



CARDS ON THE TABLE

THE REASONS WHY BANKS
WANT TO ELIMINATE CASH

BJÖRN ERIKSSON

AUTHORIZED TRANSLATION FUNDED BY



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ABOUT THE AUTHOR

Björn Eriksson, born in 1945, has extensive experience in a variety of security organizations and areas. Mr. Eriksson served as National Police Commissioner of the Swedish Police Authority from 1988 to 1996 and was County Governor of Östergötland from 1996 to 2009. While serving as National Police Commissioner and County Governor, he was elected Chairman of ICPO-Interpol for a two-year term, from 1994 to 1996. He has also served as the Director General of Swedish Customs and the Coast Guard, as well as a Board Member for the security group Gunnebo, and was the Swedish government's national coordinator against sports-related violence and the Security Advisor for Saab Security.

Mr. Eriksson is currently Head of Säkerhetsbranschen, a lobbying group for the Swedish security industry, and has recently been elected as Chairman of the National Sports Confederation in Sweden.

INTRODUCTION BY CURRENCY RESEARCH

Currency Research (CR), the World's Resource for Currency Knowledge, is proud to present the English translation of Björn Eriksson's informative and revealing 2014 white paper, *Korten på bordet* (Cards on the Table), originally published in Swedish. CR has been a steady advocate for cash as a consumer right, as detailed in our recent reports *The Case for Cash Part One: Myths Dispelled* and *The Case for Cash Part Two: The Justification*. Eriksson's paper has drawn much-needed attention to this issue in his home country and CR appreciates this opportunity to bring his compelling arguments to the broader international community. In light of recent events in Sweden, this translation could not have come at a more opportune time.

With a widespread shift to digital payments and rapidly disappearing cash services in banks across the country, Sweden is often held up as a model for the move towards the cash-free society. The international media has picked up on this economic experiment and has uncritically disseminated the details of Sweden's move to cashlessness as a success story in cutting costs and reducing crime.

The reality, however, is far less utopian. Many are now asking whether the move has benefited society or just the bottom line of the banks involved. Has Sweden's shift to a cashless society been driven by consumer preference or more by the lobbying efforts and profit motives of the commercial banks? Furthermore, it must be asked how consumers in a near-cashless society will be impacted by recently introduced negative interest rates. Will Sweden become the first country to force its citizens to choose between accepting negative interest rates and higher bank fees or spending their money to avoid paying these rates?

The cards are now truly on the table, so to speak. In a recent March 2016 statement to the Swedish Ministry of Finance, Sveriges Riksbank called for a halt to Sweden's rushed transition to a cashless society and requested the introduction of a legal requirement that would require banks across the country to provide cash services as a basic feature of payment accounts. The Riksbank's statement, signed by Governor Stefan Ingves, warns that the current pace of transition puts rural areas, as well as certain demographics such as the elderly and underbanked, at significant risk of financial exclusion.

How did Sweden get to this point? In *Cards on the Table*, Eriksson reveals the driving forces behind the rapid phasing out of cash services in Sweden and the inherent threats to citizen freedom posed by a cashless society. He sheds light on the banks' agenda, promoted through a number of tangible methods and misleading rhetoric, to reduce or completely remove cash services in order to maximize profits. Eriksson argues that the decision to reduce or abolish cash is fundamentally a question of democratic rights that should not be left to private interests.

This is a fascinating and sobering read that will certainly be of interest to all in the industry.

PREFACE

Cash is quickly disappearing from our society. This rapid change does not hold consumers in mind and is wholly motivated by profits for the big banks. So far, the banks have been successful. The idea that Sweden will eventually become cashless has taken root on many fronts, including private individuals, businesses, and public organizations.

But the question if cash should or should not exist is far too important to be left in the hands of the big banks. It should be a question for elected representatives, yet it would seem it has disappeared from the agenda without giving citizens a chance to have their voice heard. Now the question needs to be put back on the table again.

There is a substantial difference between a society where cash makes up a small proportion of payments and a society entirely void of cash. Cash has many important roles to play and it would be devastating in many ways if it completely disappeared. It would be a hard blow to the already weak and vulnerable groups that are outside the bank system today. It would make society far more vulnerable and further erode people's privacy. These are some big and important issues that have been neglected in a debate that, for far too long, has favored the interests of the major banks.

