

CURRENCY

A Less-Cash Society, Not a Cashless One

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By [Kenneth S. Rogoff](#)

A [Bloomberg View](#) article published on Oct. 14 misinterprets the main message of my recent book, "[The Curse of Cash](#)." The book's core idea is this: That we phase out large-denomination notes. It does not advocate eliminating cash entirely. There is a world of difference.

The large notes (for example, U.S. \$100 bills and 500-euro bills) that dominate the global currency supply are hardly essential for retail transactions; the overwhelming demand comes from criminals and tax evaders in the underground economy. Ordinary people engaged in legal, tax-compliant and regulatory-compliant transactions would hardly miss the big notes, at least according to extensive evidence that central banks and other researchers have accumulated. As for privacy, having to rely on smaller bills is hardly a huge inconvenience except for individuals engaged in recurrent, extremely high-value transactions, which begs the question of what the transactions might be.

The main point of the book is not that currency should be phased out to get to negative interest rates. In fact, although negative rates and cash are intimately related topics, it is possible to have negative rates without phasing out large bills, and it is possible to phase out large bills without allowing negative rates. Sweden is on track now toward what my book terms a "less-cash society," not a cashless one.

A number of people have asked why we should bother to phase out big bills. Why not instead let them die a natural death through inflation over the next 100 to 200 years. At 2-percent inflation, a \$100 bill will have the purchasing power of \$25 in roughly 70 years. Well, aside from the fact that it would be nice to strike a blow at crime and tax evasion a lot sooner than that, one has to understand that if policymakers do not see the problems with large notes, they will eventually just

print larger bills. This happens all the time; perhaps some of the pushback from those of us writing about the problems with large notes has at least helped forestall this.

The European Central Bank recently decided to phase out the 500-euro note (which accounts for roughly a third of the value of all euro currency) after recognizing that it was doing more to aid criminals, tax evaders and potentially terrorists than to help the legal economy. Phasing out large notes will hardly end crime, but this does not mean it would not have a significant effect; most available evidence emphatically suggests that it would. Other transactions media such as cryptocurrencies are hardly good substitutes, at least in the long run, as governments respond.

What we need to think about is a less-cash society, not a cashless one. There is a serious debate to be had about a serious issue, so let's not get lost in polemic misrepresentation.

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