

MINT NEWS QUARTERLY™

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How Can we Promote Cash?



Cash payments used to be a matter of course. Nowadays, they are increasingly associated with older and socially vulnerable people: hardly the 'cool' image you would like to see when you are talking about predictions of the future.

Who is responsible for this change of mentality? Certainly not the banks, with their high-quality advertisements for profitable payment methods (profitable for the bank, of course, not the user). In fact, the blame lies with everybody assuming that a customer base for cash would emerge in the end.

We haven't been giving a clear, simple explanation of the benefits of using cash to the public. And just in the past year or two, we've been reading more and more reports outlining the dangers of completely digitalizing payment transactions and handing them over to private companies.

Even today, cash still isn't promoted at all, or at least not to any considerable extent. The official Cash Matters video, uploaded in 2017, has been viewed on YouTube 1,999 times. Both of the shorter versions were more successful.

The Spanish version got 28,366 hits in five months, while the English version got 14,404. Compare this with the exceptional goal scored by Franck Ribery during his last match with Bayern Munich – which got 872,817 hits in one single day.

Well, don't be surprised. Uploading something on YouTube doesn't guarantee that it will reach very far. A video won't go viral unless the community makes a real effort to push it. And, to be honest, there has never been any collective effort by mints to promote cash.

Just take those little videos by Cash Matters. Every mint has a website nowadays, almost all of them send out newsletters, and many of them actively operate Facebook accounts and use other social media.

What do you think would have happened if we had used our collective, international power, connected with the coin industry, to support these videos? If we'd all featured the videos on our homepages, included a link to it in our newsletters, promoted it on Facebook? What would have happened if coin dealers had shared the video, as well as the mints? After all, they all have a vital interest in preserving cash, too.

Continued on page 4 >

2018 International Coin Design Competition

Since 1998, Japan Mint has invited coin designs from all over the world to the International Coin Design Competition (ICDC), to encourage creativity and enhance the artistry of coin designs. In ICDC 2018, they received 50 works from 15 countries for the General Category and 177 works from three countries for the Student Category.

The jury consisted of the artist Sakae Hasegawa; the sculptor and medallist Shigemi Kawasumi; Ichiro Iino, Professor Emeritus of Tokyo University of Arts; Makoto Kawashima, President of the Japan Mint; and Takuzo Harada, Director of the design and engraving division of the Japan Mint.

The Award for the Most Excellent Work was given to Paulina Kotowicz and Robert Kotowicz from Poland for their work '200th anniversary of the birth of Stanislaw Moniuszko'. The jury gave the following reason for its decision:

'The artist uses a dignified style in this elegant relief to show a portrait of this eminent composer, accompanied by a diagonal musical score and signature with a dynamic, modern sensibility. The back also accomplishes a symbolic representation using a diagonal composition with a lively, contemporary air in delicate bas-relief'.



More information can be found at www.mint.go.jp

Close to 170,000 Jobs in the EU Depend on the Production of Coins

The Institute for Industrial Research (Industriewissenschaftliches Institut) in Vienna is presenting the first detailed study on the effects of coin minting on the economy and employment in the European Union. In short: the production of coins is worth it – for the countries and the people. When considering direct and indirect effects, the mints are responsible for an aggregated production of €13.797 billion. 169,900 people have jobs that are directly or indirectly linked to coin production.

Scope of the study

Every company has a larger impact than the numbers in its annual report show. Its existence is the basis for numerous other transactions, having a range of direct and indirect economic effects. For the first time, these effects have now been studied for the mints of the European Union.

The following effects were taken into consideration:

- **Direct effects:** these include the production, the value added and the number of employees at mints.
- **Indirect effects:** several suppliers and service providers depend on the production of coins, such as equipment manufacturers, raw material suppliers, logistics companies, etc. Their respective production, value added and number of employees are considered in this second dimension.
- **Induced effects:** every person earning their salary directly or indirectly in connection with coin minting feeds it into the economy through their consumption. The third dimension considers the economic impact of that.

