

— LETTERS
on LIBERTY



WHY CASH KEEPS US FREE

Dominic Frisby

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Welcome to *Letters on Liberty* from the Academy of Ideas. *Letters on Liberty* is a modest attempt to reinvigorate the public sphere and argue for a freer society.

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Since its foundation in 2000, the Academy of Ideas has hosted thousands of public debates, festivals, forums and salons where people from all walks of life come together to debate often-controversial topics and to challenge contemporary knee-jerk orthodoxies.

We always hold on to one defining principle:
free speech allowed.

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What are Letters on Liberty?

It's not always easy to defend freedom. Public life may have been locked down recently, but it has been in bad health for some time.

Open debate has been suffocated by today's censorious climate and there is little cultural support for freedom as a foundational value. What we need is rowdy, good-natured disagreement and people prepared to experiment with what freedom might mean today.

We stand on the shoulders of giants, but we shouldn't be complacent. We can't simply rely on the thinkers of the past to work out what liberty means today, and how to argue for it.

Drawing on the tradition of radical pamphlets from the seventeenth century onwards - designed to be argued over in the pub as much as parliament - *Letters on Liberty* promises to make you think twice. Each *Letter* stakes a claim for how to forge a freer society in the here and now.

We hope that, armed with these *Letters*, you take on the challenge of fighting for liberty.

Academy of Ideas team

WHY CASH KEEPS US FREE

Give most people the choice of living and working anywhere in the world, I bet the large majority would choose the US. For all its many shortcomings, it's still the land of opportunity. It's exciting, it's dynamic. Wonderful things can happen there. In terms of tech, with Silicon Valley and all the ensuing social media and ecommerce, it is very much the world leader. And yet, Americans still use cheques.

When was the last time you used a cheque in Europe? Donkey's years. In the US, as many as five per cent of all financial transactions last year were by cheque. For all its modernity, the US is - in terms of fintech - a good 10 years behind Europe or Australia. Not only do they use cheques, but people in the US still go out with cash in their pockets. Bunch of luddites.

However, things are slowly changing, and the US is following the rest of the developed world to cashlessness. It is inevitable, I'm afraid. Technology is destiny.

It's also a great shame.

Cash empowers its users

When I pay you in cash, nobody else gets in on the transaction - it's a direct transfer from me to you. No grubby middlemen can cream off their percentage. No prying eyes of the state can monitor what we do. Big Tech can't glean information from the exchange, which it can use at some later stage to sell you stuff or, worse, report back to Big Brother, Big Insurance or whichever Big wants in on your data. Nobody can tell you that you can't make that transaction.

With cash, you can buy and sell and store your wealth outside of the financial system, if you so choose. There are plenty of reasons, both practical and moral, to do this.

Cash means control. Just take the recent de-banking scandals from Canada to the UK, where truckers had their fundraised money withheld because of their views on lockdown,ⁱ and a UK politician was kicked out of Coutts for holding the wrong opinions.ⁱⁱ Both the Canadian truckers and their families, and Nigel Farage, had one thing in common - they held views outside of the liberal mainstream. And because their money wasn't under their mattresses but in banks and websites, they lost control of their own cash.

Indeed, instability is nothing new. We are repeatedly told how, in 2008, we were ‘on the brink’, how close the system was to imploding. Surely, then, it makes practical sense to keep money *outside* of the system? When Cyprus’s banks teetered on the cliff of financial disaster in 2011, there were bail-*ins*. Ordinary people’s money, sitting in deposit accounts, was sequestered to save the system. If your life savings were threatened with confiscation to bail out an organisation you considered profligate, I imagine you, too, would want little part of it.

What you do with your money says a lot about you - no wonder so many want access to this information.

Indeed, the former governor of the Bank of England, Mervyn King, has admitted that banking is not fixed - and we will see financial panic again. It makes sense to hoard some cash, if only as emergency money.

In 2016, the Japanese central bank imposed negative rates to try to goad people into spending rather than saving, as the aging Japanese are prone to do.ⁱⁱⁱ The spectre of being charged a fee to keep your money in the bank loomed, and so much cash was then withdrawn that the country sold out of safes. Who can blame the Japanese? In Germany, Denmark and Switzerland, some high-net-worth individuals with

more than 100,000 euros were charged for being wealthy. There was plenty of talk of confiscation and bail-ins during the financial panic that came with Covid, though fortunately it proved to only be talk. Nevertheless, when in the bank, your money can become a tool of government. How often do you support what your government is doing? Not that often, I imagine.

