

# Can The Move Towards a Cashless Society Lead to Alternative Currencies?

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*Are we entering a new era where cash is outlawed and a cashless society is becoming an Orwellian reality? The European Central Bank President Mario Draghi recently said that the bank is “considering action” to drop 500 euro notes because of its links to criminal activities. The former treasury secretary and director of the National Economic Council in the White House, Lawrence H. Summers is also calling for the elimination of the 500 euro notes and the \$100 bill in a Washington Post article where he referred to Harvard’s ‘Mossavar Rahmani Center for Business and Government’ which he is the current director, published a paper by senior fellow Peter Sands and current students for making “a compelling case for stopping the issuance of high denomination notes like the 500 euro note and \$100 bill or even withdrawing them from circulation.”*

*Summers even went as far to mentions a “global agreement” to eventually “stop issuing notes worth more than say \$50 or \$100.” The main reason Summers is calling for the elimination of the \$100 bill is to deter crime or even terrorism. Summers says that the 500 euro note is called the “Bin Laden” within “certain circles”*

*[But there is a hidden agenda which purports to sustain the hegemony of the US dollar, Summers was Secretary of the Treasury during the last year of Clinton administration, he was one of the architects of the 1999 Financial Services Modernization Act implying the de facto repeal of the Glass-Steagall Act, M.Chossudovsky, GR Editor]:*

The fact that — as Sands points out — in certain circles the 500 euro note is known as the “Bin Laden” confirms the arguments against it. Sands’ extensive analysis is totally convincing on the linkage between high denomination notes and crime

In an interesting turn of world events, ISIS declared that the US dollar is their preferred currency of choice in recent days (I am not saying that it is a conspiracy between Summers and ISIS to ban cash because ISIS can use US dollars to finance terrorism). In the African continent, MasterCard is making its moves toward a cashless society in Nigeria using Egypt (who collaborated with MasterCard) as an example. MasterCard’s Press Release earlier this month ‘Cashless Africa Achievable through Partnerships’ quotes division President for sub-Saharan Africa, MasterCard, Daniel Monehin, clarified the importance of the public-private partnership meeting called the ‘African Mobile Phone Financial Services Policy Initiative’ (AMPI) meeting recently held in Dakar, Senegal:

Advancing financial inclusion requires a broad collaboration between the

private and public sector, in essence, a cooperation between multinational companies and local players. An example of this can be seen in Egypt, where MasterCard collaborates with the Egyptian Government to extend financial inclusion to 54 million citizens. Through a digital National ID (NID) program, which links citizens' NID to existing national mobile money platforms and allows Egyptians to participate in the formal electronic economy through a single, easy-to-use cashless program.

"In order for financial inclusion initiatives to be both sustainable and scalable we need to develop fully functional payment ecosystems, as seen in Egypt. Approaching the project holistically, we wanted to ensure the payment technology introduced was interoperable and that all stakeholders across the spectrum were involved," said Monehin.

In 2013, MasterCard has partnered with various companies and banks including the National Bank of Egypt (NBE) and Etisalat to launch a mobile banking system which allows Egyptian subscribers to visit any of the NBE or Etisalat locations for its banking options without an account. They can exchange physical cash for credits transferred to the subscribers' mobile phone app where they can transfer funds and even withdraw cash. According to The National, based in the United Arab Emirates who reported in 2015 that the mobile phone can advance "cashless" payments:

Despite more than half of the population being without access to any form of traditional banking, nearly 98 per cent of Egyptians have a mobile phone – a ripe climate for mobile banking. This has resulted in various payment methods being offered.

"The mobile phone has emerged as an extremely effective tool to drive financial inclusion and advance cashless transactions in Egypt," says Raghu Malhotra, the division president of the Mena region for MasterCard. For nearly two years, MasterCard has been reaching out to local vendors and the Egyptian government to incorporate cashless payments through mobiles

The call for banning cash across the globe will accelerate as major banking institutions continue to impose "negative interest rates" on depositors. Zero Hedge has been reporting extensively on the issue and has published several articles, most recently 'This Is the Real Reason for the War on Cash' which explains the purpose of "negative interest rates":

Negative rates are a tax on deposits with banks, with the goal of prodding depositors to remove their cash and spend it to increase economic demand. But that goal will be undermined if citizens hoard cash. And hoarding cash is easier if you can take your deposits out in large-denomination bills you can stick in a safe. It's harder to keep cash if you can only hold small bills.

Negative interest rate means a tax on deposits for the banks. According to the political and banking establishments, people can easily spend smaller denomination bills which can add a boost to the economy rather than the use of large denomination bills (500 euro notes or \$100 bills) which can easily be stored outside of the bank. If cash is withdrawn in larger denomination bills, it becomes easier to store under your mattress or a safety deposit box.

Governments and banks want to force individuals and businesses to convert currencies into bank deposits to create a tax base and allow them to track peoples spending habits. What would be the consequences of such actions enforced by the political and banking establishment? Zero Hedge published an in-depth article titled 'What a Cashless Society

Would Look Like' and made a few important points to consider on the unintended consequences of a cashless society. One important point to consider is the following:

The government loses an important alternative to pay for its debts, namely by printing true-to-the-letter paper money. This is why Greece may have to leave the euro, since its inability or unwillingness to adopt more austerity measures, a precondition to secure more euro loans, will force it to print drachma bills to pay for its debts

Another point Zero Hedge makes concerning the administrative hassle "of handling millions of very small cash transactions and related customer queries" and "Of course enforcing a government mandate to ban cash transactions must carry penalties. This in turns means more regulations, disclosure requirements and compliance costs, potentially exorbitant fees and even jail time". But one very important factor Zero Hedge makes clear is the following:

Banning cash transactions might even propel the demise of the US dollar as the world's reserve currency. The share of US dollar bills held abroad has been estimated to be as high as 70% (according to a 1996 report by the US Federal Reserve). One thing is to limit the choices of your own citizens; another is trying to force this policy onto others, which is much harder. Foreigners would probably dump US dollar bills in a hurry and flock to whichever paper currency that can offer comparable liquidity

People will move to other paper currencies including the Russian Ruble and the Chinese Yuan which eventually can be backed by gold. The article makes clear that "replacing the US in offshore cash transactions would create substantial demand for the Chinese yuan, at that stage without any real competition from other major economies as presumably none would be using paper." One last important factor to consider is that "The guys and gals who generate real wealth and employment need encouragement and support, not more penalties on how they choose to go about their business."

