

## Brave New Money: Engl. Translation of "Schönes neues Geld". Part 2 and End.

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**The trend toward a digital world currency:** *The winner takes all* is a basic rule of the digital economy. Whoever is ahead has a large advantage, just from being ahead, and has a good chance to end up as a quasi-monopolist. This has two main reasons, called network effects and economies of scale. Network effects make digital services more attractive, if more people use them. This is true for social media or trading platforms as well as for computer programs like Word or Windows. Economies of scale arise, because once a digital service or a programme has been developed, it often costs next to nothing to provide it to more customers. Thus, the leader, who has the most customers, can offer the most attractive digital services at the lowest cost. This is the reason why Google, Amazon, Apple, Microsoft and Facebook have risen to the top of the league of the most valuable American companies within only a few years. Together with their Chinese look-alikes Alibaba, Baidu and Tencent hold the global top-spots. They all have a near-monopoly in their industry and can command very high profit margins.

*The winner takes all* applies also to money in a digitalized and globalized environment. Digital money can be produced at near-zero cost, and its utility increases with the number of users. What is in the way for one currency to gain a near-monopoly is only the desire of national governments to have their own currency and their power to enforce its usage at home. This power of national governments, however, might wane in an era of globalized digital commerce.

Control over a national currency has for a long time been an important factor underpinning the power of national governments. If this authority should move to the Silicon Valley, a big part of traditional power of governments could move with it. The captains of the digital industry have made it clear, that they would not be shy to pick up such power, if it came their way. They have quite immodestly laid out their visions of world governance by "international networks", i.e. by them.

What these would-be world governors from the Silicon Valley promise us as advantages of the new digital payment world has much in common with Aldous Huxley's *Brave New World*. Crime is history, evading taxes is impossible, terrorism cannot be financed any more. Unreasonable self-damaging behaviors can be prevented. If you have high blood pressure, you cannot buy wine and salty or fatty foods without losing your insurance coverage. Almost everybody is happy in Huxley's brave new world. They all have been conditioned to happily accept their respective roles in society and they are provided with plenty of happy-pills. Still, most everybody reads Huxley's book as a dystopian phantasy, not least because autonomous thinking is reserved to a few decision makers at the top of the social pyramid.

Huxley put a French quote of the Russian philosopher Nikolai Berdjajev in front of his book:

"Utopias seem to be more reachable than ever. We are confronted with a new, worrisome question. How will we be able to prevent them from becoming reality? Utopias can become reality. Life is striving towards them. Maybe, a new century will come, one in which intellectuals and the educated will think about how to prevent utopias and how to return to a non-utopian society, less perfect but with more freedom."

In 1949, Huxley wrote in the foreword to a new edition:

"Overall, it looks as if we are much closer to utopia than anybody could have imagined 15 years

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ago. At the time, I put this utopia 600 years in the future. Today, it seems quite possible that this horror will come upon us within a single century.” (My retranslation from German.)

Huxley was amazingly prescient with this prognosis. Given current trends, 2032 seems like a realistic date for the realization of his dystopia. It seems that the 21st century is the one in which we have to prevent a dystopia from becoming reality—one that is already well recognizable in its contours. We will only be able to prevent it from becoming reality, if we manage to unmask its dystopian qualities, and the plan behind it, in time, before people have lost their ability to imagine alternatives.

Given the might phalanx that is working to push back cash and civil liberties, the longing for technical fixes for the problem is all too understandable. Many people are hoping that cryptocurrencies like bitcoin can be such a fix. They promise to transfer the good aspects of cash into the digital future. They promise anonymity and the protection of our money from bank failures. Others are hoping instead that the governments themselves, via the central banks, would issue their own cryptomoney as digital successors of the legal means of payment. It would be money that would not be threatened by bank failures, because the government would guarantee for it, not a bank. And, so it is hoped, the government could put in place protections for privacy of the users of this money.

Alas, those who hope to solve societal problems with technological fixes will almost always be disappointed. New technologies will work in the desired way, if societal conditions and power relations are favorable. If they are not, the powerful will take every technological tool that we would like to use and turn it against us – as they are already doing with regards to cryptocurrencies and as they are sure to do with an official digital currency.

Instead of hoping in vain for technological fixes, we need to go the way of pushing for political and societal changes. We have to pull parliamentarians out of their deep sleep. We have to tell them and the citizens at large which game is being played. They have to know that the decline in the use of cash is not a development that is unfolding naturally but something that a powerful alliance is pushing ahead by and coercion in the background. Ministers and central bankers have to be put under pressure to justify working in a partnership with companies like MasterCard and Visa against cash, despite all their public assurances that they want to do cash no harm. If this partnership is widely exposed dissolved, we will see that cash is anything but doomed. If allowed to thrive, cash will see a renaissance, because in a world in which more and more aspects of our lives are under surveillance and recorded, cash offers a refuge that will become more valuable for privacy and more valued by the people.

