STATEMENT OF

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ON THE QUESTION OF

"IS CASH STILL KING? REVIEWING THE RISE OF MOBILE PAYMENTS"

BEFORE THE

HOUSE FINANCIAL SERVICES TASK FORCE ON FINANCIAL TECHNOLOGY

UNITED STATES HOUSE OF REPRESENTATIVES

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Chairman Lynch, Ranking Member Emmer, and Members of the Task Force, my name is Mark W. Weller and I am Executive Director of Americans for Common Cents (ACC). I am pleased to submit testimony today concerning the one-cent coin, its importance to the American economy and culture, and more broadly about the key role that cash still plays in our economy, despite growth in the use of credit and debit cards and mobile payments.

By way of background, ACC was established in 1990 to conduct research and educate Congress on the need to retain the penny. Our organization is broad-based and comprised of, and endorsed by, many of the nation's leading coin and numismatic organizations, charitable organizations that benefit from penny donations, and companies involved in the manufacturing and transport of the penny.

There are three primary points I want to share with you today about cash and digital payment technology:

1. **Cash safeguards our privacy**. All electronic payment transactions are traceable and by their nature subject to surveillance and control. If third-party financial institutions must be part of all transactions, then they will be privy to the intimate details of everyone's financial life. The House Financial Services Committee and other policy makers have rightfully raised concerns about privacy and how this data is used.
2. **Cash acts as a public good**. Cash is acceptable to everyone. A move to cashless payments means financial and social exclusion for those who are precluded from participation in a digital society, particularly the young, elderly and minorities who use cash more frequently than individuals with higher incomes.
3. **Cash ensures economic stability**. Digital payment systems are vulnerable to blackouts, technical glitches, and cyberattacks. These vulnerabilities endanger individuals and society to the risk of immediate economic collapse. Cash cannot be hacked. Cash also serves as a fallback solution in times of financial calamity.

The facts above, which are discussed in more detail below, require that we maintain our country's cash infrastructure. ACC is *not* anti-technology. Indeed, we support consumers having several ways to make payments be that in cash, with credit and debit cards, or via contactless payments. But cash must continue to be a payment option within this landscape of contemporary payments and U.S. policy must protect consumers' right to use cash. For some people, often the most vulnerable populations, cash is their only payment option.

Often lost in the discussion about monetary technologies is the fact that the majority of payments worldwide are still made in cash. Here in the U.S., according to the Federal Reserve, cash is the most used payment instrument for in-person transactions, which is where almost three-quarters of all payments take place and where nearly 90% of non-bill payments are conducted.[1] For these in-person payments, cash accounted for 39% of the volume.[2] Also of note, cash remains the most popular payment method for small value transactions, with almost half of payments under $10 being made with cash. [3] In addition, when considering payment preferences, cash remains a preferred secondary payment choice regardless of what payment instrument consumers prefer to use primarily.[4] Although the 2019 Federal Reserve study marks the first time cash was not the most used payment instrument, it continues to be used widely across myriad demographic groups.

Even as new payment methods continue to emerge, cash is still king for now. The following expands upon the several important policy reasons informing the need to maintain our cash infrastructure.

CASH SAFEGUARDS OUR PRIVACY

All electronic payment transactions are traceable. Placing control of our currency in the hands of digital payment companies threatens individuals' privacy as information about one's political and religious affiliation, sexual orientation, health conditions and personal relationships is available. More concerning is the threat that without cash as a payment option, credit card and other private companies could eventually come to decide what constitutes a socially acceptable or allowable purchase.[5]

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[1] Raynil Kumar and Shaun O'Brien, "2019 Findings from the Diary of Consumer Payment Choice," Federal Reserve Bank of San Francisco, June 2019, found at https://www.frbsf.org/cash/publications/fed-notes/2019/june/2019-findings-from-the-diary-of-consumer-payment-choice/

[2] Kumar and O'Brien, Ibid.

[3] Kumar and O'Brien, Ibid.

[4] Kumar and O'Brien, Ibid.

[5] Melissa Quin, "VISA CEO: Company Will Keep Handling Firearms Purchases," Washington Examiner, August 8, 2019 found at https://www.washingtonexaminer.com/news/visa-ceo-company-will-keep-handling-firearms-purchases

According to a November 19, 2019 Pew Research Report, the majority of Americans are concerned about the collection and use of their data.[6] Intermediated transactions are by their nature subject to surveillance and control. People's purchasing and credit histories, as well as their online browsing and search behaviors, create user data profiles that are in turn used for targeted ads or to create risk profiles. Beyond the propriety of these activities, the more troubling question becomes what happens if cash is no longer an option – what happens if we lose our financial infrastructure to support cash?

Without cash, all transactions must be necessarily intermediated by financial institutions. If third-party financial institutions must be part of all transactions, then they will be privy to the intimate details of everyone's financial life. They can also choose to disallow certain transactions and potentially even certain persons from transacting.[7] Better is a country where cash remains legal tender for all purchases.

CASH ACTS AS A PUBLIC GOOD

Cash is accessible to all and can be used free of charge once in circulation. I want to elaborate on these two important points for the Task Force.

