

## Jean-Pierre Danthine: Does cash have a future?

Summary of a speech by Mr Jean-Pierre Danthine, Vice Chairman of the Governing Board of the Swiss National Bank, at the Assemblée Générale de l'Association des Alumni HEC, Lausanne, 8 May 2014.

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*The complete speech can be found in German on the Swiss National Bank's website: [www.snb.ch](http://www.snb.ch).*

One of the traditional tasks of the Swiss National Bank (SNB) is to provide the economy with banknotes and coins. Since the establishment of the SNB, banknotes have constituted the most visible link to the population. As an everyday article of use, but also symbolically, banknotes embody the quality, security and stability of the SNB, and of Switzerland in general, not least of all also for the rest of the world. It is therefore of key importance that the SNB undertake the task of cash supply and distribution conscientiously. The role that banknotes play in the public's trust in the institution and its decisions is not to be underestimated. In turn, this trust is an important prerequisite for the SNB to be able to fulfil its core monetary policy mandate, and thereby ensure price stability.

Due to technological developments in the post-war period, the significance of cash declined, as measured in terms of economic performance. Since the beginning of the 1990s, however, the demand for cash has hovered at a stable level, and since 2008, in the wake of the financial crisis, there has even been a marked increase. Thus the technological advances of the last 25 years – especially the internet – have not significantly diminished the demand for cash. People still appreciate cash as a store of value and a means of payment. It is visible and tangible, which makes it especially valuable when there is uncertainty about the stability of banks. In addition, interest rates have been very low for some time now, and therefore the opportunity costs of holding cash are also low. However, the significance of cash as a payment instrument, too, remains unimpaired. In this regard, two essential characteristics stand out: As legal tender, cash is widely accepted and extremely reliable to use.

Nevertheless, technology is constantly moving forward in terms of new forms of electronic payment as well as in the area of digital forms of money. What is more, the share of the population which grew up without bank cards, the internet and mobile telephones is continually shrinking. Is Switzerland therefore becoming a cashless society? Even if the importance of cash does decline over time, it is unlikely that it will be completely replaced. Its specific advantages suggest, rather, that it will continue to be used as a store of value and a means of payment. With well-established, flexible processes in banknote production and handling, the SNB contributes to ensuring that cash continues to meet the public's requirements at all times.