## 1. MasterCard, Bill Gates und their „war on cash“

If people write about a war on cash, even well-meaning readers will tend to think of them as doomsayers with paranoid tendencies. However, many will have second thoughts if they hear that there is indeed a Better Than Cash Alliance, which has the goal of replacing cash by digital payments on a global scale, and that this Alliance is doing this with the explicit support of the government of the 20 most powerful countries. The term “war on cash” was coined not by critics, but by keymembers of this *Better Than Cash Alliance*, as a rallying cry in their drive to

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increase their profits.

At a conference on payments in 2005, representatives of credit card company MasterCard talked about a new generation of card solutions, with which they wanted to “go to war”. Competitor Visa was confident, that they would “win the war on cash”. Together, they wanted to “eliminate cash from the financial system”. In a friendly report on the conference in the industry-journal *European Card Review* with the title *War on Cash*, the author says that while banks and governments have a shared desire to eliminate cash, governments prefer to let the card companies take the initiative, because they are afraid that the public would not like the war on cash. “[1] A department head of the EU-Commission is quoted saying: „We agree with the war on cash” and continuing with a plea to lower prices for card payments in order to be more successful in this war. Alexander Labak, President of MasterCard Europe said in a speech on *The Future Beyond Cash* that the war on cash had to be won and would be won, because these old-fashioned coins and bills were so expensive for society.[2] The EU-Commission assisted with questionable calculations about the high cost of cash, while the leading US-consultancy McKinsey provided the rationale for the furor: They presented a study according to which the profits of the financial industry would increase massively, if cash could be pushed back.

At their industry meetings and in front of financial analysts, banks and card companies like to be bold and explicit about their goal to get rid of cash. However, if the general public is listening, the strategy is one of laying low. The International Monetary Fund (IMF) recommends letting the decline of cash appear to be a gradual and unplanned side-effect of unrelated measures and developments. The fund advises governments to let the private sector go ahead, because direct official action would cause popular resistance. If they did act, governments should start with harmless seeming steps like phasing-out large denomination notes or (initially) generous upper limits for cash payments. While measures against cash should be presented to be unplanned and independent, they should in truth be closely coordinated with the private sector, recommends the IMF-author.[3]

McKinsey also advised governments, banks and payment providers to cooperate in a “systematic war on cash”. The consulting company has conveniently provided a list of harmless-seeming steps for governments to take. Many of them have recently been enacted all over the world. They suggest are to require merchants to accept card payments and to prohibit them from passing on the cost to their card-paying customers. On the other side, cash-users should be confronted with the true cost of their payment-methods, including all indirect costs. Standards for security and maintenance in the cash circuit could be made more stringent, to make cash more expensive. McKinsey praises the Finnish who managed to push back cash by forming a cartel of banks and payment providers, which made cash more expensive. Also in Canada, Norway and Australia, they write, central banks and commercial banks together had achieved the same good result:[4]

## The Better Than Cash Alliance

It is not hard to find the allies of Visa and MasterCard in their war on cash, once you have found a group called the *Better Than Cash Alliance*. This is a group that likes to stay in the shadows, but does not really make a secret out of its existence. It was founded in 2012 by the foundation

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of Microsoft founder Bill Gates and his wife Melinda, and by the Omidyar Network of E-Bay-founder Pierre Omidyar, by the largest US-Bank Citibank and Visa. The US-government was involved via USAID, the development agency, which is part of the department of state. The *United Nations Capital Development Fund* (UNCDF) in New York provides the secretariat and the offices.

MasterCard was not among the founders. Maybe they needed a bit more cooling-off of their fierce commercial campaign against cash, lest the press and the public might develop doubts about the strictly altruistic goals of the new organization. With a delay of one year, though, MasterCard joined this public-private partnership of Wall Street, Silicon Valley and Washington. There is a strong indication that MasterCard was closely involved already in the preparations for this anti-cash-alliance much earlier. In the two years before 2012, the Bill & Melinda Gates Foundation and MasterCard happened to be the most generous financiers by far of the UNCDF. They covered over 20 percent of UNCDF-budget in those two years, while in earlier years they had made some small contributions at best. This generosity can be assumed to have helped to ease the UNCDF into offering the Better Than Cash Alliance shelter and a prestigious sounding address. This address allows the alliance to pretend that they are part of the UN family, seemingly giving legitimacy to their claim to act in public interest. In truth, the UNCDF is not a full member of the United Nations family itself. It is an autonomous organization under the umbrella of the UN, something like an illegitimate child, always short of funds and thus relatively easy to bribe into such endeavors.[\[5\]](#)

