of paying” needed to avoid buying things we don’t need with money we don’t have. To save money, put away your cards!
 - ✓ the only money guaranteeing full privacy. Those who want to get rid of cash have hidden agendas. A cashless society is not just cashless, it is freedom- and privacy-less!
 - ✓ good for the financial system. It generates trust in the system by providing the confidence that anyone can withdraw deposits from the bank at any time. Without cash, banks’ customers would have no means of doing it.
 - ✓ not, and never was, a vector of contamination of Covid-19. However, the massive increase of contactless payments has not prevented Covid-19 from spreading massively. The trade-off “contactless vs safety” did not deliver!
 - ✓ public money. It is a public good, the only one that operates without intermediaries. It is the only form of money which is legal tender. Legal tender must mean legal certainty of acceptance and this cannot be left to each individual retailer.
 - ✓ not the criminal preferred form of money. Money laundering is a process of moving away from cash. Cash is conspicuous and allows detecting suspicious operations.
 - ✓ environmentally friendly. The environmental footprint of cash is negligible and much less than that of e-money using supercomputers to operate.

The unique virtues of cash

Cash is unique. Many e-payment instruments can duplicate some virtues of cash, but none have them all together. Therefore, cash is “virtually irreplaceable”.

One feature, however, is definitely unique: cash is what works when nothing else does. It works without terminals, and most importantly, without intermediaries. It can be stored independently from anyone and requires no infrastructure. It is safe as it cannot be hacked and is much less prone than any other forms of money to cyber-attacks. And contrary to other forms of money, no one can lose more than they have.

Some e-payment instruments might be able to work offline, but they cannot operate offline permanently: at some point, it is indispensable to go online to reconcile offline operations with digital accounts.

In 2010 and 2011, Christchurch, New Zealand, was hit by two earthquakes which cut all sources of power. No electronic payment system was operational, leading to an immediate surge in the demand for cash. The NZ Reserve had to distribute NZ\$ 350 to every citizen as an emergency matter to be able to purchase products of bare necessity (the equivalent of €100m distributed in 8 days).

“Cash: the only thing that still works when nothing else does!”





*"A high use of
electronic retail
payment methods
in society may be
a vulnerability
not a strength"*

Alan Boaden,
*former Head of Currency,
NZ Reserve Bank*

The pain of paying

**Cash is the only type of money you cannot spend when you have no more!
Some have advised on how to save money: get rid of all your cards and mobile payments!**

Lisa Woodley, a journalist author of a number of publications on spending, advises putting cards away and paying in cash to spend less. She produced a social media video on "cash stuffing" which, she said, boosted the number of her followers from 3,000 to 172,000.

"My secret to make your richer? Put your cards away and pay for everything in CASH!"

Clearly a very popular theme!

Cash provides a very easy way to keep control of our budget, and not just for the least well-off in society. Whenever someone gets into over indebtedness, the first measure of any financial institution is to take back all cards, leaving only one to withdraw cash.

But cash is at risk. Cash volumes are declining dangerously. It is a public good that belongs to all, and cash payments are subject to no fees to the users, which no one protects from the fierce predatory competition of e-payment providers. Cash is publicly tarnished by many of its enemies as costly, ineffective, dirty, outdated...

And by the way, you are invited to use their own payment instruments and pay their fees.

However, cash is a volume driven product and requires a critical mass to be sustainable. Cash cannot subsist only as a contingency money in case e-payments are disrupted. Cash is not a luxury to be kept in the case we need it.

"Cash? Use it or lose it!"



*"Only cash provides
that "pain of paying"
that prevents you
from buying things
you don't need
with money
you don't have."*

Why are “they”

so much against cash?

In recent years, so many voices have prophesised the end of cash for a number of good reasons. There are essentially three main unsaid reasons for calling for the end of cash.

- ✓ Either “they” want to control you.
- ✓ Or “they” want to take more of your money.
- ✓ Or “they” want to “protect” you.

Cash, “they” say, is an obstacle to all these objectives.

Control: “data is the new oil”. Each time we pay electronically, this is recorded, stored, remembered. For ever. What is better than a payments log to understand who everyone is?... Data is used to target each of us as accurately as possible, from personalised advertising to insurance risk calculation. For the better, but more often for the worst.

Take more of your money! Paying in cash has no transaction costs. Paying electron-

ically is a major source of profits for the electronic payment industry. Fees are kept low as cash is still an alternative – guess what will happen, when cash is gone?