The study of these direct, indirect and induced effects is one of the basic tools in economics. Due to the specific nature of coins, their strategic importance and their role in directly providing cash to the public, a fourth financial dimension applies specifically to the coin business. The Institute for Industrial Research covers crossover, spillover and support effects in this fourth financial dimension:

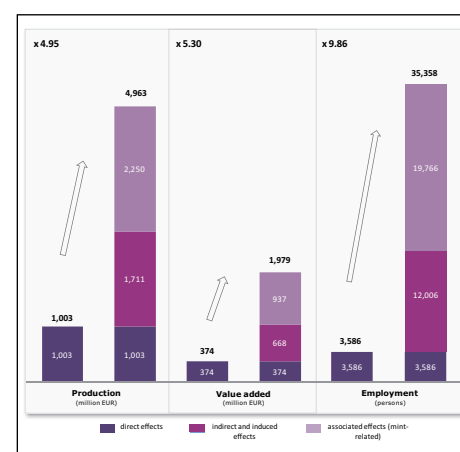
- **Small purchases effect:** many economic transactions hinge on the existence of coins, including small tips, machine purchases, donations etc.
- **National budget financing effect:** since the production costs of coins are lower than their nominal value, every mint creates added value which enters the national budget as seigniorage. The projects that a state finances with the help of these funds in turn have further positive effects on the economy.
- **Crossover and spillover effects in tourism:** every coin is a sort of miniature poster advertising a country, a region, an achievement in culture, sports or science, thus promoting tourism.
- **Crossover and spillover effects in culture and creative industries:** coins possess a high recognition value and are therefore often taken up in cultural and creative processes.

The results

- **Direct effects:** the Mints in the European Union produce goods worth more than €1 billion, with value added of €374 million and 3,586 employees.

- **Indirect effects:** The goods produced by the coin industry's suppliers are worth €7.711 billion, with value added of €668 million and 12,006 employees.
- **Induced effects:** the wages and profits generated in connection with coin minting and then re-fed into the cycle through consumption induce €2.250 billion of production, with value added of €937 million and 19,766 employees.

The overall value of the goods produced as a consequence of these three basic effects amounts to €4.963 billion, with value added of €1.979 billion. 35,358 employees earn their livelihood in connection with the production of coins.



Economic impacts of mints in EU28 on production, value added and employment, average 2014/2015, projection from the sample.

		Production	Value added	Employment
		Million EUR		Persons
Macro-economic effects	Direct effects (at the Mint itself)	1,003	374	3,586
	Indirect and induced effects (in the EU28)	1,711	668	12,006
Associated effects	Overall macroeconomic effects (in the EU28)	2,714	1,042	15,592
	Small purchases effects (mint-related)	273	130	4,160
	National budget support effects	1,815	729	13,896
	Crossover effects tourism	64	32	820
	Crossover effects creative industries	98	46	891
	Overall associated effects	2,250	937	19,766
Focus on mints	All macroeconomic and associated effects	4,963	1,979	35,358
	Ratio of all effects to direct effects	4.95	5.30	9.86
Focus on coins	Small purchases effects (coin-related)	9,107	4,334	138,659
	All mint- and coin-related effects	13,797	6,183	169,858
	Ratio of all effects to direct effects	13.76	16.54	47.37

Macroeconomic and associated effects of European mints in the EU28, average 2014/2015, projection from sample.

Small Denomination Coins Gain Reprieve from UK Chancellor

By Michael Alexander

- Small purchases effects:** the Institute for Industrial Research currently estimates the turnover depending on the existence of coins for the entire European Union at an average of 3% of a nation's total turnover. In figures, that comes down to produced goods worth €9.107 billion, with value added of €4.334 billion and 138,659 employees.

