The Cost of Having No Exit

The expression "cashless society" makes us think of something technological – simply, of a world where people use credit cards and smartphones. Actually, it denotes much more than that: it refers to a constitutional shift concerning the nature of money itself. We would not live in a truly cashless society even if most people would prefer to use credit cards rather than paper currency. Such a situation exists in Sweden right now. The world becomes cashless only if cash stops being a viable alternative for everyone and if all transactions necessarily involve electronic devices, connectivity, identification, and permission from some intermediary agency. What I want to point out here is that the critical issue is not the efficiency of electronic payments; this type of payment is obviously more efficient than cash payments. The key question is whether we can allow a payment mechanism to become a "payment monoculture": an approach to exchanging money that leaves no room for alternative methods. I suggest that we have to fear a cashless society for one simple reason: because there are three key roles that paper money can fulfill for society at large: anonymity, inclusiveness, and protection against shocks.

There is a caveat, however, that deserves to be stated upfront. It is important to distinguish between an efficient payment system at the transactional level and a resilient one at the systemic level. The former will be termed "transaction efficiency" and the latter "regime resilience." Transaction efficiency deals with transaction speed, transaction cost, interoperability, and user-friendliness. In terms of these criteria, digital transactions may prove more effective than their physical counterparts. They lower transaction costs, shorten wait times, enable long-distance business, and extend access to financial services, especially when mobile money replaces the lack of bank branches. By 2021, global account ownership increased to 76 per cent of adults, and the diffusion of digital transactions has been especially rapid in the developing world. Such progress cannot be ignored. A poor individual does not become more liberated by being compelled to carry cash because there is no affordable digital alternative available. In fact, one of the ironies of the matter is that in many cases, less reliance on cash is a positive thing for the poor.

However, transaction efficiency cannot be all there is to the public policy side of the coin. While payment systems might resemble Uber Eats, where inefficiency is frustrating but acceptable, they more closely resemble highways and water conduits. Once the fundamental rails of commerce transition completely to the digital realm, the issue of public policy shifts from "How do we minimize the cost of payments?" to "Who will still be able to access the rails, and who will be locked out?" That's why central banks continue to invoke the concepts of trust, privacy, and public money even when talking about the technical design of new monetary architectures. Indeed, it's telling that the Bank of England has explicitly said that any digital pound would have to incorporate clear privacy protections and would need to be designed as a means of payment and not as an instrument of state control.

There is a second, more sinister, aspect to the potential emergence of payment monoculture, namely its quiet redistribution of power. Unlike any other medium of exchange, money has a finality that is peer-to-peer and does not leave any digital trail useful to anyone but the payer and the payee themselves. Money is not merely a tool for criminals; it is also a means of everyday citizens to conduct their financial affairs. Purchasing a book, donating to a cause, separating from a partner, helping out a relative, or simply not wanting one's life recorded as a commercial profile by a corporation are all legitimate choices. With the universalization of digital payments, data collected for one reason can be used for another. The IMF report on household privacy demonstrates the point economically: once payment data contains details about borrowers, individuals may be forced into a choice between privacy and credit availability.

Observe the following reasoning. The traditional rationale for cashlessness runs like this: if privacy is important, then regulate data use. However, this view takes privacy to be a downstream consideration, even though, in payments, it is partially upstream. Namely, if all payments have to be logged in some way, then any regulation can only concern the post facto governance of a data set that did not require to exist in the first place. That is, this strategy is inferior to one where a means of exchange creates less exhaustion right away. Privacy-friendly technologies may bring this difference closer, and central bank research seems to indicate that properly designed digital currency might be just as private as the current forms of digital payments, maybe even more. Even so, 'just as private as current digital money' differs from 'as private as cash,' as the former assumes universal intermediation right from the start.

The second factor is inclusion, but not in the romanticized sense that the debate tends to frame it. While there is no question that digital money will include individuals who have been neglected by traditional banking methods, digital finance could simultaneously erect an even stricter line of demarcation between individuals who are simply poor and individuals who are legible within the system. In America, millions of families lack either banking accounts or sufficient coverage through their current banking arrangements. Likewise, even as Europeans become increasingly enthusiastic about making digital transactions, the importance of cash to European citizens persists. It is not an act of emotional stubbornness; rather, it recognizes that the price of being included digitally is not just one of money but also involves documentation, education, access, competence, linguistic capacity, disability accommodations, and error recovery. Cash requires little from the customer other than possession. Digital money requires an ever-growing mountain of requirements, each individually sensible and collectively insurmountable.