Protect you! Cash is the purported “preferred tool” for crime, terrorists and money laundering: no cash, no such scourges anymore. Problem: not a single cent in cash was found in the Panama/paradise papers!

Cashless will make negative interest rates possible on everybody's accounts. In pompous words, it reads “ensuring a better transmission of monetary policy”, but the reality is to reduce liquidities by taking it directly on deposits. As the world's Guru of the war on cash said: “you should prepare for negative interest rates at the next recession”.¹

1. K. Rogoff, Harvard professor and former IMF economist

”



**As Mark Twain
would have said:**

*“the report of my death
is an exaggeration”*

“Money is coined freedom”

“‘Cashless society’ is deeply uninformative: it draws attention to what’s absent rather than what’s present.”

Brett Scott,

And what’s present in it is hardly pleasant: a cashless society would be a transparency nightmare. It is about control of individuals, of each of us.

But control up to what point? Think of “social credit” policies implemented in some countries, where people are tagged with a social credit mark based on their behaviour, as assessed arbitrarily by the authorities. The social credit score defines what people can or cannot do.

A pure cashless society would make such control perfectly possible: electronic payment means would be permitted to work in some places and not in others. And control, inter alia, everybody’s ability to travel.

One of the unquestionable consequences of Covid-19 is to have imposed e-payments in micropayments: an entirely new territory for data mining and framing people’s habits for payment service providers, where cash had previously a monopoly.

There are many ways for criminals to remain anonymous, even when using elec-

“Cash is not about being anonymous, it is about privacy”

tronic payments means. However, there is only one way to keep privacy: paying in cash.

“There are valid privacy reasons for maintaining cash” once said Yves Mersch, former Executive Board member of the ECB². The EU Charter of fundamental rights proclaims in its article 7 the right for “respect for private and family life”.

**Cashless can be
dangerous
for your freedom**

2. 2017 IIF Spring membership meeting, Tokyo, 8 May 2017.

”



*“There are valid privacy reasons
or maintaining cash”*

Yves Mersch,

Former Executive Board member of the ECB

Cash and contamination

For many years now, some operators of the e-payment market have hammered the fact that cash was filthy, going from hands to hands a little bit like... a plastic payment card.

Within the first few weeks after Covid-19 struck, major card operators submitted to the European Banking Authorities that using cash was “*extremely risky*” and pleaded for an increase of the maximum threshold for contactless, as a prophylactic measure.

When the world fought Covid-19, some used it for the promotion of their products: Never waste a good crisis!
A number of central banks, including the ECB, has rebutted the existence of the risk of contamination by using cash. the cot-

ton substance of which most banknotes are made of does not allow viruses to survive long in normal conditions. The risk is not more than that of using any other objects in daily life.

Yet, fears of contamination through banknotes and coins have taken a serious toll on the use of cash. The decline of cash during the covid period was worth no less than “*seven years of digitalisation of payments*” – in other words, seven years of waging war on cash!³

3. Speech of Mr F. Panetta, ECB, “Cash in times of turmoil”, 15 June 2021

”



“Despite a very substantial increase in contactless payments in 2020 and 2021, Covid-19 continued to spread hugely. The promised trade-off ‘contactless for safety’ did not materialise.”

ESTA

Cash is a condition for financial stability

Financial systems can only work if people trust them. Whenever there is a crisis, the first thing people do is to run to their bank or to the first ATM.

Cash is the only means for a bank customers to withdraw deposits from their bank. They can move them to another bank, but if the lack of confidence is in the system, that's not helping much. They could also spend their money, but liquidity can be an issue.

Cash is therefore the only way a non-bank can withdraw its bank deposits from a bank while preserving its liquidity. The stability of the banking system rests on the belief that is possible at any time. Once there is a doubt, there is a bank run.

Withdrawing our cash from our bank account should remain free of charge. Laws provide that wages and other revenues have to be paid onto a bank account as commercial e-money, and not in cash. People who receive their money in a form they have not chosen should not have to pay to convert it into a form they want: cash.

"Banks should fear the day when the public will consider that cash is becoming so scarce that it will lose confidence in its ability to withdraw deposits from the bank."

EU Directive 2014/92 on basic payment accounts provides that cash operations, both deposits and withdrawals regardless of the number of operations, are to be offered "free of charge or for a reasonable fee". In most cases, the account is not free, and neither are the cards which allow us to use the account.