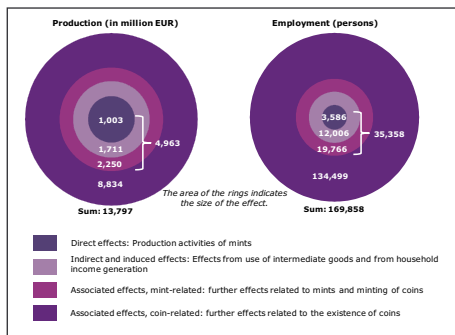
However, the numbers vary significantly between the countries that were studied: Belgium came in at €62.42 million, whereas Spain reached €1.317 billion.

- National budget financing effect:** the contribution of the mints to the national budgets generates €1.815 billion of production, with value added of €729 million and 13,896 employees.

- Crossover and spillover effects in tourism and cultural industries:** the effects considered generate €162 million of production, with value added of €78 million and 1,711 employees.

Thus, the associated effects add up to almost €9 billion, with 134,499 people having a job thanks to these effects.

Overall the minting of coins generates almost €14 billion of production and creates jobs for nearly 170,000 people.



Layer graph of all mint- and coin-related effects of mints in EU28 on production and employment, average 2014/2015, projection from the sample.

The data

For this study, the complete data of twelve mints from eight European nations were analysed. The aggregated economic output of the included mints' home countries covers approximately 63% of the entire EU economy.

The Institute for Industrial Research is a non-profit association based in Vienna and has been doing research at the intersection of science and practice since 1986. Its special focus lies on studies of industrial networks, so-called cluster analyses.

This study was led by FH-Hon-Prof Dr Herwig Schneider, the Institute's Director.



One penny and two pence coins are rarely used in the UK and according to estimates, six out of 10 one penny coins are used only once before being discarded in jars. Nevertheless, the British Finance Minister has now announced that there are no plans to discontinue their production.

The question arose once again last month about whether the two smallest coin denominations should be discontinued in the United Kingdom. This has now been put to rest at least for the foreseeable future by British Finance Minister Philip Hammond. The announcement was made during the Verdict of the Pyx ceremony in London, which is part of a longstanding custom dating back to the 12th century that assays and validates British coinage, in which he reiterated plans by the Treasury to safeguard the future of cash – from copper coins to larger banknotes.

Despite the fact that the one penny and two pence coins are for the most part rarely used in cash transactions, Mr Hammond – who is both the Chancellor of the Exchequer, or Finance Minister, as well as the Royal Mint's official Mintmaster – reiterated that there will be no changes to the mix of coins and banknotes, with all denominations from the penny to the £50 banknote remaining in circulation.

The current versions of the one penny and two pence pieces were first introduced into circulation in February 1971 when the UK transitioned to a decimal currency. These two denominations have been minted in copper-plated steel since 1993, when their original bronze composition was discontinued. It is estimated that not only are six out of 10 one penny coins used only once before being discarded but, astonishingly, one in 12 are actually thrown out.

At the time of the transition to a decimal system in 1971, a half penny was also introduced and saw significant use, as many grocery items were priced using this denomination. The half penny was withdrawn from circulation 13 years later as the coin's buying power was eroded by inflation. Currently, the one penny coin holds less buying power than the half penny when it was finally withdrawn.

In 2018, it had been suggested that the two lowest coin values were to be discontinued when a leaked Treasury memo suggested this could occur in the near future. The rumour was soon quashed when the Chancellor stepped in and confirmed the coins would not be discontinued during his budget speech in March 2018. At the same time, the Chancellor confirmed the £50 banknote, the highest value in circulation would undergo a re-design and be printed on a polymer substrate following those of the £5, £10 and in 2020, the £20 denomination.

At that time, he also called for an independent review and consultation to determine how cash is used in the UK, the findings of which determined that more than 2.2 million Britons are more reliant on cash transactions than electronic payments and that cash is more prevalent in rural areas of the country. More than half of those people live in households with total incomes of less than £15,000 a year. A new working group will be chaired by the Treasury to set up a strategy and coordinate work to support nationwide cash access. It will help safeguard physical money for those who need it, under plans being outlined by the Chancellor.

