

Carl-Ludwig Thiele: Dinner speech - International Cash Conference 2017

Dinner speech by Mr Carl-Ludwig Thiele, Member of the Executive Board of the Deutsche Bundesbank, at the International Cash Conference 2017, Island of Mainau, 25 April 2017.

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Ladies and gentlemen

It gives me great pleasure to welcome you to Montfort Castle this evening. I hope you enjoyed today's conference proceedings. I am particularly honoured to welcome Dr Kurt Pribil, Member of the Governing Board of the Oesterreichische Nationalbank responsible for payment systems.

Our day has been both informative and enlightening, and what better place to end it than in these historic surroundings. Montfort Castle, in its present form, was built in the 19th century by King William I of Württemberg on the site of Count William II of Montfort's castle ruins. The castle is thus named after its first inhabitant, who lived here back in the 14th century. Throughout the years, this Moorish-style building has been a palace, a villa, a guest house, a spa house and even an office building. Among the special features of the castle are the Moorish details, such as the striped effect created by the yellow and red coloured brickwork and the terracotta relief design on the outside of the building. The building is a significant example of the orientalisised architectural art of the 19th century. Montfort Castle now belongs to the municipality of Langenargen, which had the castle thoroughly renovated and remodelled in 1978. This Hall of Mirrors is a rather special setting for the official dinner of our third Cash Conference.

This conference once again brings together central bankers and the academic community of cash researchers. Like previous conferences, this one will cover a wide range of current topics, with renowned experts discussing interesting aspects. The title this year is: "War on Cash – Is There a Future for Cash?"

Cash is an exciting and important field of research, which has been the subject of extensive debate, especially of late. For various reasons, academics, policymakers, but also other market players, such as commercial banks, card-issuing companies and internet firms, have been speaking out against cash, with the latter possibly hoping to increase the popularity of cashless payment instruments for their own benefit.

This criticism was also a topic of discussion at the Deutsche Bundesbank's Third Cash Symposium last year. The former president of the German Federal Constitutional Court, Professor Hans-Jürgen Papier, held a speech that attracted a lot of attention on whether statutory limits to cash payments were constitutional. He regards it as being considerably doubtful that the introduction of a cap on cash payments meets the constitutional requirements of suitability and proportionality in the narrower sense. To quote: "Legislators should, at any rate, not be swayed by premature and vague assumptions, since in our free state governed by the rule of law, the following principle still holds: *In dubio pro libertate.*"

Studies show that the payment behaviour of consumers can vary greatly from country to country. Germany is one of those countries in which the public likes to use traditional payment methods. Although a constant – albeit slight – decline in cash as a means of payment can be observed, it is still used for almost 80 percent of all transactions at the point of sale and thus continues to be the medium of choice for spending on everyday necessities. But it is not just the payment habits of the public in Germany that are subject to constant change. Driven by the increasing cost pressure which the banking industry is facing at present, we are currently observing a shift in the way in which consumers obtain and dispose of cash. In the future, cash supply and removal operations could shift from classic bank branches towards the retail industry, predominantly

supermarkets. For consumers, especially those that live in rural areas where there are no bank branches and often no ATMs, it will be much easier to obtain and deposit cash. We welcome this new development; however, it sets us new challenges. For even though this may mean that cash is returned to banks or central banks less frequently, its quality still needs to be maintained.

In light of these developments, it is important to forge ahead with our research into the use of cash. Cash is all too often reduced entirely to one supposedly determining factor: cost. However, I believe that it is preferable to give equal consideration to the benefits of cash and those characteristics that make it unique. The key advantages of cash include anonymity, immediate settlement of a payment contract at the point of sale and the possibility of effecting payment without requiring any other service providers or technical infrastructure. The latter ensures that cash can still be used even if cashless payment vehicles are unavailable.

The Deutsche Bundesbank does not issue any recommendations for or against the use of cash. The driving principle behind our business policy is to support both consumer sovereignty and the principle of contractual freedom, and to let the public decide which method of payment they prefer.

I believe that cash will therefore remain indispensable as a payment medium in the foreseeable future. So far, none of the alternative payment forms have been able to fully replicate those properties that have made cash so successful, which is why cash is and remains such a fascinating topic of research. Potential developments and dynamics impacting on the future cash landscape are sure to be the topic of many a conference and research project to come.

On that note, I wish you all a rewarding rest of conference, a lively exchange of ideas and a pleasant evening.