The aim of this paper is to shed light on the issues that have not previously been considered. It also intends to show who is behind the lobbying, why it is being conducted, and point to the consequences a cashless society would suffer.

Björn Eriksson, Chairman of Säkerhetsbranschen (a lobbying group for the security industry).

WHAT IS MONEY?

Money actually has three functions: as a *means of payment* in trade, as a means of *storing value* for the future, e.g. through savings, and as a *calculation unit* so that a price for a product can be determined. A prerequisite for the system to work is for money to have a value that everyone has confidence in.

In the past, the value of money in circulation was mirrored by established monetary assets, such as silver or gold. For example, the Riksbank owned gold corresponding to the value of all current money in circulation up until 1931, after which the system in Sweden was changed to the so-called monetary standard. Money in circulation today no longer holds an intrinsic value.

The Riksbank has exclusive rights to print and destroy banknotes and coins. This particular law has been in place since 1904. That is why people say that the Riksbank controls the money supply via the printing press. However, the law was never updated to include digital money and thus today only a fraction of all money created is in the form of banknotes and coins from the Riksbank. Today, large sums of money are actually generated digitally by commercial banks through loans.¹

As the value of money is no longer based on an intrinsic value, and since banks only need a small amount in reserve, or as it is called, fractional reserves to cover lending, the lent money can be loaned out repeatedly when they are returned again to the banking system. Basically, banks in Sweden only need approximately 10% in capital. The rest can be loaned out. Prior to the financial crisis, this figure was only 2%.²

The banks' repeated lending has caused the amount of digital money to rapidly increase. Today there is a disagreement about how money should be defined and a number of different measures are used to determine the quantity of money in circulation, but rough estimates place the monetary base (i.e., banknotes and coins in circulation) today at far less than 4% of all issued money in Sweden, equivalent to about SEK 85 billion (approx. \$10.3 billion USD).³

STAKEHOLDERS THAT HANDLE CASH

Traditionally, the Riksbank has been responsible for cash management in Sweden, but renounced its commitment as part of a deregulation strategy in 2005. Bankernas Depå (BDB) was instead formed for that purpose.

BDB stores the cash that retailers generate in their daily takings when there is a temporary excess of cash. BDB ensures that the right amount of cash is in the right place across Sweden to meet the retailer's demand for change. BDB does this by buying and selling money to and from its customers, and by moving it between depots. BDB is the only player on the market and is co-owned by the five major banks: Danske Bank, Handelsbanken, Nordea, SEB, and Swedbank. Thus, BDB is free to dictate prices. In reality, it means that responsibility for the cash supply today is in the hands of private operators. In 2010, a company by the name of Bankomat AB was formed, which is also jointly owned by the five major banks mentioned above.

The transportation and the physical handling of money, such as enumeration and authenticity verification, are managed by private CIT companies. These companies also manage cash storage on BDB's behalf. The control of these companies rests with the provincial governments.

1 Chat with Stefan Ingves

<http://www.riksbank.se/sv/Press-och-publicerat/Chatt/2014/Chatt-med-riksbankschef-Stefan-Ingves-den-4-september/>

2 Anders Cervenka in Svd @ 5/11 2012 <http://blog.svd.se/cervenkaspengar/2012/11/05/en-losning-pa-skuldkrisen/>

3 Statistics from the Riksbank <http://www.riksbank.se/en/Statistics/>

WHO WANTS TO GET RID OF CASH AND WHY?

In principle, it is the three major banks, Swedbank, SEB, and Nordea, together with the bank-owned credit card companies, Visa and MasterCard, that are pushing the issue of removing cash from society. Handelsbanken has so far chosen a different path, and says it wants to keep dealing with cash for as long as the customers want to use it.

The reason that the major banks push the issue is logical and aligned with their business strategy. The banks, just as any other company, strive for the greatest possible return on their capital within the framework provided, and simply earn more on digital rather than physical cash transactions. Credit cards are a serious cash cow for the banks and the more that people use them, the more money the banks make. The major banks would see the biggest profits if cash disappeared entirely from circulation. Digital money constantly generates a return for banks, but they receive no return at all on the cash in your wallet.

