

# **Burkhard Balz: Central bank policy in an evolving cash landscape**

Keynote speech by Mr Burkhard Balz, Member of the Executive Board of the Deutsche Bundesbank, at the Banknote Conference, Washington DC, 13 May 2026.

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*Check against delivery*

## **1 Introduction: From Monument to Money**

Ladies and gentlemen,

It is a privilege to address such a distinguished gathering here in Washington. A city of powerful institutions and enduring symbols.

Just a short distance from here stands one of them: the Washington Monument. Today, we see it as a completed landmark – a towering symbol of American history with global reach, admired by millions of visitors every year. Yet behind this impressive presence lies a long and sometimes difficult construction history, with interruptions and delays stretching over decades. In this sense, its story is also a lesson in perseverance and public responsibility.

The idea to honour George Washington dates back to the 1780s. But for decades progress stalled. When construction finally began in 1848, it soon ran into trouble: funding dried up, political disputes erupted, and by 1854 work stopped. For more than twenty years, a half-finished stump stood on this ground – a monument to good intentions without follow-through. Only when the federal government stepped in, strengthened the foundations and provided stable funding was the monument completed in the 1880s. And even since then, it has not been a "set and forget" structure. Earthquakes, storms and the effects of time have required repeated repairs and modernisation – including the elevator.

The Washington Monument reminds us: even the most impressive structures need solid foundations and ongoing stewardship. The same is true for our payment systems – complex architectures of rules, infrastructure and trust. They cannot be built once and left alone. They require solid foundations, continuous maintenance and, at times, decisive public action.

So let me shift perspective. Imagine our payment system as a high-rise building: digital payments are the elevators, and cash is the staircase – a fundamental part of the design, indispensable when things go wrong. And let's be honest: some of us simply feel more comfortable on the stairs – no matter how fancy the elevator is.

## **2 Inside the High-Rise: How We Pay Today**

With that image in mind, let us step inside and watch people move from floor to floor. Most take the elevators – our digital payments: cards, mobile wallets, e-payment methods. In many countries, they are now the default way to navigate the building.

The staircase, by contrast, is used less. This is cash at the point of sale. In advanced economies its share has been declining for years.

In Germany, about 51% of transactions are made in cash, down from 58% in 2021-and the share continues to decline. Yet the building is not emptying. More people keep their place inside – holding cash as a store of value – even as they climb the stairs less for everyday payments. Cash is not disappearing; only the way it is used is changing: an observation also referred to as the "banknote paradox".

But even this picture is starting to shift: in many countries, cash in circulation is now falling relative to the size of the economy, suggesting that its future role as a store of value may be less certain than it once seemed. This shift shapes how we must design and safeguard payments. As more people rely on elevators, management optimises: staircases narrow, doors are harder to find, lights are dimmed.

In economic terms: with less cash use at the point of sale, cash infrastructure shrinks, acceptance becomes patchier and unit costs rise. A downward spiral could follow: the staircase grows harder to find and less convenient, so fewer use it; declining usage and acceptance lead to further cuts; higher costs make maintenance even less attractive.

Meanwhile, the elevators change, too. They grow faster, carry more people and are often operated by global players headquartered far from this building. They are extremely efficient – but also highly interconnected, dependent on electricity, networks and complex IT.

From the lobby, everything looks impressive and efficient. In the control room, we see vulnerabilities: cyber risks, single points of failure and geopolitical tensions that can cascade across borders.

In short, inside our monetary high-rise we see three trends:

- declining everyday use of the staircase – cash at the point of sale;
- continued demand for a place in the building – cash as a store of value;
- and increasing reliance on the elevator system – private digital payments.

These shifts bring new forms of convenience and speed, but also greater concentration and fragility. This raises a crucial question for central banks: how do we keep the building safe, inclusive and resilient-not only on sunny days, but when the lights flicker or the ground begins to shake?

We know from right here in Washington what shaking ground can do. In 2011, an earthquake damaged the Washington Monument and closed it for almost three years. It survived because it was carefully inspected, stabilised and restored. And for those inside when the quake struck, the instinct was clear: they did not wait for the elevator – they left the monument the old-fashioned way, by using the stairs.

This episode teaches something fundamental. In crisis, people reach for the most reliable exit – often the simplest, most time-tested option. Imagine a high-rise with no staircase at all: no matter how modern it looks, it would never feel safe.

The lesson is clear. Even the strongest landmarks are vulnerable to sudden shocks. Resilience is not a luxury; it is a necessity.