In terms of using one penny coins in transactions, the legal limit to pay for goods or services is up to 20 pence but many businesses complain that processing and transporting the two smaller coin denominations is too costly. At the same time, many retail shops are voluntarily and routinely 'rounding' prices to save the bother of handling low-value coins, further lessening the use of the 1 and 2 pence coins.

The Chancellor ended his comments by stating the one penny and two pence denomination coins will be used in cash transactions 'for years to come'.

The author, Michael Alexander is president of the London Banknote and Monetary Research Centre.

Economic Impact of Mints on National Economies among Topics at the Coin Conference

From 14-16 October, 2019 the Coin Conference will be held in Rome. One of the speakers will be Dr Wolfgang Koller, one of the scholars responsible for the study on the economic impact of the coin producing industry in Europe EU28. He will provide a deeper insight into the various possibilities how the production of coins is influencing the national economies.

Alongside the main programme, of which this presentation will be part, two workshops are planned.

First, Dieter Merkle is organizing a workshop on 'Optimising the Efficiency of the Coin Cycle'. This is part of the MDC's Customer Task Force, a project with the purpose that the mint industry will gain a clear understanding of the key issues affecting the different stakeholders for coins.

This workshop will bring together a broad group of stakeholders, comprising not just central banks but also other involved in the coin cycle to discuss these concerns. Being free of charge, this workshop is open to central banks and active Customer Task Force members only.

Second, Jon Cameron is convening a workshop on the topic of 'Making Money with Coins'. He will focus on the cooperation between mints and the members of the secondary market in finding a sustainable policy for the best way of issuing coins. He states that producing and issuing coins is not a simple licence to make money. The right subject matter and events are crucial, as is the frequency of programmes and the potential downsides of issuing coins that do not retain their value.

More information about the Coin Conference is available at www.thecoinconference.com.

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Sponsors



Promote Cash? (Continued)

If everybody had contributed, we could have spread the video's message across the world within a matter of days. And that would have convinced the search engines – which influence the order in which videos are displayed on YouTube, Google and the rest – that this video by Cash Matters contains an important message. This could have helped us to extend our reach to people who perhaps don't already share our view.

Please let's not make the same mistake when harnessing the figures published in the recent study entitled 'Mints in Europe EU28 from an Economist's View – Four Dimensions of Economic Effects.' This study yielded some impressive results, and if we're to preserve cash, it's essential that the media in Europe, and perhaps in other countries too, write about it.

Those responsible for the study published a press release containing its key points, which is available to read in this issue of *Mint News Quarterly*. We will gladly send you the document so that you can share and spread it yourself.

Post this press release in your media section under your own name. Send it to your press contacts under your own name. Share quotes from it on your Facebook, Twitter, and other social media – via your personal accounts too, if you can identify with the message. Post the graphs on Instagram and Pinterest.

And have a member of your marketing team spend a whole day sharing the messages from the press release.

This will do more to preserve cash than you'll ever achieve by going to ten more conventions and lamenting about the tragic increase of electronic payment methods.

IACA Excellence in Currency Awards for Coins

The International Association for Currency Affairs (IACA) has opened nominations for the Excellence in Currency Awards for Coins, which will be presented during the Coin Conference in Rome.

There are four categories:

- Best new circulating coin or coin series;
- Best new commemorative or test circulating coin (issued at face value);
- Best new circulating coin-related public education programme, website or app;
- Best new coin product, feature or distribution innovation.

Projects of any issuer of coins, central bank or ministry of finance, mint, organisation or individual supplying products, services or systems for coin production, distribution, processing or management are eligible for nomination in the appropriate categories.

The deadline for nominations is 30 June, and they should be submitted through IACA's awards website – www.currencyaffairs.awardsplatform.com. A committee of experts will evaluate the nominations and then draw up a list of finalists, with IACA members voting on the winner in each category.