If all transactions were done digitally the major banks would control the all payment flows, which would open up a number of possibilities such as the introduction of new fees and various types of controls.

A recent example [2014] is when Danske Bank, Handelsbanken, Länsförsäkringar, Nordea, SEB, Swedbank, and Sparbanken attempted to introduce a new fee for transferring money via Swish. After protests from users, the banks had no choice but to withdraw the scheme.⁴ Such protests will work as long as there are alternative payment methods.

The major banks and credit card companies have already acquired so much power that they can set rules for trade should be conducted. For example, Visa and MasterCard (which are bank owned) state in their customer contracts that they reserve the right to prevent transactions with companies they find immoral or inappropriate. The most famous example is Visa's block of payments to WikiLeaks, but online retailers who are deemed to be selling immoral goods are also affected. This also takes place in Sweden. For instance, Swedbank stopped payment transactions to a horror movie vendor located in Kristianstad, and the business was consequently forced to close down. In defense, Swedbank stated that you simply have to comply with Visa's rules.⁵

⁴ Hedelius Affärer <http://blog.svd.se/hedeliusaffarer/2014/06/05/swish-vad-fel-det-blev/>

⁵ Svt Kultur <http://www.svt.se/kultur/banker-stoppar-kop-av-skrackfilm>

TANGIBLE METHODS

A simple strategy to remove cash from society is to make it as complicated and expensive as possible to deal with. This is accomplished through a series of tangible actions.

Bank Branches

The most obvious concrete example is the rapid disappearance of bank branches dealing with cash. It is becoming physically more difficult to obtain or even use banknotes and coins. The major banks are now pushing to be in consulting roles exclusively or, in other words, to only sell management services. Since 2010, the number of bank branches that no longer accept cash has increased from 16% to 43%. If we include Handelsbanken, which deals with cash to some extent, the figure (March 2014) is a remarkable 58%.⁶

ATMs

The number of ATMs throughout the country is also rapidly declining. In only two years, up until September 2013, a total of 645 ATMs were removed. In 2013, the major banks linked their network of ATMs and formed the company Bankomat AB. Their website says that “the formation of Bankomat AB is ... a way to maintain a high level of both accessibility and service.” But almost immediately following the formation of Bankomat AB another 250 ATMs were removed across Sweden. Sweden is now in the EU's bottom league when it comes to ATM density. Only the Czech Republic is lower.⁷

The total amount of cash you can withdraw from an ATM is also being increasingly restricted. In 2007, the common limit was SEK 10,000 (approx. \$1200 USD) per withdrawal, with a maximum amount of SEK 25,000 (approx. \$3000 USD) within four days. One could also freely choose the withdrawal amount up to that limit. Today, the most common limit is between SEK 1000 and SEK 2000 (approx. \$120 and \$240 USD) per withdrawal, with a weekly limit of SEK 5000 to SEK 20,000 (approx. \$600 to \$2400 USD). The ability to freely choose your amount has now been removed, and a message has been added on the ATM screen advising customers that money can now be withdrawn at the grocery store. These are all small and subtle steps pointing in the same direction.

Fees on withdrawals from ATMs is an issue that arises periodically. So far, the banks have been told to back off since it is symbolically important that one should not be charged for accessing one's own salary.

But the fact is that withdrawal fees are already applied to credit cards. When using a credit card at the banks (except Handelsbanken), a cash withdrawal costs 2% to 3% of the withdrawal sum, with a minimum charge of SEK 20 to SEK 40 (approx. \$2.50 to \$5.00 USD).

Safe Deposit Boxes

Since 2011, it is illegal to store cash in safe deposit boxes. This is a rule that the banks themselves have agreed on. The banks will no longer compensate their customers for lost cash if for some reason it should disappear from a safe deposit box.