People don't seem to realise this, but when you deposit money in the bank, you are actually *lending* it to them. The bank, under government orders, can then decide who you can and can't send money to. (Anyone tried sending money from a UK bank to a bitcoin exchange recently? Most banks won't allow you to.) The bank can certainly monitor and then disclose what you do with your money. In times of financial panic, it is within the bank's power to confiscate money, again, on government orders. Cash protects you against all of this. It enables you not to play the game - if you don't want to.

What you do with your money says a lot about you - no wonder so many want access to this information. From the apparently benign (we can see what books you have bought, and so can suggest other books you might like) to the sinister (we can see what books you have bought, and therefore now have you marked down as a likely problem). When I was at university, a

rumour circulated that various organisations monitored who took which books out of the library. Anyone who borrowed *Mein Kampf* went on a list as potential spy material - I'm not sure on who's side.

These are all, in my view, quite legitimate reasons to want to keep money outside of the system. I'm not saying we should take *all* of our money out of the bank, but that we should all have the option to do so. It's our money, not the banks'. We need cash because it is private.

Privacy - and why it matters

'Who are you? Why do you hide in the darkness and listen to my private thoughts?'

- William Shakespeare^{iv}

It's so obvious why we all need some privacy in the real world that it almost doesn't need explaining. Yet, in the digital world, so many of us don't realise just how much of our privacy we are giving away. On a daily basis, we sacrifice our privacy for convenience.

Different people know different things about you. You might supply your doctor with information you wouldn't give your taxi driver, but your taxi driver

knows where you are going - and your doctor might not. You might supply your lover with information you wouldn't give your lawyer. Then again, you might tell your lawyer something you wouldn't tell your lover. The difference is, the information you supply online - what you say, read, watch, share, buy or sell - can be used for purposes beyond those for which it was supplied.

Information is taken, without you realising that you are granting permission, and is used to shape your behaviour and influence.

How often has this happened to you? I was talking to my daughter on the landing outside my bedroom about a trip I was planning. I said, 'should I bring my Timberlands or my hiking boots?' She said 'your Timberlands'. I said that they were a bit old. I got into bed, looked at my phone, and Amazon was flogging me Timberlands. Your phone is listening - accumulating information with which you did not deliberately supply it.

It's not all bad - often that information might be used advantageously. I'm a huge *Game of Thrones* fan but I only discovered the books all those years ago because Amazon recommended it. YouTube frequently suggests videos to me that I'm interested in.

Nevertheless, information is taken, without you realising that you are granting permission, and is used to shape your behaviour and influence the decisions you make. The same data mining is taking place every time you use your credit card or Apple Pay. It is used to determine the content you receive, to sell things to you, to make decisions about you - the loan, insurance, job or the opportunities you are offered. It is used to influence the political decisions you make. And all this information could be stolen - in the wrong hands, it could be used against you in some way. It can and is being used to spy on you.

With financial transactions in the online world, you have little idea what information about you is being used, how it is being used or by whom. You have little say in its use - no ability to object nor power to amend that information. You have no control. There are no such concerns when using cash.

You have nothing to hide

'If you've done nothing wrong, you've got nothing to hide' is the common argument against worrying about privacy. But if you are exploring new ideas - dangerous ideas, ideas that go against the orthodoxy, perhaps investigating the concept that the world might

not be flat and is in fact round - do you really want some hidden power knowing what you are up to? The effect of this threat of intrusion is to censor free thought - to censor your inquisitiveness.

One solution is to become a drone, to not do anything experimental or anything wrong. Perhaps that's what they - whoever they are - want. Gmail reads the emails you draft but decide not to send. Effectively it knows what you thought, but decided not to say. How dark is that?

A better solution is to protect privacy - limiting the scope that others have to use our information beyond the purpose for which it was supplied. It allows us to have greater control over our online reputation and enables us to grow and mature without being shackled by foolish things we might have said or done in the past. It enables us to explore new ideas outside the mainstream, without fear of being watched. Those that know about us have power over us. Protecting privacy limits that power. Cash is key to this.

