IMF tells governments how to subvert public resistance against elimination of cash

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The International Monetary Fund (IMF) in Washington has published a Working Paper on "de-cashing". It gives advice to governments who want to abolish cash against the will of their citizenry. Move slowly, starting with seemingly harmless measures, is part of that advice.

In "The Macroeconomics of De-Cashing", IMF-Analyst Alexei Kireyev recommends in his conclusions:

> Although some countries most likely will de-cash in a few years, going completely cashless should be phased in steps. The de-cashing process could **build on the initial and largely uncontested steps**, such as the phasing out of large denomination bills, the placement of ceilings on cash transactions, and the reporting of cash moves across the borders. Further steps could include creating economic incentives to reduce the use of cash in transactions, simplifying the opening and use of transferrable deposits, and further computerizing the financial system.
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> The **private-sector-led de-cashing seems preferable to the public-sector-led decashing**. The former seems almost entirely benign (e.g., more use of mobile phones to pay for coffee), but still needs policy adaptation. **The latter seems more questionable, and people may have valid objections** to it. De-cashing of either kind leaves both individuals and states more vulnerable to disruptions, ranging from power outages to hacks to cyberwarfare. In any case, the tempting **attempts to impose de-cashing by a decree should be avoided, given the popular personal attachment to cash**. A targeted outreach program is needed to alleviate suspicions related to de-cashing; in particular, that by de-cashing the authorities are trying to control all aspects of peoples' lives, including their use of money, or push personal savings into banks. The de-cashing process would acquire more traction if it were based on individual consumer choice and cost-benefits considerations.

Note, that the author is not talking about unreasonable objections and imagined disadvantages: He does count it among the advantages of de-cashing in the very next paragraph that personal savings are pushed into banks and he also does count total control of all aspects of financial life under the pros, as in the last sentence of the last quote below.

> "As de-cashing gives incentives to economies' agents to **convert their currency in bank deposits**, the deposit base of the banking system will increase, which can help reduce the lending rates and expand credit."

And finally the advice to do it together:

> Coordinated efforts on de-cashing could help enhance its positive effects and reduce potential costs. At least at the level of major countries and their currencies, the

> authorities could **coordinate their de-cashing efforts**. Such coordinated efforts are, in particular, important in the decisions to phase out large denomination bills for all major currencies, to use ceilings and other restrictions on cash transactions, and to introduce the reporting requirements for cash transactions or their taxation. For currency areas, a single decashing policy would be clearly preferable to a national one. Finally, **consensus between the public and the private sector** and outreach on the advantages and modalities of gradual decashing should be viewed as key preconditions for its success.

The paper itself is an example of such “outreach on the advantages” even though it pretends to give a balanced account. Throughout, as in the following paragraph, potential disadvantages of cash are in the indicative and strongly worded, advantages are introduced as hypothetical, by referring to the possibility that people may perceive a certain advantage of cash.

> The differences between currency and transferrable deposits are also remarkable. They are often used by both sides of the debate on the pros and cons of decashing. First, currency can become technically obsolete. Banknotes fade and break, and the efforts to remedy the problem with plastics is of little help and involve unneeded costs. Transferrable deposits do not have this problem. Second, payments with currency are anonymous, which makes them a popular **vehicle for abuse, tax avoidance, terrorism financing, and money laundering**. Transferrable deposits are personified and generally cannot be used for these purposes. Third, currency is prone to counterfeiting, at times on a large scale. Transferrable deposits are not. Fourth, currency is **often perceived** as a means to preserve privacy, i.e., economic operators generally are not interested in the history of the currency of their transaction. Also, the individual right for privacy is usually enshrined in laws and transferrable deposits store each step of the payment history, which **can be viewed** as a threat to privacy. **Transferrable deposits lead to full transparency, at least to the issuing bank, and a complete record of transactions, which in virtue of law can be used by tax and law enforcement authorities**.

The paper lists a fair number of advantages and disadvantages of cash, but makes no explicit attempt to argue that overall the disadvantages are more important. The language and the recommendations make the bias more than clear, though.

Needless to say that, as with all scandalous, antidemocratic recommendations, the ones described here are officially only those of the author, not of the IMF.

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