”



“Deposits are statutory debt that a bank owes its customers – surely a lender should not have to pay a surcharge for collection of debt.”

Tuomas Välimäki,
Bank of Finland



Cash is a public good

Cash plays a part in nation building and is a public infrastructure. It is the only means available to anyone to instantly settle a transaction in central bank money at face value without intermediaries.

Cash's status as legal tender ensures it is universally accepted, equally accessible, and free to use for consumers, making it an important public good and public infrastructure. It does not incur any cost to users and can be used independently from the issuer.

The crowding out of cash by commercial e-money is a stealth process of privatisation. The EU Commission acknowledged this when it states that *"the usage of central bank money could be more and more replaced by private money and private electronic means of payment"*.⁵

There is no better reason to protect cash against its substitution by commercial money from companies which are not even based in Europe.

Legal tender cannot be left to each individual retailer who might decide if it accepts

cash as a payment. Unless very specific and very restrictive conditions are met, cash **must** be accepted as a payment.

"The discussion of cash as a public good is not only primarily around assumptions of individual choice regarding payment cost and efficiency as key drivers motivating the turn to digital options at the expense of cash. If policies and incentives make it impossible to use or access cash, then the concept of "choice" falls short."⁴

The risk, as it materialises today, is that commercial choices dictate which type of money will be accepted or not. Accessibility, availability and acceptance of cash must be robustly secured.

4 Ursula Dalinghaus "Virtually irreplaceable – cash as a public infrastructure", Institute for money, technology & financial inclusion, 2019, prepared for cash matters.

5 Impact assessment of the proposal for a Regulation on establishing the digital euro, at page 47.

”



“As public money, cash is the only form of money that is legal tender. Legal tender means the legal certainty of acceptance.”

Debunking myths

Myth #1: Cash is the criminals' preferred form of money. No cash, no crime!

If only! Criminals are looking for profit, not for cash. In most cases, laundering criminal funds means moving away from cash and creating a seemingly legal trace for electronic money. Cash is a problem for criminals and large sums of money become rapidly very conspicuous.

The old cliché of criminals travelling with big cases of banknotes has long gone. With the internet and cryptocurrencies, it is possible to move large sums of cash converted into cryptos, moved from one point of the globe to another in just a few clicks, and reconverted into cash, possibly in a different currency, at no risk and no costs in an untraceable way. Why bother with transporting cash?

Myth #2: cash is an environmental hazard!

The environmental footprint of a banknote is low and only represents a minute fraction of 0.01% of the total environmental impact of a European's annual consumption of activities.⁶

Contrary to cryptos and other forms of electronic money, cash does not need any supercomputer requiring massive energy input to operate. The main part of the CO₂ footprint comes from ATM powering. Cash transport is the second cause of CO₂, which can however be substantially reduced by implementing more flexible cash management processes requiring less transport.

Most of the environmental footprint of transport of cash does not depend on the industry, but on vehicle emissions which is an automotive industry issue: the cash industry uses state of the art equipment as it is made available to it by the market.

⁶ ECB study on the environmental footprint of cash, 11 December 2023.

”



“Most of our inquiries are fuelled by cash movements. If there were no cash, there would be no fewer suspicious operations, but we would detect much fewer of them!”

The head of a
financial intelligence Unit

The cash trilogy

Cash can only work if it is accessible to cash users, if it is accepted by economic operators and if change money is supplied to retailers. The current threat on cash is on all three of these conditions:

- ✓ Banks' withdrawal from cash makes access more difficult, with higher costs to users, longer distances and leads them to withdraw more cash than they wish to reduce the number of times they go to an ATM – or to reduce their use of cash.
- ✓ Acceptance is put in question, as the reduction of cash services does not only concern consumers but also retailers who are restricted in their ability to deposit cash on their account.
- ✓ Finally, the suppression of change money is the perfect anti cash weapon, as no one will give up on their change for paying in cash: instead, they'll pay electronically.



Commercial banks are the primary channel for supplying cash. However, they have competitive payment products to offer, on

which they make substantial profit. They do not invest in cash, which therefore appears as a cost to them.

”



*“The conundrum of cash is that it
is made available to the public
by its worst competitor.”*

IT'S TIME
TO BECOME
CASH PR
AGAIN!

WE
COME
PROUD