It is for this reason that the argument for inclusion in the move towards a cashless society becomes a slippery slope from accessibility for all on average to accessibility for all universally. A person might technically have access through his/her accounts but become excluded by not being able to prove himself/herself, dispute fraud, interact with applications, own a smartphone, or get assistance immediately. The OECD has stated that there will be risks of exclusion for those with low digital proficiency and those who prefer using cash. Sweden is a case in point where, despite having a highly digitally oriented economy for payments, the central bank, Riksbank, has continuously made

claims that every citizen needs the capacity to pay; that accessibility to cash services needs to be increased, and that citizens should always have other modes of payment than just cash in times of emergency.

The third reason, and perhaps the least appreciated, is resilience. Cash is not simply a form of money; it is a form of money that can survive without network connectivity. It provides the system with its offline alternative and its competitor. An outage in the card network, an attack on the computer network, a breakdown of the telecommunications network, or even a natural catastrophe will become a social disaster only if there is no alternative payment system outside the chain of interdependencies. The more digital the payment system is, the more it needs a nondigital alternative. This principle applies generally to any kind of infrastructure: monoculture is efficient in normal times but vulnerable to disturbances. The recommendation of the Riksbank that households should store cash at home and the study by the Bank of England on payments in offline mode in case of issuing a digital pound are tacit acknowledgments of the same phenomenon. Purely digital money requires political courage because it depends on conditions where continuity cannot be taken for granted.

But surely this is an exaggeration? Digital technology is hard to crack. Payment methods are becoming quicker. CBDCs without an internet connection are being considered. Currency in physical form is expensive, difficult to use, and good for tax evasion and certain criminal activities. True. Yet none of this refutes the thesis. We should compare not cash with digital money but plural forms of payment and one channel. A combination of cards, bank transfers, mobile payments, currency, and possibly a smart choice of digital currency can balance security, convenience, and resiliency efficiently. A cashless society eliminates one level of backup, while other types of payments still fail to replicate its characteristics. Moreover, central banks, even when discussing their projects of digital currency, consider potential trade-offs concerning double-spending, cyber vulnerabilities, disintermediation of banking, and more. Digital money is part of a solution, but not sufficient grounds for eliminating a current one.

There is also a more subtle point regarding political economy. Once the use of cash drops to a critical level, the remaining users are easier to disregard since they are disproportionately made up of older people, poorer people, rural inhabitants, or people who are vulnerable due to disability and thus do not have much power in the marketplace. This is because merchants stop accepting cash payments once their customers have stopped using cash payments, which happens because there are fewer places available for such transactions. In turn, policymakers may interpret a drop in demand for a certain service as a reduction in its necessity.

Nonetheless, there is a strong objection. Perhaps the actual public policy error is the continued use of cash due to its historical nature. If the digital system can indeed be made inexpensive, inclusive, adequately secure, and resilient, the continuation of cash may keep society as a whole in a higher-priced state of being. Why spend endless resources to protect an institution by maintaining an outdated paper infrastructure that could otherwise be safeguarded through code and legislation

more effectively? While this is a valid claim, given the costs of processing physical money and the benefits associated with large-scale digitization, it fails to account for the crucial point that values protected through law cannot possibly be as reliable and resilient as the values inherent to the structure of the institution in question. In other words, if a right relies on the constant maintenance of the intermediary system's functionality and cybersecurity and a lack of political willingness to surveil and control the population via new technological means, it is far more precarious than if it partially depends on the material properties of the institution itself.

Is there reason to be scared of a cashless world? Indeed, but not because cash has any sort of mystical powers. We must fear a future where an excess of digital usage leads to the presumption that it justifies the removal of an alternative. The true danger of a cashless society lies not in the fact that it is digital. Instead, the danger is the possibility that a cashless society becomes complete: complete in its reliance on digital networks, complete in the information it produces, and complete in the requirements it sets out for engagement. The good solution would be one that embraces all of the tremendous benefits that digital payments can provide while rejecting the dangerous assumption that efficiency can replace choice.