⁶ According to statistics from Trinovo Consulting, 2014

⁷ Sveriges Television <http://www.svt.se/nyheter/regionalt/jonkopingsnytt/allt-fare-uttagsautomater-sverige-nast-samst-i-eu>

Pricing

Bank-owned BDB (Bankernas Depåbyrå), which took over responsibility for cash provision when the government handed it over, serves as a control instrument in this matter through the possibility of pricing. In Autumn 2013, BDB raised its prices radically. It was then between 22% and 1200% more expensive to buy and sell bundles of cash. The highest price change was on the thousand SEK note where BDB's selling price is currently at SEK 52.50 per bundle (approx. \$6.50 USD). The increase affects CIT companies, which in turn charge their customers and merchants. The reasoning here is that handling cash is expensive. However, there are no obligations to account for these costs because BDB, just like the commercial banks, is not a public company.

Persuasion Visits

Besides the dismantling of bank services in terms of cash handling, the major banks are also actively visiting companies and organizations throughout the country to try and persuade them to cease cash-based payments in favor of card payments.

WHAT THE BANKS SAY

The fact that banks earn more money from card payments is hardly something that will stop the public from using cash. Instead, better-sounding arguments are used relating to a concern for environmental issues, risk of robbery, or social costs.

In the battle against cash, rhetoric is naturally very important. The word “cashless” is an example of how the banks have managed to influence public opinion. The removal of cash is meant to appear as a service improvement rather than a change for the worse.

In order to spread their message, the major banks have a number of spokespersons. They are found in the banks' sphere of influence, primarily the Financial Sector Union of Sweden (Finansförbundet), BDB, credit card companies (especially Visa and MasterCard), and to some extent the branch organization Svensk Handel (the Swedish Trade Federation), even if the organization itself is divided on the issue.

Bacteria

A rather piquant argument that addresses the common consumer and that has received plenty of media attention is the argument that cash is dirty and carries a wealth of bacteria. So many bacteria and so dangerous in fact that they may even cause illnesses such as various stomach problems. This is an issue that MasterCard has been purposefully pushing.

Robberies and Costs

For merchants, the focus has been on the issues associated with handling cash such as the risk of robbery, an issue that the Financial Sector Union of Sweden (Finansförbundet) has been pushing in different forms. Another argument targeting merchants has been the increased costs when dealing with cash as opposed to cards. The Riksbank once calculated that cash handling costs Swedish society SEK 11 billion⁸ per year (approx. \$1.3 billion USD), an amount that is frequently used in communications, yet new figures from the Riksbank show that the cost is closer to SEK 7 billion (approx. \$845 million USD).⁹

Criminality and Environmental Hazards

On a social level, there are two main arguments used for removing cash. One is that cash is a prerequisite for the black economy. Lobbying has been successful in its efforts to demonize those who, for various reasons, want to pay or be paid in cash.

The second argument addressing society as a whole is that security transportation of cash to depots at various locations emits carbon dioxide. This is also an issue that the major banks themselves tend to push in their newly awakened concern for the environment.

BUT, DO THE ARGUMENTS HOLD UP?

Bacteria

The issue that cash is full of bacteria is one that MasterCard in particular has been pushing and has successfully gained support for. For instance, MasterCard has funded a study investigating how many bacteria there are on banknotes and coins on average.¹⁰ The study has since uncritically gained a foothold in a number of newspapers and trade journals across the country. Even Björn Ulvaeus, whose ABBA museum is sponsored by MasterCard, has lent his name to spreading the word about bacteria. However, he has received comebacks from various notable people, including Agnes Wold who is a professor in clinical microbiology at Sahlgrenska University Hospital. She argues that there are fewer bacteria on money than had been reported. Wold also points out that bacteria need air and nutrients in order to survive more than a few hours, and that there is not a lot of either on dry, dead matter such as cash, and that the bacteria in any case would just be harmless skin bacteria. If you are scared of such bacteria, you should not shake hands with people, use somebody else's phone, or indeed hand someone your credit card.¹¹

⁸ Swedish Bankers' Association <http://www.swedishbankers.se/>

⁹ Sveriges Riksbank Working paper series, The Cost of Consumer Payments in Sweden, Björn Segendorf and Thomas Jansson, June 2012

¹⁰ MasterCard Press Release

<http://www.mynewsdesk.com/se/mastercard/pressreleases/kontanter-aer-bakteriebomber-tycker-svenskarna-850312>

¹¹ Agnes Wold, Professor in Clinical Microbiology @ Göteborgs universitet/Sahlgrenska Hospital (Di 26/10 2014)

Risk of Robbery and the Black Economy

That cash brings with it a risk of robbery is a problem that should be taken very seriously, and one that should be prioritized in work safety. The number of bank robberies has decreased, from 110 robberies in 2008 to 20 robberies in 2013.¹² Today, there are closed cash handling solutions available where the entire cash process is automated, which virtually eliminates the risk of robbery.