But, of course, protecting privacy costs money. The internet is, mostly, free. Protecting your privacy takes effort. If you protect your privacy, you lose all the benefits that your phone and computer knowing a bit about you brings, from saved passwords to helpful book recommendations.

This is the dilemma we all face, and most choose convenience without even realising it. This, above all, is why the world is going cashless. It's more convenient to pay with your phone, or with a card, than it is to carry cash. In the marketplace, convenience usually wins.

Mobile phones and the naysayers

Here's a little story for you. By 2023, some 85 per cent of the global population - 6.8 billion people - had a smart phone. That's more people than have a toilet. Yet, at its peak in 2008, there were 1.3 billion landlines for a global population near 7 billion. Why did the mobile, and then the smartphone, succeed where the landline failed?

Yes, superior wireless technology made widespread coverage more possible. But there is another, simpler reason: to get a landline, you need a bank account. When more than half of the world's population is 'unbanked', as it was in 2008, without access to basic financial services, telecoms companies saw no potential custom. Those companies would have built lines in the Arctic circle if there were profit to be made by it. But the infrastructure was never built, and

many were left with fewer possibilities to communicate.

A mobile, on the other hand, you can buy with cash. You don't need to be banked. The financial system was in fact a barrier to progress for the world's poor. Cash is a facilitator for them - it means total financial inclusion, a luxury the better off take for granted. Without financial inclusion - and there will always be some that, for whatever reason, often some bureaucratic quirk, won't have it - you are trapped in poverty. Beware the war on cash.

The irony is that the smartphone now facilitates financial inclusion, whether via traditional finance (banking, etc) or modern alternatives - the likes of the African mPesa (a widely used currency based on airtime) or bitcoin and other crypto currencies.

Handy cash

Cash still has its uses for small transactions - a chocolate bar, a newspaper or a pint of milk. It will always be the fastest form of payment there is - think of the change you might put in a busker's hat or the bucket of someone collecting money for charity. It is also the most direct payment there is.

For many people not at the top end of the economic scale, cash is still king. For example, I like to tip waiters in cash, knowing they will receive that money without it being syphoned off by some unscrupulous employer. I like to shop in markets, where new businesses often start out. Cash is widespread - it's fast, it's cheap. I can buy directly from the producer knowing they will receive all the money, without middlemen shaving off their percentages. Goodness knows it's hard enough for new, small businesses as it is.

A quick look at the British Retail Consortium's summary shows that, as a percentage of transaction value, the average transaction cost of credit cards has risen from 0.42 per cent to 0.62 per cent. Debit cards have risen from 0.27 per cent to 0.28 per cent. Cash has seen a slight increase from 0.14 per cent to 0.15 per cent, but remains the least costly payment method to process.^v This is crucial for small businesses - I want to maximise their profits where I can. But cash also has its uses for private transactions, for which there are many - and by no means are all of them illegal.

New businesses starting out need the cash economy. Small businesses need it. Poor people need the cash economy. The war on cash is a war on them. But if you listen to the scaremongering, you'd start to think

that all cash users are either criminals, tax-evaders or terrorists. Sure, some use cash to evade tax, but it's paltry compared to the tax avoidance schemes multinational corporations employ. Starbucks doesn't use cash to avoid tax, it's all done via legislative means.

I have a confession to make - even I, with my highfalutin' principles, no longer carry cash, guilty though it may make me feel.

A quick poll of my Twitter followers showed that 36 per cent no longer carry any cash when they go out.^{vi} This is also a generational thing. The number of no-cash-users is much higher among the under-30s. I have four kids between the ages of 18 and 23, none of them carry cash. Nor do their friends. It's the older (wiser?) generation who still carry cash, even if only as emergency money. The problem is, cash is like playing records, when the rest of the world is on Spotify.

Use of cash fell quite dramatically with Covid, but it still accounts for 14 per cent of all retail payments in the UK, according to a 2023 House of Commons paper.^{vii} Projections are that, by 2031, this number will fall to six per cent. (Obviously, if you include other payments, the proportion is much lower.)

In mainland Europe, the use of cash is higher at around 20 per cent of all retail transactions. Germany, Italy and Spain are still at 35-50 per cent cash, while the Nordic countries are below 10 per cent. In the US, the number is in the 20-25 per cent region. But the trend is very much down.

