



Why bankers claim that cash is too expensive



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At first glance one could think that the printing of banknotes and the minting of coins must be related to the high costs. Indeed, these costs as well as the expenses for the physical transport of larger amounts of cash, however, are not what John Cryan means when he says that cash is tremendously expensive. What does he mean then?

To that we would like to show where cash comes from, how it originates, how it is distributed and who handles what costs when it comes to cash currencies.

Cash solely originates from a country's national bank. In Germany this is the Deutsche Bundesbank, in Switzerland the Swiss National Bank, etc.

So cash is money from the Central Bank and therefore the Central Bank is liable for the value of a banknote, not some private commercial bank.

The population, however, does not receive cash directly from the country's Central Bank but instead from private commercial banks, for example the Deutsche Bank. These banks keep accounts with the Central Bank. If your bank cashes out your account balance, the money you receive is in the form of Central Bank Currency. For this cash your bank then has to deposit a fee, a so-called demand deposit, with the national bank. And that's exactly what the tremendously expensive and inefficient costs, as the boss of "Deutsche Bank" calls it, come from.

With every amount of cash that a citizen keeps in their possession, fees arise, a deposit so to say, that the house bank which cashes out the money to the account holder has to pay. This deposit, which is deposited with the national bank, reduces the freely available capital of the bank until the point in time that the cash flows back to the national bank. This means that the bank cannot speculate with this capital to their own gain, which of course is its desire. But there is another important factor coming into play here, and this is a weighty reason why

the banks, for flimsy reasons, demand the abolition of cash currencies. The Central Banks have for quite some time demanded a negative interest from the commercial banks due to the financial crisis which means that the deposit of the banks for the cash is not only blocked but also loses value due to the negative interest. And exactly that is why the banks complain that cash is tremendously expensive and inefficient. Dear viewer, you see: The motivation of the banks behind the campaign against cash currencies is not to save the bank clients from costs but, first and foremost, themselves.

from K-H. C.

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