The same holds for our payment systems. We cannot rely on efficiency and routine maintenance alone. We must prepare for the unexpected – for crises, cyber threats and disruptions that can shake the very foundations of our monetary architecture. This brings us to a policy crossroads.

### **3 Choosing Our Priorities: Cost Efficiency, Resilience, Responsibility**

As stewards of this monetary high-rise, we are at a crossroads. The decline of cash at the point of sale is not a technical footnote but a strategic challenge. Do we stay passive and let the downward spiral continue, or do we reinforce the foundations to keep the building safe for all? Passivity would erode inclusiveness and resilience. Action needs conviction, investment and clear priorities. Is maximal cost efficiency still our North Star – or must stability and public responsibility come first? Don't get me wrong. Cost efficiency matters: it keeps elevators running, lowers costs and supports innovation.

But it is not enough. When the ground shakes – geopolitics, crises, cyber threats – a firm footing is vital. Everyone – regardless of technology, geography or circumstance – must have safe, reliable ways to pay and store value.

Central banks carry a unique duty. We are not just regulators or operators; we are guardians of public confidence. That means looking beyond efficiency: investing in infrastructure, maintaining cash access, fostering innovation and safeguarding the emergency exits people rely on when elevators fail.

In the European Union and the Eurosystem, these choices are becoming concrete: designing a new public elevator – a digital euro – while reinforcing the staircase of cash. Let me outline how.

### **4 Strengthening Cash, Hardening Digital Payments**

Even without a central bank digital currency, central banks have tools to counter the decline in cash and to strengthen resilience.

First, we must safeguard access to cash. That begins with transparency: monitoring ATMs, bank branches and other cash services to identify regions or groups at risk of exclusion. It also means setting clear expectations and standards with legislators and industry so that basic access is maintained nationwide.

And we should support innovative distribution models such as cash-back at retail outlets, shared ATM networks and mobile cash services in rural areas. The objective is not to freeze today's footprint but to ensure the shift toward digital payments does not

leave parts of society behind. While we encourage new alternatives, this does not absolve credit institutions of their responsibility. Bank-based cash infrastructure is still the backbone of cash supply and must continue to support a resilient cash cycle.

Second, we should support the continued acceptance of cash – so the staircase is not only visible, but usable. That requires engagement with merchants, public service providers and payment firms to address costs, streamline cash handling and remove unnecessary barriers. We should also communicate the value of cash as a fundamental pillar of our payment system – its unique strengths cannot be matched or replaced by any other payment method. The aim is simple: cash should remain practical in everyday life.

Third, we need to modernise our own cash operations-maintaining the staircase efficiently. As cash transactions decline, unit costs tend to rise. Keeping cash viable requires greater efficiency – optimised logistics, automation, and data-driven processes.

At the Bundesbank, we are modernising and consolidating our cash infrastructure, closing underutilised branches and replacing ageing buildings with standardised cash centres in logistically favourable locations. The objective is clear: safeguard the long-term supply of cash while raising efficiency and resilience. We are not abandoning the staircase; we are renovating and reinforcing it for decades to come.

Fourth, we must strengthen the resilience of digital payments – making the existing elevators safer. Oversight should ensure that critical infrastructures and providers maintain robust contingency plans, redundancy and strong cyber security. We should promote a diversity of payment options so that no single provider or technology becomes a single point of failure.

And we should foster offline-capable solutions that can operate, at least for a time, without continuous connectivity. Failures can propagate quickly across borders; coordination and realistic stress testing are therefore essential. In this way, we reduce dependence on any one channel – including cash – while recognising cash as a unique resilience asset.

Fifth, we should provide a clear strategic framework for the future of cash and payments. Uncertainty about the long-term role of cash accelerates the downward spiral: if banks and merchants assume cash will soon disappear, they underinvest and the prediction fulfils itself.

Central banks can counter this by articulating a long-term vision: cash will remain available and usable, and digital payments will be promoted, but not at the expense of inclusion and resilience. We should engage stakeholders through consultations, working groups and public communication to build a shared understanding of objectives and trade-offs.

In Germany, the National Cash Forum brings together all key actors in the cash cycle. It provides a permanent platform for dialogue between the central bank, credit institutions, cash-in-transit companies, retailers and other stakeholders to address operational risks, costs and future challenges. Together, we signal clearly: cash remains an important part of our payment landscape.

Finally, our instruments – regulation, operations and communication – must be aligned with that strategy. Central banks should not be passive observers of the evolving cash landscape. We must actively steward a payment ecosystem that is efficient, inclusive and resilient.