In relative terms, a very small amount of cash is being stolen in physical robberies compared to the amount being stolen via card fraud. According to the Swedish National Council for Crime Prevention (Brottsförebyggande Rådet, BRÅ), about 148,000 frauds were reported in 2013, which is an increase of 15% from the previous year. According to the Swedish Crime Survey (Nationella trygghetsundersökningen, NTU), approximately a third of the cases involve some kind of fraud via the Internet, and approximately a quarter of the cases involve bank or credit card fraud, such as skimming.¹³

The banks have a policy to indemnify clients who are victims of fraud. But since banks and credit card companies keep the costs of card fraud secret, which in itself is astounding, we can only speculate about how much money is involved. According to international estimates, cybercrimes amount to a total equivalent cost of 0.4% to 11.4% of GDP, which in Sweden would mean between SEK 14.5 and SEK 51 billion each year (approx. \$1.7 billion and \$6 billion USD), according to the Swedish National Council for Crime Prevention (Brottsförebyggande rådet, BRÅ). BRÅ also notes that more and more crime is moving towards the Internet.¹⁴

Clearly, crime will not be prevented by restricting access to cash. Criminals will just find another way. Regarding physical robberies, when cash is no longer available criminals will simply resort to stealing other tangible things. A consequence that one can already see signs of is that a cashless society leads to an increased risk of burglaries, store robberies, and muggings. Thus, crime moves to affect other groups in society.

Regarding muggings, older bank customers probably feel safer if they have the option of withdrawing cash at the counter inside the bank, rather than withdrawing money from an ATM, unprotected and with their back facing the street.

Cost

So what is the cost of handling cash? According to the Riksbank's calculation from 2012, handling cash costs society approximately seven billion each year.¹⁵ But cards also cost money. And that cost is paid for by the merchants and consumers.

On average, banks charge SEK 3.30 per debit card transaction (approx. \$0.40 USD), and SEK 10 per credit card transaction (approx. \$1.20 USD), according to a report from HUI Research.¹⁶ Furthermore, merchants have to pay for their card readers themselves. In the past, merchants could charge extra for card purchases below SEK 100 (approx. \$25 USD), but since 2010 this has been banned in Sweden. However, the ban only applies to the merchant. The merchant still has to pay the bank fee. This fee is usually incorporated into the price of the product.

¹² Swedish Bankers' Association <http://www.swedishbankers.se/>

¹³ Statistics from BRÅ and NTU

<http://www.ingenjoren.se/2014/04/var-tids-bankran-sker-pa-natet/>

<http://bra.se/bra/brott-och-statistik/bedragerier-och-ekobrott.html>

¹⁴ Interview with Erik Wennerström, Director General for BRÅ

<http://www.tjugofyra7.se/arkivet/Avdelningar/Nyheter/Cyberbrotten-kostar-miljarder/>

¹⁵ Sveriges Riksbank Working paper series, The Cost of Consumer Payments in Sweden, Björn Segendorf and Thomas Jansson, June 2012

¹⁶ For an example, see DN Economy <http://www.dn.se/ekonomibankerna-tjanar-miljarder-pa-dold-kortavgift/>

Occam's in-depth study of transactions for 50 Swedish businesses and restaurants of varying size, carried out at the request of Säkerhetsbranschen (a lobbying group for the security industry) in 2013, indicates that cash payments are cheaper than debit card transactions in more than half of the cases, when card fees and equipment costs are included. And if you also factor in credit card transactions, cash is the cheapest payment option in 74% of the cases. The ones that gain the most from cash payment are small stores and restaurants. The security industry initiated the study specifically with the goal of obtaining facts about an issue that has been characterized by claims with no statistical evidence.¹⁷

Carbon Dioxide Emission

The major banks often argue that they want to decrease cash handling in order to protect the environment. Swedbank has calculated that their own transportation of banknotes and coins emits approximately 700 tons of carbon dioxide each year.¹⁸ This number always comes up whenever the issue is being discussed in the media. Apparently, no other statistics are available.

