



## Should cash stay king in Switzerland?

In the age of digital money, a Federal popular initiative wants to anchor cash in the Swiss Constitution.

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Like in neighboring Germany and Austria, cash is still king in Switzerland. According to the results of the latest Swiss National Bank (SNB) survey, conducted in the fall of 2020, 97 percent of Swiss citizens still keep cash in their wallets or at home to cover daily expenses, which is significantly higher than most countries.

Forty percent of transactions are still conducted in cash, which is also higher than many of Switzerland's more cashless European neighbors, such as the United Kingdom (about 15%), Sweden (less than 10%), and Norway (3-4%, the lowest level of cash use in the world). But this is down from about 70% three years earlier. Moreover, in terms of transaction value, debit cards have recently surpassed cash as the payment method with the largest share for non-recurring payments.

Indeed, the coronavirus pandemic has given additional impetus to this shift from cash to cashless payment methods.

## While the use of cash is declining in Switzerland and the rest of the world, the Swiss people will soon have the opportunity to vote on the indefinite storage of banknotes and coins.

Two weeks ago, the Swiss Freedom Movement (SFM) chaired by Richard Koller announced that it had collected enough signatures (111,000) to trigger a national vote on preserving cash for posterity. If passed, the initiative would require the federal government to ensure that coins and bank bills are always available in sufficient quantities. In addition, any attempt to replace the Swiss franc with another currency - perhaps a reference to a digital central bank currency (the "e-Swiss franc") - would also have to be put to a popular vote.

Here is their reasoning: while the federal law on currency and means of payment unambiguously states that Swiss banknotes must be accepted in payment by anyone without restriction, the Federal Council believes that the freedom to contract is paramount. This means that the customer and the seller can agree on a different means of payment. This is a good thing. But the question inevitably arises as to whether the buyer is really free to do so. If, for example, the SBB only sells cashless tickets, what choice does the consumer have? Or if one is looking for a parking space and the parking garage only accepts payment by card?

The Free Swiss Movement believes that cash is playing a diminishing role in many economies, with electronic payments becoming the default for transactions in increasingly digitized societies, making it easier for the state to monitor the actions of its citizens.

The Swiss Libertarian Movement therefore decided to launch the popular initiative "Cash is Freedom" with the aim of guaranteeing freedom through cash and asked the Confederation to ensure that sufficient coins or bank bills are always available.

Under the Swiss system of direct democracy, the proposal would become law if approved by voters, but the government and parliament would decide how the law would be implemented. A referendum date on the cash initiative has not yet been set. According to Swiss Info, none of the main political parties support the initiative.

## Three unique advantages of cash, according to the SNB

The SNB opposed the referendum. Officially, the central bank has no preference as to whether people pay in cash or with digital alternatives. What matters is freedom of choice. In a speech last November entitled "Popular, but under pressure - cash in the digital age," Martin Schlegel, Vice Chairman of the SNB's Executive Board, pointed out three key advantages of cash over digital payments:

- Cash provides a clear and simple way to manage your money. It's easier to stay in control of your spending with bills and coins. Just open your wallet to see if you can afford to spend more. There is a reason why parents usually give children their allowance in cash. On the other hand, when you present a plastic card at a payment terminal, you only see an amount that will be debited from your account at some point.
- Cash levels the playing field, allowing everyone to participate in the economy. You don't need a bank account or a cell phone to pay with coins and bills; nor do you need an affinity for digital technology.
- When you pay with cash, you don't need to provide personal information such as your name or card number. With electronic payments, however, information about the people making the payment and their payment behavior is stored.

To ensure that people can continue to enjoy these benefits, Schlegel said the SNB must help preserve the cash infrastructure in Switzerland, which includes cash processors and commercial banks. This also means that stores must continue to accept bills and coins for purchases.

## The "cash liquidity crisis" in Norway

In some countries that are further along the path to a completely cashless existence, central banks and governments are already taking steps to preserve cash services. This is the case of Norway. In a 2021 study, the country's central bank, Norges Bank, found that many of the country's commercial banks were no longer accepting cash services. This became a factor that accelerated the May 2022 "cash crisis" in Norway, when card terminals across the country broke down for hours, leaving millions unable to make transactions.

The "cash crisis" in Norway appears to have prompted the government and Norges Bank to strengthen cash services and the right to pay in bills and coins. In September 2022, the Ministry of Justice and Civil Protection proposed an

amendment to the law to strengthen the right to pay in cash, with a requirement for physical businesses to accept it and provisions to consider individual cases for other services.

At the same time, most central banks, including Norges Bank and the SNB, are also exploring the possibility of launching their own central bank digital currencies, or Central Bank Digital Currency (CBDCs), in the not-too-distant future. While most central banks have repeatedly said that CBDCs, once launched, will coexist with cash, there is no guarantee of what will happen, or under what conditions.

## The Swiss people sovereignty

If this initiative has very little chance of being adopted, it at least has the merit of opening the debate on the role of cash and the potential dangers for consumers of an economy based entirely on electronic payments. As many states are in the process of launching their CBDCs, we have to wonder how these digital currencies will be used to monitor, analyze and control consumer behavior.

But whether in Nigeria, the UK, the US, Russia or the Eurozone, the people are not consulted. Therefore, this consultation of Swiss citizens is of particular interest because our views on the issue of cash will be of interest to people who do not benefit from direct democracy.

Source : MLS, Reuters, [www.zerohedge.com](http://www.zerohedge.com)

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