Money Metals Exchange published an interview with economist Marc Faber, who is also the publisher of the 'Gloom, Boom and Doom Report' titled 'Marc Faber on Cashless Society Insanity and Why Wall Street Hates Gold.' Here is part of the interview:

**Mike Gleason:** Furthering the point there, let's talk about the war on cash for a moment. We have negative interest rates coming into the picture, as you just mentioned, with our own Fed telling U.S. banks to start thinking about how they would handle negative rates. Meanwhile, we're seeing people who want to deal in cash, withdraw their cash, even deposit cash, getting hassled in various ways. Why do you personally think that cash and cash holders are increasingly disfavored by the financial establishment?

**Marc Faber:** Well, it's clear to me. If you look at the world over the last 100 years, you have a group of people that want to have more and more control over you and me. They want to know where you are, what you do, what you're looking at. Basically, we're moving into an Orwellian society where they can check everything. And cash will still be one of the means where you could go somewhere and buy something and nobody would really know about it. Now they want to abolish it. Of course, if you have negative interest rates, you want to essentially prevent people from hoarding bank notes in their safes at no cost. So you want to deprive them of that privilege, of that freedom, so you introduce a cashless society. In my opinion, it will not work, and let me explain to you why.

Let's say you and I live in a small town of a thousand people and suddenly the

government says, “No more cash.” Say, I’m the baker and you’re the butcher, and a friend of ours is the pharmacist. We can then barter among each other and effect the balances every month or every 3 months and so forth. Then, some kind of paper money comes back up. These are vouchers. So the war on cash would have the exact opposite effect. You will have a voucher system in every small city, and even in big cities, some smart people will develop the voucher system. So instead of having just one currency, paper currency, you’ll have hundreds of paper currencies. Number two; if they want to really launch a cashless society, they would have to take your gold away. That, in some countries, will simply not fly. In other countries, a cashless society is simply not practical because 80% of the population doesn’t have a bank account and doesn’t have cash to start with. So in my view, this cashless business is going to fail very badly. The argument is, of course, “Oh, we want to move into a cashless society because we want to prevent criminality.” This is all nonsense. They want to move into cashless society so they can control you.

✘ So will small and even big cities and communities resort to alternative communities? Can it happen? There are a few examples that are currently taking place around the world. In 2011, The Guardian published an interesting article titled ‘Local currencies the German way: the chiemgauer’ explaining how a local currency in Germany is taking hold:

The chiemgauer has managed to bring on board local co-operative banks and credit organisations, and it’s even possible to pay in chiemgauer using a debit card, run by Regios, an association of co-operative banks.

What makes the chiemgauer different to conventional currency is that it automatically loses value if you don’t spend it. Unlike traditional money that can be saved, the chiemgauer is only valid for three months – the idea being that it must be spent, thereby boosting the local economy. If the notes aren’t spent, they can be renewed by buying a stamp that costs 2% of the note’s face value – so over a year, the currency depreciates 8%. Notes can be renewed up to seven times

The article interviewed a local by the name of Angela Hamberger:

That might sound off-putting, but users are happy with the system. Angela Hamberger from the small town of Trostberg, explains how it works: “You can use the chiemgauer in all sorts of shops – from the hairdresser’s to the baker’s. You just have to register in the scheme and go to a participating bank to change your euro into chiemgauer. It’s worth it to support the community.” When registering, users nominate one of 230 local charities and organisations to receive 3% of their chiemgauer transactions. And the depreciation? “Ah, I only paid that once, and what’s 2% after all?” she says

Here is a video by RT News which reports on a Washington D.C. based local currency which is also used in the suburbs of Northern Virginia and Maryland called “Potomacs”:

There is another interesting concept based in Ithaca, New York. The Ithaca HOUR is considered a \$10.00 bill because \$10 per hour is the average wage one can earn. The HOUR notes comes in five denominations which can buy a variety of goods and services including carpentry, electrical work, plumbing, nursing, child care, car repairs, food, firewood, gifts, etc. According to their website [www.ithacahours.com](http://www.ithacahours.com) “while dollars make us increasingly dependent on transnational corporations and bankers, HOURS reinforce community trading

and expand commerce which is more accountable to our concerns for ecology and social justice." Ithaca HOUR even has a credit union that "accepts them for mortgage and loan fees. People pay rent with HOURS."

There is also the idea of the TEM, an alternative currency in the created through a grass-roots movement in the Greek Port City of Volos during the start of the Greek debt crisis. The TEM is based on an exchange system that gives credit to those who offer goods and services. One TEM is equal to one Euro.

Marc Faber makes a valid point when he said that a completely cashless society will "fail very badly" because we as human beings always find ways to resist any form of tyranny including financial tyranny and that is what Western governments fear. Maintaining "Full Spectrum Dominance" through financial control is one aspect and that is absolutely essential to have complete power over society. A cashless society will be a disaster on many levels especially for the Western banking elites.

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