Notes

World Bank, 'Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19' (Washington, DC: World Bank, 2022), and World Bank, 'Global Findex Database 2021 survey headline findings on account ownership.'

Bank for International Settlements, Committee on Payments and Market Infrastructures and World Bank Group, Payment Aspects of Financial Inclusion (Basel: BIS, 2016).

Federal Deposit Insurance Corporation, 2023 FDIC National Survey of Unbanked and Underbanked Households (Washington, DC: FDIC, 2024).

World Bank, 'Global Findex Database 2021 survey headline findings on account ownership.'

BIS and World Bank Group, Payment Aspects of Financial Inclusion in the Fintech Era (Basel: BIS, 2020).

International Monetary Fund, 'Central Bank Digital Currency and Financial Inclusion,' IMF Working Paper 2023/069 (2023); and IMF, 'Central Bank Digital Currency's Role in Promoting Financial Inclusion,' Fintech Note 2023/011 (2023).

Bank of England, Progress update: The digital pound and the payments landscape (2025).

Bank of England and HM Treasury, The digital pound: A new form of money for households and businesses? Consultation paper (2023).

Stefan Ingves, 'Going Cashless: Central Banks and Digital Currencies,' Finance & Development 55, no. 2 (2018).

Itai Agur, Anil Ari, and Giovanni Dell'Ariccia, 'Bank Competition and Household Privacy in a Digital Payment Monopoly,' IMF Working Paper 2023/121 (2023).

Bank of England and MIT Digital Currency Initiative, Enhancing the Privacy of a Digital Pound (2023).

BIS Innovation Hub, 'Project Aurum 2.0: Improving privacy for retail CBDC payment,' project overview, and Bank of England and MIT DCI, Enhancing the Privacy of a Digital Pound (2023).

FDIC, 2023 FDIC National Survey of Unbanked and Underbanked Households; European Central Bank, Study on the Payment Attitudes of Consumers in the Euro Area (SPACE) 2024 (Frankfurt: ECB, 2024).

European Central Bank, Study on the Payment Attitudes of Consumers in the Euro Area (SPACE) 2024.

European Central Bank, Use of Cash by Companies in the Euro Area in 2024 (Frankfurt: ECB, 2024).

Organisation for Economic Co-operation and Development, Safeguarding Consumers' Access to Cash in the Digital Economy (Paris: OECD, 2025).

Sveriges Riksbank, Payments Report 2025, especially the sections on accessibility, contingency preparedness, and policy recommendations.

Sveriges Riksbank, Payments Report 2025; and Sveriges Riksbank, 'Poorer Access to Cash at Bank Offices,' Payments Report 2021.

Bank of England, Digital pound experiment report: Offline payments (2025).

Sveriges Riksbank, Payments Report 2025, recommendation that households maintain multiple payment methods, for example SEK 1,000 in cash per adult.

John Frost et al., 'Central Bank Digital Currencies and Fast Payment Systems: Friends or Foes?' BIS Papers No. 151 (2024).

BIS, Central bank digital currency (CBDC) information security and operational risks to central banks (2022); and Federal Reserve Board, 'A Robust Risk Framework for Offline Payments,' FEDS Notes (2025).

Romain Bouis et al., 'Central Bank Digital Currencies and Financial Stability: Balance Sheet Analysis and Policy Choices,' IMF Working Paper 2024/226 (2024); and World Bank, Central-Bank Digital Currency: Background Technical Note (2025).

Sveriges Riksbank, Payments Report 2025; European Central Bank, Use of Cash by Companies in the Euro Area in 2024; and OECD, Safeguarding Consumers' Access to Cash in the Digital Economy (2025).

C.M. Christensen, The Innovator's Dilemma (Boston: Harvard Business School Press, 1997), adapted here only as a general warning about how metrics can obscure the value of fallback capacity.

Kenneth Rogoff, The Curse of Cash (Princeton: Princeton University Press, 2016), on some social costs of cash; balanced against OECD, Riksbank, ECB, and central-bank evidence on resilience and access.