It is also a stretch to claim that you are part of the United Nations, just because an organization with "UN" in their name provides you a secretariat. The Better Than Cash Alliance does so routinely anyway. If they publish a brochure meant to mobilize governments and other cooperation partners for the fight against cash, they call this brochure a "UN-report" and call themselves "a UN-based organization". [\[6\]](#)

The goals of the alliance are neatly summarized in the lengthy subtitle of a press release by MasterCard, declaring their joining of the alliance: „ \$1.5 Million Grant Adds Momentum to Global Movement to Empower People and Grow Economies by Shifting from Cash to Electronic Payments.“

The text continues:

*“MasterCard is excited to join the Better Than Cash Alliance to help educate and engage the public on the cost of cash to society which can be as much as 1.5 percent of a country’s GDP,” said Ann Cairns, President, International Markets at MasterCard. “Electronic payments have been proven to boost economic growth and accelerate financial inclusion – but we recognize that to move the needle, businesses, governments and NGOs need to work in partnership. [\[7\]](#)*

It takes some chutzpa, to talk about empowerment while you want to take away the option from people to pay autonomously, and instead force them to employ middlemen, using means of payment which are under the ultimate control of others.

Until at least 2010 MasterCard made no secret of the fact that their war on cash was only meant to increase their profits. Then, ostensibly, in 2011 the company hit upon the realization that it

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matters more to be a good global citizen and to fight poverty. The term “war on cash” did not fit any more into this new corporate responsibility narrative from wonderland. Thus the last time the term was used by MasterCard-representatives was presumably in 2010, the year in which Bill Gates and MasterCard started setting the scene for the Better Than Cash Alliance. At the time, the business magazine *Forbes* wrote an article about massive increases in profits that MasterCard expected. Quote: “The gains, the company says, will be coming from the growth of card and other electronic-based means of payment, which are a product of what MasterCard chief executive Ajay Banga calls a ‘war on cash’.”[\[8\]](#)

The Better Than Cash Alliance explains their goals on their website in the following way: “The Better Than Cash Alliance is a partnership of governments, companies, and international organizations that accelerates the transition from cash to digital payments in order to reduce poverty and drive inclusive growth.”[\[9\]](#) What used to be called “war on cash” to increase the profits of the financial sector, was rebranded as a campaign for financial inclusion to help the poor. In truth and practice though, financial inclusion and “war on cash” are synonyms. The goal is to push back cash payments – with a focus on poor people in poor countries, who have until now not been using formal banking services. This would be a worthy goal in principle. It is the normal commercial goal of financial institutions and it can well coincide with the interests of the targeted customers. If the financial industry offers services to the poor which are affordable and more useful for some purposes than cash, that would help the poor while at the same time generating a profit. This is the invisible-hand of a market economy in action. It is nothing special and nothing particularly worthy of special official promotion. Promoters of financial inclusion try to make something very special and important out of it by arguing that financial inclusion is something like a magic wand against poverty and underdevelopment.

“Financial inclusion has been broadly recognized as critical in reducing poverty and achieving inclusive economic growth“, the Better Than Cash Alliance claims on their website in telltale passive tense. Also inequality is claimed to be reduced and women are claimed to be empowered if more payments are done electronically.

Since they have declared their own business interest as being completely in sync with the fight against poverty and underdevelopment, MasterCard and Visa and their partners can openly push ahead with an ostensibly well-meaning global conspiracy to eliminate cash. Even though they don’t give press conferences and try to keep the whole affair in specialist circles, real secrecy is not required. If they are confronted with the suspicion that they just want to increase their profits, they don’t even have to deny it. They will just ask you what is wrong with making a profit while you are doing such a grand thing like erasing poverty.

The only problem with that narrative is that they have been swinging this magic wand for more than 20 years now. They just gave it a new name every time it became too obvious that it was not nearly as effective in fighting poverty, as it was in generating corporate profits.

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[\[1\]](#) Jane Adams: „The War on Cash.“ *European Card Review*. März/April 2006. S. 12–18.

[\[2\]](#) Alexander Labak: „The Future Beyond Cash – Europe’s Debit Alternative.“ Speech to

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[3] Alexei Kireyev: *The Macroeconomics of De-Cashing*. IMF Working Paper 17/71. 2017.

[4] McKinsey & Company: *McKinsey on Payments*. March 2013.

[5] [uncdf.org/history](http://uncdf.org/history).

[6] Siehe z. B.: *UN report: Social network payments now reach nearly US \$3 trillion in China*. Message posted at <https://www.betterthancash.org> on 19.4.2017.

[7] MasterCard: „MasterCard Joins Better Than Cash Alliance.” Press Release. No date (2013).

[8] Carl Guterrez: „MasterCard Goes To War With Cash”. *Forbes* (online). 15.9.2010.

[9] <https://www.betterthancash.org/about>

[Part 1](#)