



Cash is Good for Society

An Industry Position Paper

Background

For decades, anti-cash campaigns, largely led by dominant card brands, have been waged in the mass media with the objective of discrediting cash.

And, yet, the continued global demand for cash, currently increasing year-on-year at significantly higher rates than the average global GDP, and the popularity of cash as the world's number one payment method today, testify to the fundamental resilience of currency as a social technology for money despite these years of negative propaganda.

Visa Inc took its anti-cash war to a new level in July 2017 with its "Cashless Challenge" campaign in the US, promising cash awards of \$10,000 to 50 eligible US-based small business food service owners if they go cashless. In response, ATMIA issued a press release stating that Visa's campaign constitutes bad industry practice and undermines freedom of payment choice for consumers and merchants.

This paper investigates the reality behind the war on cash to examine how currency underpins the monetary and social stability of modern societies in several ways. At the same time, evidence will be provided for the hypothesis that cash is good for society.

Currency and Monetary Stability

The value of banknotes comes from their promissory nature. A government promises to redeem this value, backing its currency in circulation with Treasury securities to give them genuine spending power in the economy. And coin is categorised as an asset of the state on central bank balance sheets.

This security of cash as public money provides the backbone of the planet's most trusted way of paying for goods and services, underpinning much economic activity in today's consumer-based societies. In return for its role in supplying a society with its physical currency, central banks earn seigniorage, a kind of tax often defined as the difference between the face value of coins and their production costs.

Since the global credit crisis of 2008-9, which led to the Great Recession, there has been greater caution about the financing of suspect loans and mortgages, just as consumer households, in general, have turned back to trusting in hard cash over unsustainable levels of credit. In addition, governments are learning the lessons of overborrowing as a threat to their long-term fiscal stability. The conclusion is that the world has become much more aware of the dangers of debt as a result of the financial crisis.

An aversion to unsustainable debt is a good thing. Since cash represents a genuine store of value, and is a physical asset, it lends itself naturally to budgeting and a more cautious approach to spending than, say, credit. Just as cash helps consumers to stay within budget in their daily, weekly and monthly spending, so the total amount of currency in circulation helps central governments to steer national consumer debt levels, based on the truth that “you cannot spend what you don’t have” (unless you are living on credit, that is, as opposed to spending what the Chinese call “real” money, i.e. cash in hand which has been legitimately earned).

Currency and Social Stability in the Cyber Era

In addition to playing a part in pre-empting another credit crisis, by helping to manage debt levels for households, currency is going to become more important in the cyber era as a bulwark against identity theft, card fraud, skimming, customer data compromises and the kind of global hacking which can render systems in the public and private sectors inoperable.

You can’t hack cash in the hand. Nor can cash be used as a basis for identity theft. And it never leads to mass data compromises.

While the whole cyber world runs on expensive electrical power, and mobile devices need to be charged up for use, the fact that cash doesn’t need to recharge any batteries or draw on electricity to be used is a massive plus. Cash, indeed, is the number one back up plan when systems are down. Two individuals can simply hand over cash in order for a purchase to take place with zero dependence on power.

Currency and Financial Inclusion in an Unequal Era

In a time of significant social inequality and the digital divide, **the role of cash as the most inclusive payment method** becomes crucial to future social and financial cohesion.

ATMIA’s recent paper “Access to Cash: The First Step toward Financial Inclusion” has argued persuasively that cash remains (a) embedded in cultures around the world and (b) an important universal form of payment – it can be used by absolutely anyone at any time. The paper concludes that evidence consistently points to low financial resources as the main cause of financial exclusion today. “If poverty is the principal driver of financial exclusion,” the study states, “limiting the use of cash—the most basic means of storing value—would cripple any effort to tackle it. As cash is the only form of payment devoid of any prerequisite conditions for access, efforts to liberate people from financial inclusion should, instead, encourage its use.”

The demonetisation debacle in India in the last quarter of 2016 is a salutary lesson in how not to intervene in the choices of citizens, whatever the income level, as to how they wish to pay. The fatalities, disorder and uncertainty which were evident in the aftermath of the demonetisation process should not be forgotten. Cash levels have since risen back to pre-monetisation levels in the country.

The question of keeping cash around is not just about freedom of choice. It is also about including sectors of society, such as low-income earners and pensioners, which are cash-dependent, as well as other demographic groups, across all ages and races, which simply prefer to use cash on a regular basis. Cash, it should be recalled, is critical to low technology areas and low resource communities. In addition, it is indispensable for charities, pocket money for children and students and other niche markets.

The inclusiveness made possible by cash is equally useful in the small business sector, including among start-up entrepreneurs. Cash is a must for small businesses for the reason that the fees associated with other payment methods can dilute their viability. Cash supports local micro economies in a multitude of ways.

Conclusions

Cash is the most effective social technology for money exchanges ever invented. It remains the number one form of global payment as well as the number one back-up plan when systems fail. It remains a bulwark against cybercrime, a tool for financial inclusion and household budgeting as well as an important asset in the armoury of central banks for ensuring monetary stability and balanced levels of national spending.

Furthermore, looking to the future, digital payments and cash payments are destined to be pillars of exchange across all societies and cultures for decades. Why not make this inevitable co-existence peaceful, free of the counter-productive and increasingly toxic war on cash? Why should organisations with exclusive, socially counterproductive, commercially motivated anti-cash agendas hinder the development of this beneficial social and economic partnership?

About ATMIA www.atmia.com <https://en.wikipedia.org/wiki/ATMIA>

ATMIA is the leading non-profit trade association representing the entire global ATM industry. ATMIA serves more than 10,000 members from over 650 participating companies in 67 countries spanning the whole ATM ecosphere, including financial institutions, independent ATM deployers, equipment manufacturers, processors and a plethora of ATM service and value-added solution providers. ATMIA provides education, advocacy and connections to help its members keep abreast of industry news and developments; increase knowledge and professionalism; improve operational efficiencies; understand and influence regulatory processes; participate in the local, regional and global ATM community; and forge new relationships to advance their businesses. Founded in 1997, ATMIA has active chapters in the United States, Canada, Europe, Latin America, Asia-Pacific, Asia, Africa, India and the Middle East focusing on the unique needs and issues of each region. For more information, please visit atmia.com. Follow us on [LinkedIn](#), [Twitter](#) or [YouTube](#).