But here I have a confession to make - even I, with my highfalutin' principles, no longer carry cash, guilty though it may make me feel. The truth is, cash is dying. The convenience of fintech is killing it. Money is now almost entirely digital.

Bitcoin and digital cash

Tech might have doomed cash, but it is also coming to the rescue in the form of bitcoin and other crypto currencies. Bitcoin itself was invented to be a digital replication of the cash process. Person A can send money directly to Person B without there having to be any middleman to process the transaction. Bitcoin is cash for the internet.

Among the many breakthroughs that got people so excited about this new technology was that Satoshi Nakamoto's blockchain solved the problem of 'double spending' - making sure you can't spend the same

money twice - without having to use third parties such as banks to process the transaction. There is now a plethora of copycat currencies, with many of them focused on privacy in order to make their usage anonymous.

At the other end of the scale, we have central bank digital currencies - CBDCs. These have been piloted in various countries around the world and, fortunately, nowhere has really got them to work. They have been met with neither trust nor understanding, and in many cases the tech has fallen short. In Nigeria and the Eastern Caribbean, they went beyond the pilot phase and have been out and out failures. Even in the Bahamas, the one place where a CBDC is said to have worked, adoption has been much lower than hoped. I asked my friend who lives there how successful it had been. He gave me this reply: 'LOL. I have never seen one person use it.'

Fortunately, government incompetence is on our side.

Money has always been a bottom-up technology. Users prefer what is convenient. The fiat currency we use in the West today has evolved over many hundreds of years, especially as communication technology has developed. All you are doing when you make a payment is, effectively, sending a promise - the

money itself does not exist. There is no gold or anything tangible backing it.

Cash is slightly different, because you are handing over something physical. But read what's on that piece of paper - it's just another promise. Once upon a time, you might have been able to swap a 10-pound note for 10 pounds of sterling silver (not quite true as silver was abandoned before paper money became widespread) or 10 gold sovereigns (true). But today, all it says is 'I promise to pay the bearer the sum of 10 pounds' - it is a promise of nothing. How the whole house of cards doesn't come tumbling down is beyond me, but there you go.

Many central banks want to make the transition to CBDCs, despite zero democratic mandate. The planners want it because it then allows for money to become even more of a tool of government policy: whether it be monetary policy, taxation, welfare, surveillance or control. Fortunately, government incompetence is on our side. The history of government IT is so bad, it's unlikely any will succeed, thank goodness, especially not in countries with large populations. Heck, they can't even fix the potholes! But that's not to say they won't try.

Always end on a song

That's an old show-business maxim. Why don't we do just that?

'Programmable Money',^{viii} a song I wrote last year about CBDCs, summarises everything there is to be worried about. Enjoy!

C - B - D - C
C - B - D - C

Programmable money. Programmable money.

We'll monitor every purchase you make,
Every transaction or decision you take.
If you're not doing wrong, what is there to hide?
How you spend money is for us to decide.

Your social-credit rating, how do you score?
If you're compliant you will get your reward.
You may only own what we deem you can own.
If you don't register, we'll block your phone.

Wait! You'll be late for the expiry date.
The state has mandated your money terminates
So spend, speculate before it's confiscated
This is what we're going to orchestrate
No more saving

Programmable money. Programmable money.

C - B - D - C

C - B - D - C

Your money's now a tool of policy.

You will be living in a smart city.

You may only travel in a limited range.

Energy and meat rations cos, climate change.

We'll take your dough if we think it's owed.

No matter if you do not think it's so.

Taxes and fines, fares, fees of all kinds.

All embedded in the lines of code.

Hail Big Brother

Programmable money. Programmable money.

C - B - D - C

C - B - D - C

Tears of the sun, fallen from heaven.

Empires fall. Radiant droplets everlasting.

We will implant you with a microchip,

AI and other forms of censorship.

We will decide what is good for you.

Total control there's nothing you can do.

Bitcoin fixes this.'

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Dominic Frisby is a financial writer and comedian. As a stand-up comedian, his speciality is comic songs. You might have heard some of them - they sometimes go viral.



His books include: *Life After the State: Why we don't need government* (2013), *Bitcoin: The future of money?* (2014) and *Daylight Robbery: How tax shaped our past and will change our future* (2018). Dominic also writes one of the UK's most popular financial Substacks, *The Flying Frisby*. His films include *Adam Smith Father of The Fringe* and *Four Horsemen*.

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