

A CASHLESS ECONOMY MEANS FINANCIAL EXCLUSION

A growing number of businesses no longer accept cash, and many government agencies at the federal and state levels only issue payments via direct deposit or prepaid card, instead of offering paper checks. Without congressional action, the trend of eliminating cash as a means of payment will continue unabated.

Yet millions of Americans, especially those who are underbanked or unbanked, prefer to pay in cash or receive paper checks for government benefits. Pew Research Center found that, in 2022, roughly six in 10 Americans (59%) still use cash to pay for at least some of their purchases in a typical week.¹

Without this convenient option, consumers can experience additional, unwanted costs and consequences and, in the case of government payments, endure delays in accessing critical benefits.

It is critical that all Americans have the choice of making and receiving payments by the means most convenient to them.

The Benefits and Inclusivity of Cash

The benefits of paying with cash are clear and well-established. Paying with cash:

- Is something everyone can do, regardless of income or status.
- Is essential for consumers who don't have bank accounts or credit cards.
- Provides more privacy than other forms of payment.
- Limits the risk of data breaches.
- Helps consumers budget and teach children financial responsibility.
- Is consistently reliable, ensuring transactions can take place even when connectivity is down, such as when the power is out or during natural disasters.

The Consequences of a Cashless Economy

Cashless enterprises lock out millions of unbanked Americans of all ages from engaging in our economy and public commerce, as well as those who simply prefer to pay for services with cash. Many transactions, including, for example, fundamental living expenses like rent payments, cannot be made with prepaid cards. Low-to-moderate-income consumers, ethnic and racial minorities, teenagers, the elderly, and the disabled are most impacted by these changes.

In addition to reducing payment options, a cashless economy exposes consumers to threats to their data privacy, including identity theft and data breaches. Citizens who value the anonymity of paying with cash, and who do not want to be burdened by the challenges of credit cards, interest rates, and corresponding debt, should have the option to pay with cash. And depriving consumers with that option can not only limit their ability to access goods and services, it can actually cost consumers more. A study by the Federal Reserve Bank of Boston found that merchants increase their prices by approximately 1.4 percent to offset the interchange fees they pay to credit card companies, a

Section 31 U.S.C. 5103, entitled "Legal tender," states:

"United States coins and currency [including Federal Reserve notes and circulating notes of Federal Reserve Banks and national banks] are legal tender for all debts, public charges, taxes, and dues."

As a result, all U.S. money is a valid and legal offer of payment for debts when tendered to a creditor, and there is currently no federate statute mandating that a private business accept cash as payment for goods or services.

¹ "The American Trends Panel Survey," Pew Research Center, July 2022, <https://www.pewresearch.org/fact-tank/2022/10/05/more-americans-are-joining-the-cashless-economy/>

cost that is passed onto households and most likely to impact those who pay with cash and don't receive the perks interchange fees fund like airline miles or other rewards or incentives.²

Support for Maintaining a Cash Option

Maintaining a cash option receives widespread public support throughout the United States, and a majority of Americans (56%) even say they like to have cash with them at all times when they are outside their home, according to a 2022 Gallup poll.³ INFiN is proud to advocate for policies that preserve cash as a viable, equitable means of payment for those who value and choose it – including through its participation in the [Consumer Choice in Payment Coalition](#) (CCPC).

Some states and cities – including New Jersey, Colorado, Washington, D.C., New York City, Philadelphia, and San Francisco – have adopted laws protecting consumers' right to use cash over the past few years. At the federal level, Congress should pass – and the president could sign – the Payment Choice Act, which protects the right of consumers to pay cash at all retail establishments for transactions under \$2,000. The House of Representatives passed the bill during the 117th Congress with bipartisan support.

² "Distributional Effects of Payment Card Pricing and Merchant Cost Pass-through in the United States and Canada," Federal Reserve Bank of Boston, 2020, <https://www.bostonfed.org/publications/research-department-working-paper/2020/distributional-effects-payment-card-pricing-merchant-cost-pass-through-united-states-canada.aspx>

³ "Gallup Poll Social Series: Consumption Habits," Gallup News Service, July 2022, <https://news.gallup.com/poll/397718/americans-using-cash-less-often-foresee-cashless-society.aspx>