Elinor Ostrom, Governing the Commons (Cambridge: Cambridge University Press, 1990), used here by analogy for the broader point that institutional robustness matters alongside allocative efficiency.

Author's Note

This essay answers the cashless-society question by distinguishing transaction efficiency from regime resilience and by treating cash not as an outdated payment habit but as a public exit option. The central claim is that policymakers should fear payment monoculture rather than digitalisation itself. That frame allowed the essay to connect privacy, inclusion and systemic resilience without reducing the debate to a simple convenience-versus-surveillance opposition.

Bibliography

Agur, Itai, Anil Ari, and Giovanni Dell'Ariccia. 'Bank Competition and Household Privacy in a Digital Payment Monopoly.' IMF Working Paper 2023/121. Washington, DC: International Monetary Fund, 2023.

Bank of England. Digital pound experiment report: Offline payments. London: Bank of England, 2025.

Bank of England. Progress update: The digital pound and the payments landscape. London: Bank of England, 2025.

Bank of England, and HM Treasury. The digital pound: A new form of money for households and businesses? Consultation paper. London, 2023.

Bank of England, and MIT Digital Currency Initiative. Enhancing the Privacy of a Digital Pound. London, 2023.

Bouis, Romain, Gaston Gelos, Pauli Miettinen, Fumie Nakamura, Erlend Nier, and Gabriel Soderberg. 'Central Bank Digital Currencies and Financial Stability: Balance Sheet Analysis and Policy Choices.' IMF Working Paper 2024/226. Washington, DC: International Monetary Fund, 2024.

Christensen, Clayton M. The Innovator's Dilemma. Boston: Harvard Business School Press, 1997.

Committee on Payments and Market Infrastructures, and World Bank Group. Payment Aspects of Financial Inclusion. Basel: Bank for International Settlements, 2016.

Committee on Payments and Market Infrastructures, World Bank Group, and Bank for International Settlements. Payment Aspects of Financial Inclusion in the Fintech Era. Basel: BIS, 2020.

European Central Bank. Study on the Payment Attitudes of Consumers in the Euro Area (SPACE) 2024. Frankfurt: ECB, 2024.

European Central Bank. Use of Cash by Companies in the Euro Area in 2024. Frankfurt: ECB, 2024.

Federal Deposit Insurance Corporation. 2023 FDIC National Survey of Unbanked and Underbanked Households. Washington, DC: FDIC, 2024.

Federal Reserve Board. 'A Robust Risk Framework for Offline Payments.' FEDS Notes. Washington, DC, 2025.

Federal Reserve Board. 'Pay-by-Bank and the Merchant Payments Use Case: Benefits and Considerations.' FEDS Notes. Washington, DC, 2025.

Frost, Jon, Juliana Aurazo, and others. 'Central Bank Digital Currencies and Fast Payment Systems: Friends or Foes?' BIS Papers No. 151. Basel: BIS, 2024.

Ingves, Stefan. 'Going Cashless: Central Banks and Digital Currencies.' Finance & Development 55, no. 2 (2018).

International Monetary Fund. 'Central Bank Digital Currency and Financial Inclusion.' IMF Working Paper 2023/069. Washington, DC, 2023.

International Monetary Fund. 'Central Bank Digital Currency's Role in Promoting Financial Inclusion.' Fintech Note 2023/011. Washington, DC, 2023.

Organisation for Economic Co-operation and Development. Safeguarding Consumers' Access to Cash in the Digital Economy. Paris: OECD, 2025.

Ostrom, Elinor. Governing the Commons. Cambridge: Cambridge University Press, 1990.

Riksbank, Sveriges. Payments Report 2025. Stockholm: Sveriges Riksbank, 2025.

Riksbank, Sveriges. 'Poorer Access to Cash at Bank Offices.' In Payments Report 2021. Stockholm: Sveriges Riksbank, 2021.

Rogoff, Kenneth. The Curse of Cash. Princeton: Princeton University Press, 2016.

World Bank. Central-Bank Digital Currency: Background Technical Note. Washington, DC: World Bank, 2025.

World Bank. Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. Washington, DC: World Bank, 2022.

World Bank. 'Global Findex Database 2021 survey headline findings on account ownership.' Washington, DC: World Bank, 2022.