

Written Documents

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Text 1

Paper and Plastic: Two Sides of the Cashless Debate

<https://communalnews.com>

September 19, 2019

5 *Recently, a number of states in the US brought in legislation to prevent the rise of so-called 'cash-free stores' which only accept digital payments. Some see that denying payments in cash is a form of discrimination against people with lower incomes. This is but one more episode in an ongoing debate over the possible future of our economy. Under consideration is the discontinuation of cash as a means of exchange. Should we double down on our race towards digital dependency?*

10 A cashless society describes an economic state whereby financial transactions are not conducted with money in the form of physical banknotes or coins, but rather through the transfer of digital information (usually an electronic representation of money) between the transacting parties.

Economics

15 The main argument on the pro-digital side of the debate is that there will be a more frictionless, efficient economy. Cash has relatively high maintenance costs. Producing, transporting, and protecting cash can be expensive for financial institutions, and there is a constant need for technological innovation in the prevention of counterfeits.

20 Consumers would likely also spend more readily, as digital payments can be more convenient and less noticeable.

Economists also suggest that it would allow greater control over monetary policy – making negative interest rates more achievable. Such policies are believed to encourage spending and stimulate the economy, making it easier to ensure economic stability and prevent damaging recessions.

25 As for the costs of maintaining cash, there are equivalent expenses when safeguarding and innovating in the realm of digital financial assets. Not only are these comparable to those needed for the protection against forgery seen in fiduciary printing, more crucially, they will only rise.

30 Lastly, while businesses benefit from consumers who spend more freely as a result of digital payments option, this does not necessarily have the consumers' personal finances at heart. The tangibility of cash, in the everyday sense, helps people to visualise how much they are paying. There are many people in Europe and the US struggling under the weight of debt and poor financial habits and upping the fluency with which they spend their flattening salaries might not be the best idea for their own particular finances.

Security

35 Proponents of digital currency assert that in a cashless world all wealth could be tracked, and this could result in a reduction in financial crimes, robberies, and pick pocketing.

40 Sadly, there are more digital financial crimes every day, and the rate at which they
occur increases with each new technology that is added to the vortex making up the
mutating payments industry. Current estimates of financial cybercrime sit at a direct cost
of \$1 trillion globally. Whether it be digital ransom attacks over data, remote blackmail
attempts, or full-scale digital bank robbery — criminals, as always, move with the times.

45 Amid the benefits of digital payments – their ease of use, potential to cut costs for
businesses and reduce tax evasion, corruption and organized crime – there’s growing
concern about those who don’t have credit cards or bank accounts, have difficulty using
smartphones and computers for banking and payments, or a lack of broadband and
50 mobile connectivity. Retirees, recent immigrants, people with disabilities and those living
in rural areas are especially vulnerable. So, while it looks for solutions, Sweden’s central
bank has told all banks to keep offering cash services.

While the move toward a cashless economy indeed poses problems for low-income and
marginalized people, we all have reason for caution: Do we really want every method of
55 payment to be controlled by private companies?

What will happen to the fees that private payment platforms such as Visa and
Mastercard charge when they operate in a market with no public option — in other words,
cash?

60 We should perhaps consider how the lack of a public option has given free rein to
private health insurance companies as a cautionary tale.

Text 2

The cashless society is a con – and big finance is behind it

Bred Scott, 19 Jul 2018, *The Guardian*

<https://www.theguardian.com/commentisfree/2018/jul/19/cashless-society-con-big-finance-banks-closing-atms>

Banks are closing ATMs and branches in an attempt to ‘nudge’ users towards digital services – and it’s all for their own benefit.

5 All over the western world banks are shutting down cash machines and branches. They are trying to push you into using their digital payments and digital banking infrastructure. Just like Google wants everyone to access and navigate the broader internet via its privately controlled search portal, so financial institutions want everyone to access and navigate the broader economy through their systems.

10 Another aim is to cut costs in order to boost profits. Branches require staff. Replacing them with standardised self-service apps allows the senior managers of financial institutions to directly control and monitor interactions with customers.

15 Banks, of course, tell us a different story about why they do this. In closing down their branches, or withdrawing their cash machines, they make it harder for me to use those services. I am much more likely to “choose” a digital option if the banks deliberately make it harder for me to choose a non-digital option. In behavioural economics this is referred to as “nudging”. If a powerful institution wants to make people choose a certain thing, the best strategy is to make it difficult to choose the alternative.

