

“On The Town”

Coming To You Soon: A Cashless Society

Richard J. Martorano Ed.D

Earlier this year I wrote an article about the shortage of coins in our nation. It's in the news weekly as to the determinations our financial institutions are making to become a cashless society. I want to talk about that determination and how it does truly affect a society grounded on credit and credit cards.

A **cashless society** is described as “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”. Cashless societies have existed from the time when human society came into existence, based on barter and other methods of exchange, and cashless transactions have also become possible in modern times using digital currencies such as bitcoin (of which I know nothing). However this article discusses and focuses on the term “cashless society” in the sense of a move towards, and implications of, a society where cash is replaced by its digital equivalent. In other words, legal tender (money) exists, is recorded and is exchanged only in electronic digital form.

Such a concept has been discussed widely, particularly because the world is experiencing a rapid and increasing use of digital methods of recording, managing and exchanging money in commerce, investment and daily life in many parts of the world. Transactions which would historically have been undertaken with cash are often now undertaken electronically.

The trend towards use of non-cash transactions and settlement in daily life began during the 1990s, when electronic banking became common. By the 2010s digital payment methods were widespread in many countries. With examples including intermediaries such as PayPal, digital wallet systems such as Apple Pay, contactless payments by electronic card or smartphone, and electronic bills and banking, all of which were in widespread use. At this point, cash had become actively disfavored in some kinds of transaction which would historically have been very ordinary to pay with physical tender. Larger cash amounts were in some situations treated with suspicion, due to its versatility and ease of use in cases of fraud. Additionally, payment with a large amount of cash has been actively prohibited by some suppliers and retailers to the point of coining the expression a “war on cash”.

The 2016 United States User Consumer Survey Study claims that “75% of respondents preferred a credit or debit card as their payment method while only 11% of respondents preferred cash.” Since the founding of both companies in 2009, digital payments can now be made by methods such as Venmo and Zelle (which I use frequently). These allow individuals to make direct payments to other individuals without having cash

accessible. Square is an innovation that allows primarily small businesses to receive payments from their clients.

Cashless payments eliminate several risks, including counterfeit money (though stolen cards are still a risk), theft of cash by employees and burglary or robbery of cash. The costs of physical security and physically processing cash (withdrawing from the bank, transporting, counting) are also reduced once a business goes completely cashless. Also, the risk that the business will not have enough cash on hand to make change is greatly decreased.

Because of the Coronavirus in today's world, there is fear that cash can be a carrier of many communicable diseases. However, cash has been found to be less likely to transmit disease than commonly touched items such as credit card terminals and pin pads at retail establishments.

Some institutions have proposed a “reduced cash” system, where small bills and coins are available for everyday transactions, but high-denomination notes are eliminated. This would make the amount of cash needed to move large amounts of value physically awkward and easier to detect. Large notes are also the most valuable to counterfeit. On July 14, 1969, the Federal Government of the United States declared that banknotes of over \$100 in value would remain legal tender, but any notes in government hands would be destroyed and that no new notes of those denominations would be printed in the future.

Cashless systems can be problematic for people who currently rely on cash, who are concentrated in certain populations such as the poor, near poor, elderly, undocumented immigrants, and youth. Electronic transactions require a bank account and some familiarity with the payment system. Many people in impoverished areas are underbanked or unbanked. “In the United States, almost one-third of the population lacked the full range of basic financial services. In 2011, an FDIC survey found that approximately one-quarter of households whose annual income was less than \$15,000 had no bank account. There also is a budgeting problem in a cashless society. Consumers may be less aware of the amount of money they are spending day-to-day when swiping their card to complete a transaction than if they budgeted their money into a wallet and paid in cash.

As a mature adult male, will I live to see a total cashless society? I doubt it, however the next generation is experiencing that now and it is the opinion of futurists that by 2035, “cash will be history”.

Dr. Richard (Rick) Martorano is the owner of R. Martorano Productions LLC and Music, Etc. Inc. He is a prominent musician, producer, composer, music director and adjunct university professor residing in Port Orange, Florida. He may be reached at rjaem222@gmail.com.