Digital Payments and Cash: Liberty, Inclusion and Institutional Safeguards in the Transition toward a Cash-light Society

Xinyi Zhu

Xi'an Gaoxin No.1 High School, Xi'an 710065, China

Abstract

The shift to digital payments sparks debate over a fully cash-free society. This paper differentiates a voluntary cash-light society from a coercive cashless one. While digital payments improve efficiency and financial inclusion, forcing the total abandonment of cash brings risks of social exclusion, system fragility and concentrated institutional trust. Advocating monetary pluralism with co-existing payment methods, the paper proposes new payment technologies including CBDC should meet requirements of accessibility, privacy, resilience and freedom of choice. Policies shall secure public access to cash alongside safe digital payment services. Preserving diverse payment options protects citizens' liberty without opposing technological innovation.

Keywords

Digital payments, cash-light society, monetary pluralism, CBDC, financial inclusion, payment resilience, institutional safeguards.

1. Introduction

Should we fear a cashless society? Yes or no is not the best answer to the question. The question is designed to be intentionally general, and a good answer must not be technocentric, nor technophobic. It should inquire as to what is being feared, who will be harmed, and what institutional safeguards would be sufficient to make fear unnecessary. There is no need to worry about a society where digital payments are prevalent, as the use of digital payment can make exchange easier, safer, and inclusive. A society that would transition to this one, where cash is no longer available and there is no replacement, should be feared. It is an important distinction. It is possible that a voluntary cash-light society is progress. A forced cashless society may be a wrong step. It's not about technology versus tradition; it's about liberty, inclusion, resilience, and trust in payment systems.

The challenge of the question lies in the fact that both fear and enthusiasm can be reasonable. After having been a victim of digital fraud, it's not hard to see why people are afraid of a cashless future. It can be good news for a small business owner who sells online. For a migrant income recipient, a phone payment can be a liberating experience. An older adult who is not able to use apps might feel excluded. A good essay should embrace these truths instead of rushing to a facile conclusion.

2. Benefits of Digital Payment

Digital payment offers a real public good. The notion of a cashless dystopia is an oversimplification. Electronic payments enable electronic transactions, eliminate certain types of theft, provide a record for business, and facilitate the swift transfer of funds by governments. For many businesses and households, digital channels enabled them to keep operating in a restrictive environment during the pandemic. The situation ofCovid- 19 has provided "impetus for increased usage of digital payment

services", as mentioned in a study by World Bank on the impact of Covid- 19 on digital payments (Cull et al., 2023). Digital payment is not always a limitation on freedom; it is an augmentation of freedom: a way of transacting at a distance.

In addition, digital finance can help to enhance inclusion. According to the World Bank, "1.4 billion adults globally remain unbanked", which is an indication of the extent of the problem (World Bank, n. d.). Those low-cost accounts and mobile wallets may be key to getting those adults paid, saving, and securely transferring money, so digital payment deserves to be supported. No one should ever make policy based on fear. It's not digitalization that we should be afraid of, it's digitalization without safeguards.

There are also certain informal misuses that can be curtailed by digital payment. Cash wages can be exploited; cash-only businesses can avoid taxes; stolen cash is hard to track down. Digital records can lead to improved consumer proof of payment, improved governmental revenue collection, and improved management of accounts by firms. This is not an insignificant privilege. Without cash, there would be no society that was as transparent and efficient as it should be. The issue only starts when the advantages ofthe digitalization are employed as a basis for the elimination of each and every other.

3. Danger of Compulsion

A cash-light society provides individuals with more choices, a cashless society with fewer. Most consumers will most likely use cards or phones in a cash-light society, but cash can serve as a backup for privacy, budgeting, emergencies, or accessibility. A cashless society requires all of us to rely on systems that involve devices, accounts, networks, and institutions ' approval. The European Central Bank (ECB) survey revealed that "55 %" of euro area consumers favoured cashless methods, specifically by using cards in shops, and that "62 %" still considered cash to be important (European Central Bank, 2024). These figures indicate that while people may like the convenience of digital payment, they are not willing to sacrifice cash.

This dichotomy between what is preferred and what is compulsory has a moral dimension. That doesn't mean that the state should get rid of paper forms for those who do not have internet. Most people using cars doesn't mean sidewalks need not exist. A society should not take for granted what the majority of people can do.

Payment systems should cater to the entire public, not just the typical customer.

Compulsion can come in the absence of any law against cash. When most shops refuse it, public services shun it, and banks cease to provide it, the citizen's formal right to use cash turns into an empty one. This separation is important because a lot of societies won't formalize the elimination of cash. They might just be able to make it useless. What emerges from it is cashlessness, but not the one with the honesty of democratic debate.

4. Risk of Institutional Independence

Money is an agency condition. Without the ability to pay, an individual cannot travel, eat, work or participate. Digitalization of payments is a digitalization of economic life. That control can be at the bank, the app provider, the card network, the tech firm, or the government. There needs to be some regulation to thwart fraud and crime.

