

# Ending cash money prematurely would generate an 'avalanche' of risks for society

The most vulnerable groups continue to depend on cash  
Cash withdrawals at ATMs have sunk up to 60%

The coronavirus pandemic has transformed part of our habits overnight. Technology and digital have become more relevant if possible (telework, online orders ...) while other more rudimentary habits, such as paying with cash, seem to be in danger or, at least, have lost weight in recent weeks. Cash withdrawals from ATMs have fallen by 60% in countries such as the United Kingdom, while the Central Bank of Canada has had to issue several statements asking stores to continue accepting notes and coins so that everyone continues to have access to all goods and services. Today, cash is still essential for any society and its disappearance or rejection overnight can have very large economic and social consequences.

Ending cash or reducing it to a minimum within the set of payment methods poses, today, a series of risks that today's society is not ready to overcome. The trend is clear and fast, in 2014 more than 80% of Spaniards said that cash was their most common means of payment, compared to 53% in 2018, according to the Bank of Spain's annual surveys. But it is those over 64 years of age and those under 24 (most vulnerable segments of the population) that allow cash to still lead this classification, which leaves the debit card second.

The absence of banknotes and coins or the difficulty of using them as a means of payment would have a very direct impact on the most disadvantaged groups in society, whose level of bank penetration is much lower, and who would depend for the actions of their domestic economy on the decision from banks or large Internet providers. Households with lower income levels (and in more rural areas) tend to use cash more intensively.

Although it is true that some of the most developed countries in the world have evolved into almost 'cash-free' economies, it has been verified that it is still necessary and measures must be taken to ensure access to all strata of society. From the employers' association Aproser (Professional Association of Private Security Services Companies), they explained in statements to the Economist that "some countries that have legislated against cash, as is the case of Sweden, have had to rectify and are now forcing banks to have a specific amount of cash to serve the services of companies and consumers ... now the problem they are having is the difficulties they find in going backwards."

In the case of Spain, a cashless society "would directly affect the more than 9 million pensioners, of whom more than 2 million do not live accompanied, and who have always made their payments and commercial operations in a very majority way through money. And it hinders or prevents the youngest population from making any kind of regular day-to-day purchase, as they do not have access to bank cards."

The BdE survey not only ranked the oldest among those most exposed to cash, 97.9% of young people between 18 and 19 use cash as the most common means of payment. It should be borne in mind that the youngest are largely dependent on their parents and have more difficulties in accessing digital means of payment, which in many cases entail the need to have a payroll or, at least, a bank account.

Globally, an estimated 1.7 billion people are unbanked, according to World Bank data. "We tend to think that the level of digitization in large cities is the same as in the rest of the world. However, this is not the global reality, nor of the groups that are at risk of social exclusion, people with limited resources, young people without checking accounts, many people who do not have easy access to digitization."

Fabio Panetta, member of the Executive Committee of the European Central Bank, explained a few weeks ago that "the adequate availability of cash is crucial for the functioning of the economy. Even in normal times, three-quarters of consumer transactions in the area of The euro is held in cash, with large countries such as Germany, Spain and Italy using cash at rates that are around, or even well above, the euro area average, therefore cash remains the means of payment dominant for consumers, and is of

fundamental importance for the inclusion of socially vulnerable citizens , such as the elderly or low-income groups. "

The Italian explained that, in addition, to ensure that the use of cash is as safe as possible, the ECB is working with top-tier European laboratories to assess the behavior of coronaviruses on different surfaces. The results indicate that viruses can survive more easily on a stainless steel surface (for example, a doorknob) than on cotton bills used in the euro zone.

From Aproser they add "that there is no objective reason to demonize cash at this time, it does not represent an added or greater risk than other everyday objects that may be on the street, the only thing to be aware of is taking adequate precautions at the time of payment, as when making a payment through a card or putting a PIN on the dataphone ".

### **The risk of playing it all on a 'digital card'**

On the other hand, leaving all means of payment in the hands of technology and digitization can pose a significant risk if some type of failure occurs that prevents transactions. From a blackout generates I to some kind of cyber attack that can block payment systems. Cash in this case acts as a way to diversify and ensure that they will be able to continue making transactions (and maintain economic activity after all), practically, no matter what happens. Even as coins and bills lose weight, it would seem rash to legislate against them in an attempt to create a cash-free society.

Another danger lies in the loss of freedom . The end of the cash would condition the freedom of those citizens who legitimately do not want to assume the additional costs of having and maintaining a bank card, of those who attribute special relevance to their privacy or of those who more efficiently control their family finances through the use of cash. Eliminating cash means more costs and less control of spending for families, more monitoring of their lives and having more debts with banks. In addition, to grant a private entity "control of my activities, use of my data, limitations to privacy and leave all your money in the hands of a third party who in the end may end up charging you for having your savings there", specified from Aproser .

Also, in a world without cash, banks could transfer negative rates to customers (as it already does in some cases) in a much easier way. But back to reality ( in which there is the cash and the mattresses and safes to keep it ), if the bank seeks to transfer to depositors the negative rates that the entity already pays to the central bank for parking its bank reserves (liquidity), the saver can always go to the office and take out the money and keep it wherever he sees fit.

For all these reasons, Aproser advocates for the public powers to guarantee the freedom of choice of any legal means of payment by consumers, including cash. Today, still, millions of people depend on this means of payment, and until the central bank's digital currencies are a fact , notes and coins will be the only 100% public means of payment.