

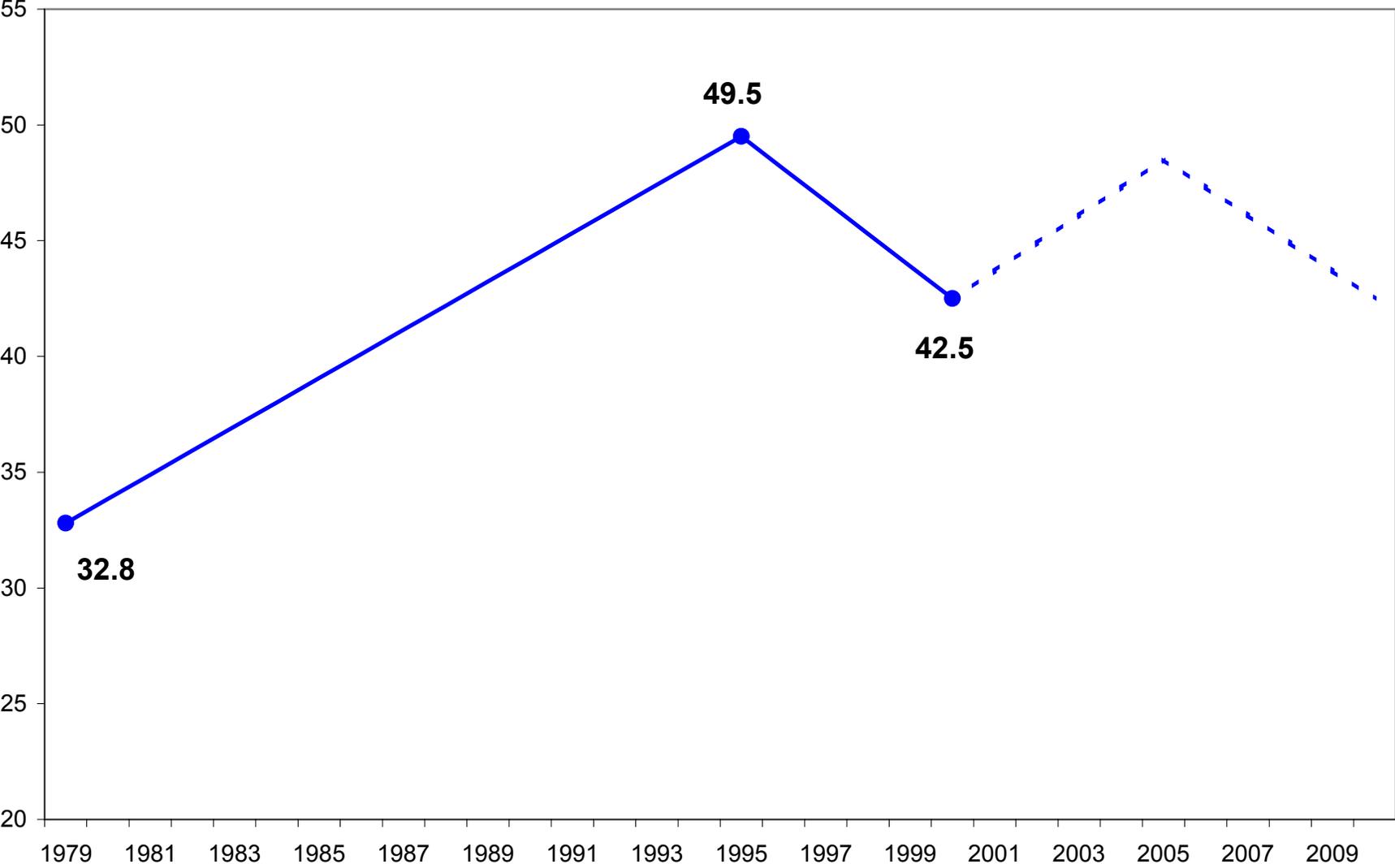
Comments on **“Evidence on the Use of Checks and other Noncash Payments in the United States: Have Checks Peaked?”** by Geoffrey Gerdes

Joanna Stavins

The Economics of Payments
FRB Atlanta
April 1, 2004

- Details on the Retail Payments Research Project
- Total number of checks in the US in 2000 compared to previous counts (1979 and 1995)
- Differences by type and size of institution, and by geographic region
- Some signs that the number of checks declined in the late 1990s
- Not enough evidence to prove that “checks have peaked”

Estimated Check Volume (billions)



Electronic payments growing fast

- Evidence that at least some of that growth is due to substitution from paper to electronic
- But substitution is likely to be diminishing: transactions most likely to switch have already switched (paycheck, utilities), remaining more resistant (casual payments)
- → substitution will slow down, and paper may still be growing (number of noncash payments increased at 3% per year)

Regional analysis:

- Allocated transaction deposits, number and value of checks among regions in proportion to total deposits
- Could use other regional information to better allocate total deposits among regions, e.g., per-capita income, employment, population density? Control for population and economic activity, but do not use those variables in allocating the number or value of checks
- Are regional differences important? Not clear

Possible Extensions

- Checks persist because of many reasons, including:
 - sunk infrastructure ($MC_{\text{check}} > MC_{\text{electronic}}$, but $MC_{\text{check}} < AC_{\text{electronic}}$)
 - network effects
 - habit
 - utility from writing and/or receiving checks

- For policy recommendations, we need to understand
 - why households and businesses continue to write checks?
 - what types of transactions willing to use electronics instead?
 - what types of incentives do they respond to and how elastic is their demand for checks?

- How often will the survey be repeated? Will the data be updated in-between surveys? When the data were updated and stratification revised, the estimated number and value of checks dropped