However, total dependence will be hazardous as mistakes and abuses are difficult to overcome.

These are the reasons Central Bank Digital Currency (CBDC) debates are important. While the potential of public digital money is to lessen reliance on private payment networks, it also poses design challenges. The implementation of CBDC must be done with "privacy protection" and data use in mind (International Monetary Fund, 2024). Pluralism can be served by a digital currency that safeguards small private payments and can operate without an Internet

connection. The use of a digital currency to replace cash and make it more traceable would add to the fear. The technological solution is not a perfect one. Whether digital money is for citizens or to control them is a matter of design and law.

This is also where diversification of trust comes in. The failure of one institution should not be the reason why one must not live. If the bank app fails, then cash should remain. When cash is stolen, there should be a card left. Public funds should stay if it is a private network that does not include anyone. If the power goes out because of a storm, the offline exchange should continue. The plural system is based on the premise that no institution is to be trusted completely. It is more modest and, as such, more liberal.

5. Monetary Pluralism

Each of the payment forms safeguards a different value. Cash offers privacy and offline resiliency. Cards protect convenience. Large amounts of payments are enabled by bank transfers. Mobile wallets can enable quick and embedded transactions.

Digital money may maintain the use of monetary means in the public sector. In a grown-up society, we should not inquire as to which one must destroy all the others. It should create such a system that each restricts the other's weaknesses.

This is also how one explains the crime question. Money is an enabler of crime, and big anonymous cash deals should be investigated. However, eliminating cash for all is too extreme. A society can regulate high-risk applications, implement tax regulations, and also track suspicious transactions and transfers while maintaining the ability to use cash for legitimate low-value transactions. Proportionality is the principle that should be applied. The security and privacy of millions should not be given up for the convenience of enforcement against the few.

A more profound philosophical message is that money is a trust technology. Cash is asking us to trust the public currency. Bank Deposits require us to Trust Banks. Cards call us to trust networks. Applications request our confidence on platforms. CBDC would require us to have faith in the public digital infrastructure. There is no ideal trust system. That's why diversity is important. One form may go on even if the other one fails. If overreaching by one institution, other channels may still be available.

Monetary pluralism is a spread of trust, not the concentration of trust.

It is also politically realistic to have payment pluralism. Variations exist in the history of trusts, access to banking services, infrastructure, and informal economies in various countries. What is successful in one country will not necessarily be successful in another; what is successful in one part of a country will not necessarily be successful in another. Thus, there is no way to copy the most digitized society and answer the cashless question. This can only be answered by asking: which payment mix secures the actual people in a specific society?

So is the case with freedom of the individual. Maybe a citizen wants a payment record of rent, and privacy for medical purchases. She might prefer to receive her funds as soon as she needs them, for work, but prefers cash for a child or an old parent. She can use a card at the supermarket, but notes at a local market. These choices are not mutually exclusive, but rather simply typical instances of human complexity. A society where everything is paid through a single digital means smooths that complexity into administrative convenience.

This pluralist perspective also elucidates why fear should not be the basis for rejecting change, but instead triggers reform. This should not be countered by "freezing" money in its present incarnation. The policy response should be to insist that all new layers of payment technology meet four criteria: Does it increase access? Is it privacy-friendly? Is it resilient to disturbance? Does it offer freedom of choice?

6. Corresponding Policies

That should be followed by policy. Governments must ensure access to cash, particularly to essential goods and services. They should also promote more convenient, secure, easy, and private digital payments. Payment networks should be viewed by regulators as critical infrastructure and not just typical apps. Without alternatives, banks should not be permitted to withdraw cash services in vulnerable areas. CBDCs must be complementary to cash, and not eliminate cash.

It is also a framework that helps to respond to the word "fear" in the question. Don't let fear turn into panic or rejection. It should imply wisdom: that there are some systems in society that are more important than the optimization of speed.

Cashlessness should be feared as much as a city without any emergency exits. The concern is not whether fire will happen, but that a fire would be more dangerous if there were no exits.

7. Rebuttal to Counterargument

This might be overly conservative, some say. There is technology that has progressed, and society shouldn't hold to a system forever. However, caution is not equal to fear of progress. It's a statement that says that money is not here to be convenient; it's too important. A payment system can only be successful if it's one that works for the person who doesn't have a smartphone, the person whose bank app fails, the person who values privacy, the person in a blackout, and the person who wants to make a legal purchase without leaving any data trail.

8. Conclusion

But is the cashless society something to be afraid of? There's one we should be afraid of: compulsory, surveillant, exclusionary, and fragile. There is no need to be afraid of another kind: a society with general digital payment, but still a safe public option of cash. Don't aim to retard innovation, don't venerate banknotes. It should be to provide more options for citizens to live freely in the future, not fewer. Digital payment should be embraced as a complement to freedom, rather than a substitution for freedom.

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