This is the spirit of the EU's Legal Tender of Cash Regulation: strengthening cash's role as legal tender and taking concrete measures to safeguard access and acceptance. The regulation ensures that citizens have the right to pay with cash wherever they go, and safeguards its broad acceptance by businesses and public authorities. By doing so, it protects the freedom of choice in payments and upholds financial inclusion for all members of society.

Ultimately, strengthening cash and hardening digital payments are not endpoints, but ongoing responsibilities. Our task is to use every instrument-regulation, operations, and communication – to ensure that payments remain secure, accessible and resilient for all. But safeguarding today's foundations is only the beginning.

## **5 Building the Public Elevator: The Digital Euro**

The world is changing, and so must we. The question is not whether to innovate, but how to do so while preserving trust, resilience and choice. This is where the digital euro comes in.

Imagine adding a new elevator – not to replace the stairs, but to give everyone a reliable public way to move between floors in the digital age. It would not be owned by a single company or subject to market whims; it would be designed and operated by the central bank, open to all, and built for resilience.

As payments become ever more digital, public money must evolve. Cash has long anchored trust – tangible, universally accepted, resilient in crisis. As fewer people use it day to day, we risk losing that anchor online.

The digital euro extends the unique qualities of central bank money into bits and bytes.

First, resilience: the digital euro is being designed to work even when other systems fail – through offline functionality that allows payments without a network. An elevator designed to stay usable even in a fire. Its infrastructure would be robust, operating around the clock, rooted in European technology. And it would be distributed via trusted intermediaries, so people access it through the banks and payment providers they already use.

Second, choice: the digital euro is not meant to crowd out cash or private solutions. It widens options, not narrows them. Whether you prefer the staircase, a private elevator or the new public one, the choice remains yours. Our task is to keep all options safe, reliable and available.

Third, sovereignty and stability: by providing a public digital payment option, we reduce dependence on single platforms and strengthen the euro's role as a trusted means of

payment. A digital euro reinforces the foundations of our monetary system, making it more robust to shocks, to competition from foreign currencies and to the rise of private stablecoins.

To turn this vision into reality, we proceed step by step, attentive to legal, technical and societal questions. The Single Currency Package, now under discussion in the European Parliament, reflects this balanced approach: it strengthens the legal status of cash and lays the groundwork for a digital euro, so both forms of public money can coexist and support each other.

The design is being shaped with citizens, businesses and other stakeholders, with privacy, accessibility and security at the core.

Let me be clear: the digital euro is no silver bullet. It will not solve every problem, nor make cash obsolete. But it can ensure that, as the world becomes more digital, everyone retains access to safe public money – and that our monetary high-rise remains open, resilient and trustworthy.

In the end, this is not technology for its own sake. It is about preserving what matters most: trust, choice and stability in a changing world. By adding a new public elevator, we prepare our monetary system for the future – without abandoning the foundations that have served us well.

## **6 Keeping the Whole Building Safe**

Ladies and gentlemen,

Let me conclude with our monetary high-rise. It is changing: fewer use the staircase, more take the elevators. We gain convenience and innovation but also face vulnerabilities – cyber risks and outages. The market and routine maintenance are not a strategy.

Our approach rests on three elements:

First, reinforce the foundations: safeguard public money – cash today and a digital euro tomorrow – and ensure our frameworks value resilience alongside efficiency.

Second, maintain and modernise the staircase: cash remains a pillar of resilience, a physical way in and out, independent of electricity, networks or private models. To keep it viable, we must modernise operations, secure access and acceptance, and work across the cash cycle.

Third, make the elevators safer and more diverse: private digital payments will grow; we must keep them robust – and, in the Eurosystem, install a public elevator in the form of a digital euro, designed for resilience from the outset.

The key message is simple: for central bank policy in an evolving cash landscape, what matters most is not the existence of a CBDC, but decisive action. Even without a CBDC, central banks can strengthen resilience-by safeguarding cash, modernising infrastructure and hardening private payments. Doing nothing is not an option.

In the Eurosystem, we are doing both: strengthening the staircase – through reforms and European legislation on legal tender – and engineering the digital euro as an option integrated into today's house and built to work even under stress.

Ultimately, this is about trust: that money is safe, people can pay and be paid, and the system works in good times and bad, online and offline, with cash and digitally. If we deliver that, our monetary high-rise will remain a stable, inclusive and resilient home – with solid foundations, a reliable staircase and elevators that keep running, even when the ground is shaking.

Thank you.