The major banks' sudden interest in the environment may seem surprising. And in a wider context, the consequences of their actions may well be the opposite. Since the dismantling of banks, many rural areas have neither deposit machines nor ATMs. The consequence of this is that many entrepreneurs and private individuals have to travel long distances, sometimes many miles, to the nearest town or city in order to make deposits or withdrawals. This probably leads to a much higher emission of carbon dioxide than if one single armored truck ensures that cash is available in small towns.

The Cards Are On the Table

It is interesting to note that in Summer 2013, the EU presented a proposal for regulating card payment fees. In brief, the proposal aimed to cut card fees for retailers by half. In Sweden, the proposal would result in retailer savings of five billion, and the same amount in decreased revenue for the banks. The major Swedish banks were unimpressed by the proposal and stated that if the new rules were implemented they would stop working towards the "cashless" society. Suddenly, with this threat to profits, the major banks were no longer as invested in their apparent concerns for safety and protecting the environment.¹⁹

WHY CASH IS NEEDED

The Privacy Aspect – The Society of Control

Imagine knowing exactly where and when each and every person in the entire country makes a purchase, and what they are purchasing. Also imagine being able to stop someone from making purchases, fueling up, or going out for dinner. In a world with only electronic payments this is an entirely possible scenario. When you are not able to choose the means of payment yourself, you are entirely in the hands of those who control digital money.

We have already witnessed examples of these implications, such as when Visa and MasterCard blocked transactions to businesses that, according to them, conduct immoral or inappropriate activities. In these cases, the victims have no legal rights and are completely at the mercy of American companies' discretion. Regardless of morals, it is a dangerous development when individual private operators are in the position

¹⁷ Cash or credit card? En studie över butikers och restaurangers kostnader för att ta betalt, Occam, 2013

¹⁸ According to Swedbank, which refers to the 2007 statistics included here:

<http://www.swedbank.se/privat/kort-och-betalningar/minskad-kontanthering-har-du-lust-att-hjalpa-till/index.htm>

¹⁹ Swedish Bankers' Association <http://www.swedishbankers.se/>

where they can control people and businesses, and decide who should be able to access a necessary community service.

Even if one is not committing a crime, most people probably want to have the option to purchase something without it being recorded or approved; just like most people want to have the right to read the books they want, or the right to express an opinion without having to report it anywhere. A payment system that is technology independent and tamper proof may, from this point of view, actually be regarded as a democratic right.

Segregation – People Are Excluded

Swish and debit cards are not for everyone. To eliminate cash would make life even more difficult for those that are already vulnerable. Today, many are denied bank cards: newly arrived immigrants without work permits; people with weak finances; those without a stable income and, therefore, are not considered creditworthy; people with debts; and those with a background of substance abuse and crime. Regardless of background, there must be an option for these people. To be left out of the payment system is hardly such an option.

Increased digitization also means people have to take responsibility and go the extra length to ensure transactions are carried out properly – a task the banks previously performed. Many senior citizens may not be accustomed to computers and cards and may want to pay their bills the traditional way, perhaps because their vision or memory is no longer as effective as they once were. The same applies, in general, to people with disabilities or those with no computer skills. Roughly a million people around the nation are without an Internet connection today.²⁰

Small Businesses and Rural Areas are Dependent on Cash

When the major banks stop dealing with cash and close down their ATMs, it will have major consequences for many people. Today, over 300,000 people need to travel at least 15 kilometers to withdraw cash, and close to 40,000 people have to travel at least 30 kilometers. In Norrbotten county, some are 100 to 150 kilometers from the nearest bank that handles cash.²¹

Therefore, card solutions do not always work for smaller rural municipalities. These areas are often dominated by small retailers, and small retailers more often than not avoid card payment machines because they are expensive. Many places also have poor to no Internet coverage at all, so there is no guarantee that digital payment methods will work. When banks stop dealing with cash, companies that handle daily receipts will struggle to survive. These companies will then have to either move or close down their operations. And when one company closes its doors, the rest will follow: kiosks, restaurants, flea markets, square markets, farm shops. Seasonal businesses such as tourist attractions, summer cafés, and kiosks will be particularly affected. It is this type of trade that heavily relies on cash, and that is usually located where an Internet connection may be difficult to acquire.