First, as legal tender, cash is universally accepted and equally accessible to all consumers.[8] In contrast, a move to cashless payments means financial and social exclusion for those who are precluded from participation in a digital society, particularly the young, elderly and minorities who use cash more frequently than individuals with higher incomes. About 25% of US households are either "unbanked" or "underbanked,"[9] typically those with low incomes who lack the minimum balance to open checking and savings accounts. Moves to cashless retail limits the places where the poor and communities of color can access goods and services.

Strong concerns about restaurants and other businesses refusing to accept cash has led to introduction of bipartisan legislation which lies within this Committee's jurisdiction, H.R. 2650, the *Payment Choice Act.* This bill recognizes that cash is a public

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[6] Brooke Auxier and Lee Rainie, "Key Takeaways on Americans' Views About Privacy, Surveillance and Data Sharing," Pew Research Fact Tank, November 15, 2019

[7] Jerry Brito, "Case for Electronic Payment, Why Private Peer-to-Peer Payments are Essential to an Open Society," Coin Center, February 2019.

[8] Ursula Dalinghaus, "Virtually Irreplaceable, Cash as Public Infrastructure," Cash Matters White Paper, August 1,2019, p. 11

[9] "FDIC National Survey of Unbanked and Underbanked Households," Federal Deposit Insurance Corporation, October 2018, found at https://www.fdic.gov/householdsurvey/2017/2017report.pdf

good and also the importance of ensuring its continued existence alongside electronic and innovative payment options.

Second, cash is used free of charge once it is in circulation. Paying in cash does not incur any costs for consumers. In contrast, all digital payments firms require a third party intermediary. Indeed, various parties are trying to capture a piece of the lucrative payment market.[10] When paying with a credit card via PayPal or a smartphone app, the card networks, banks, and payment providers are all charging a fee."[11]

Cash does not discriminate and it doesn't preclude use by anybody. Cash also sustains transfers free of charge since it is the only method of payment not controlled by a private entity.

CASH ENSURES ECONOMIC STABILITY

Digital payment systems are vulnerable to blackouts, technical glitches, and cyberattacks. These vulnerabilities endanger individuals and society to the risk of immediate economic collapse. Cash cannot be hacked. Cash also serves as a fallback solution in times of financial calamity. These advantages illustrate why we should not lose the infrastructure supporting the economic stability of cash.

The recent tensions over the killing of Quds Force leader Qasem Soleimani highlighted the tangible threat that Iran may employ its cyberwarfare prowess in retaliation. A cyber response is especially worrisome, as Iran has previously demonstrated its ability to conduct cyberattacks crashing US bank's websites in 2012.[12] As this Committee is well aware, following the imposition of economic sanctions on Iran, customers of 46 large banks were unable to view their accounts or make transactions after being targeted with denial of service attacks linked to the Iranian government. Current cyberterrorism threats highlight vulnerabilities of the US banking and payment system.

Further threats to our economy result when we lose our cash infrastructure. It is increasingly difficult in some European countries for consumers to access their own

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[10] Dalinghaus, Ibid.
[11] Dalinghaus, Ibid, p. 14
[12] Joseph Marks, "The Cybersecurity 202: Here's How Iran Disrupted U.S. Businesses the Last Time It Launched Major Cyberattacks, The Washington Post, June 25, 2019, found at https://www.washingtonpost.com/news/powerpost/paloma/the-cybersecurity-202/2019/06/25/the-cybersecurity-202-here-s-how-iran-disrupted-u-s-businesses-the-last-time-it-launched-major-cyberattacks/5d1107dea7a0a47d87c56e27/).

cash. For example, Sweden is a virtually cashless country, with fewer than 20% of payment transactions being made in cash.[13] Half of the country's 1,400 bank branches no longer accept cash deposits, according to the European Consumer Organization.[14] As a result, the country relies heavily on Visa and MasterCard to process its transactions.

As the number of ATMs and bank branches steadily decrease, countries run the risk of losing their cash infrastructure[15], thus making them even more vulnerable to economic disruption from technology glitches, system power failure and cyberattacks. Indeed, cash's "low tech" useability and capacity to function off the grid makes it a safe backup plan in the face of threats to our banking system, including cyberattacks. Cash's security and reliability reminds us of the importance of cash remaining a payment option.

CONCLUSION

Our one-cent coin is a vital component of a larger cash infrastructure that must be maintained for the reasons described above.

Cash is convenient, private, and free to use. Cash is also the safest payment method, which is why cash demand skyrockets during crises, be they man-made or a natural disaster. Cash is our most resilient and reliable payment option, and it is imperative that we maintain our cash infrastructure even as consumers utilize other digital technology payment options.

[13] Sweden-The First Cashless Society?," Swedish Institute, found at https://sweden.se/business/cashless-society/
[14] Jean Allix and Farid Aliyev, Cash Versus Cashless: Consumers Need a Right to Use Cash, The European Consumer Organization, September 25, 2019, found at https://www.beuc.eu/publications/beuc-x-2019-052_cash_versus_cashless.pdf
[15] Allix and Aliyev, Ibid.