20 Financial institutions, likewise, are trying to nudge us towards a cashless society and digital banking. The true motive is corporate profit. Payments companies such as Visa and Mastercard want to increase the volume of digital payments services they sell, while banks want to cut costs. The ‘nudge’ requires two parts. First, they must increase the inconvenience of cash, ATMs and branches. Second, they must vigorously promote the alternative. They seek to make people “learn” that they want digital, and then “choose” it.

25 The recent Visa chaos, during which millions of people who have become dependent on digital payment suddenly found themselves stranded when the monopolistic payment network crashed, was a temporary setback. Digital systems may be “convenient”, but they often come with central points of failure. Cash, on the other hand, does not crash. It does not rely on external data centres, and is not subject to remote control or remote monitoring. The cash system allows for an unmonitored “off the grid” space. This is also the reason why financial institutions and financial technology companies want to get rid of it. Cash transactions are outside the net that such institutions cast to harvest fees and data.

30 A cashless society brings dangers. People without bank accounts will find themselves further marginalised, disenfranchised from the cash infrastructure that previously supported them. There are also poorly understood psychological implications about cash encouraging self-control while paying by card or a mobile phone can encourage spending. And a cashless society has major surveillance implications.

Text 3

Life without cash

6 November 2017, *Bangkok Post*

<https://www.bangkokpost.com/world/1355407/life-without-cash>

As digital innovations continue to transform the way we live, a lot of things we once took for granted are falling by the wayside. Paper money and coins could soon be among them.

5 Governments around the world are working to prepare their citizens to fully benefit from a digital future. India, for example, has hundreds of millions of people in the database of its Aadhaar biometric identity and payment system. But the country's
10 Supreme Court recently ruled that the system could compromise citizens' fundamental right to privacy, underscoring one of the key concerns about the new digital era.

15 Security at the forefront

Both advocates and opponents of digital payment have been debating its benefits and disadvantages for years. Advocates hold that reducing the use of
20 cash offers vast benefits such as convenience, less tax avoidance, a lower cost of handling and greater financial inclusion. Digital payment, they say, could also discourage corruption due to its transparency and traceability. Ed McLaughlin, president of
25 operations and technology at Mastercard, says the advantages of going cashless are vast, but for a society to benefit fully, the financial system must be inclusive with access for all citizens.

On the other hand, rising rates of cybercrime and fraud, and scepticism about the ability of public
30 agencies to regulate digital payment underline the public's willingness to cling to paper money. But the day when cash will become a thing of the past is probably unavoidable. The question, then, is not
35 whether cash will prevail or become obsolete, but how digital payment can be made safer and more secure, and how to prepare society for the post-paper era.

40 Although security seems a major concern for most people, Panachit Kittipanya-ngam, director of the innovation department with the Electronic Government Agency, is optimistic about the national e-payment plan. "If you are already familiar with and trust internet banking and mobile

45 banking, there is no point being afraid of PromptPay and the QR code since their security system is the same," he told Asia Focus.

To attract customers, the user experience must be seamless while retaining the security needed to
50 make the customer comfortable, said Sonia Wedrychowicz, managing director and head of DBS Consumer Bank Technology in Singapore. "I believe that new technology such as AI, biometrics, KYC (know your customer) and authentication of
55 your customer thumbprint, facial and voice recognition are significantly improving payment security and the user experience," she said.

60 Privacy and regulation

Mr Panachit believes that instilling public awareness about their own data, privacy and information is the basis of helping a society move toward a cashless society. "The most important
65 thing is that the government must make sure that people are equipped with data literacy," he said. Therefore, apart from being the "trusted provider", the government needs to educate people about their data while also safeguarding privacy.

70 Encouragement, not coercion

In the end, though, the transition to digital payment will be much faster compared with the adoption of
75 debit and credit cards, said Mr Sarker, citing the volume of mobile phones and the ubiquity of internet connections. Above all, he stressed the need to ensure financial inclusiveness. "Governments have to ensure that no one will be
80 left behind and that all can benefit from connectivity. As more and more people are enjoying the benefits of digital, many people, especially in the rural areas, are cut off from digital connectivity. We can ensure [inclusiveness] by
85 combining the system with meaningful and useful financial products, such as providing social welfare digitally."