Even everyday life becomes more complicated without cash, and not in the least for the club associations that make up the hub of many communities. Soccer teams can no longer sell lottery tickets for cash at tournaments and events. Students cannot sell cinnamon buns to collect money for class trips. Children cannot even empty their piggy banks at the bank.

²⁰ Svd 7/2 2014 http://www.svd.se/nyheter/idagsidan/aktiva-och-intresserade-men-inte-av-natet_8891186.svd

²¹ Report 2012:19, Dalarna County Administrative Board

Cash is basically an efficient lubricant for everyday life. Without cash our local communities will become even more depleted. We cannot afford this, especially when many municipalities in rural areas are already battling problems like deteriorating services and emigration.

Vulnerability

A cashless society is entirely dependent on a functioning electronic infrastructure for payments. If cash is eliminated and we rely solely on digital money, this means we are going to need incredibly robust systems that can withstand disruptions, malfunctions, hacking attempts, and power outages. We are not there yet. Power cuts are practically the rule, and not the exception, in many places across Sweden. On several occasions the banks have suffered technical issues that have resulted in the entire payment system going offline, which meant that the ATMs, card payments, and online banking remained offline for hours at a time. This has been particularly common at the ends of the month, when many use the system to pay bills.

The music festival in Bråvalla is a recent example from last summer on how vulnerable a digital system can be. The festival was supposed to be “cashless,” but it degenerated into chaos when the chip payment system broke down. Thousands of festival goers were bewildered and hungry and the retailers lost their daily receipts.²²

The more sophisticated a system is, the more vulnerable it tends to be. It is therefore crucial for advanced technical systems to use a more stable backup system such as cash so that society can deal with crisis situations when they occur.

Lyxfällan (Luxury Trap) and the Debt Crisis – Money Becomes Abstract

Anyone who has seen Lyxfällan on TV knows that the first thing the financial authorities will do is cut up payment cards. More and more young people end up at the Swedish Enforcement Authority after taking quick loans, and cards are usually the gateway to mountains of debt. Many see credit as an extra income and pay most of their expenses with their card.

When you no longer see your money and there is an opportunity to get more with a mere click, it becomes increasingly difficult to learn its value and recognise that money can eventually run out, and a debt is something you are expected to repay.

Many see the same changes on a global scale. Debts in the Western world have increased dramatically since the 1980s and onwards. Underlying causes include the deregulation of the financial markets, the fact that there is no longer a connection between currency in circulation and an underlying value, and that the banks can generate money by repeatedly lending it out. At the same time, there has been a shift in how we view loans. We no longer amortize loans and they are considered eternal. Experts have not agreed on the dangers of the system and speculate on whether we live in a bubble economy or not. But the fact is that banks would fare poorly if confidence in the bank system for some reason was lost. Many people would then want to withdraw their money simultaneously because only a fraction of lending matches the capital in the bank.

²² For an example, see Expressen on the 26th of June, 2014: <http://www.expressen.se/noje/betalningskaoset-pa-bravalla-bekymmer>

Cards On the Table

Riksdagen (the Swedish Parliament) has decided that everyone should have access to basic payment services. In law, Riksdagen states that “banknotes and coins issued by the Riksbank are legal tender.” It should therefore be obvious: people must be free to choose their preferred payment method. No one should be punished because he or she has chosen a legitimate means of payment just because this payment method happens to provide lower returns for the banks. Now we know it is not about bacteria, risk of robbery, the black economy, carbon dioxide emissions, or that cash is more expensive. It is all about increasing card usage and other digital transactions, which translates into higher profits for the banks.

The cash issue is too important to leave in the hands of private interests. It should be an issue for the elected representatives, yet the banks have removed the issue from the agenda without giving citizens a chance to have their voices heard. Now the issue needs to be put back on the table.

