Cash – empowering the individual

SUERF Conference “Cash on Trial”
Frankfurt am Main, 20 May 2019
Cash – empowering the individual

Cash enhances privacy

Privacy is crucial to reduce excessive asymmetric information which is tilting the balance of power between

• individuals and companies

• individuals and public authorities.
Cash – empowering the individual

“Cash is anonymous.”

No register of
- cash holders
- cash transactions
  (what is paid, how much, when, where, who?)

Really anonymous? Digital environment!
- Online activities, e.g. online searches, social media
- Offline tracking, e.g. video control, smart phones

But: cash makes your digital footprint incomplete,
=> cash helps to protect privacy.
Cash – empowering the individual

“Why privacy? I do not have anything to conceal.“

— Knowledge is power!

— Organizations collect, trade, process and make use of data, i.e. they employ knowledge about exactly defined groups and individuals

— Non-cash payments are sources of personal data
  — International card companies: terms and conditions allow for analysis and trade of transaction data, opt-out exists
  — FinTech, BigTech – business model built on client data
  — Bank payments (Germany): no data trade allowed
Individual (consumer) ↔ companies, merchants

---

Asymmetric information puts consumer at a disadvantage
- Payment data show consumption habits and financial resources, enrichment with other data on job, family, religion, etc.
- Merchant knows much more about consumer than vice versa
=> Merchants gain excessive bargaining power

---

Is the consumer getting the best deal?
- Targeted advertisement – risk: buying too much
- Dynamic pricing, personalized pricing – risk: paying too much
- Consumer is getting service for their data – risk: poor deal

=> Non-traceable payments do matter!
Cash – empowering the individual

Individual (citizen) ↔ public authorities

— No government surveillance or control of citizens’ financial transactions
  — “Psychological“ importance, trust in public authorities

— If civil rights and rule of law not respected or at risk:
  — Cash helps to protect political opposition from surveillance and/or pressure

Cash – protection of financial data –
helps to contain illegitimate use of public power.
Cash – empowering the individual

“Cash – no third party involvement“

— No data, no illegal data abuse
  — Data brokers selling information to criminals
  — Data breaches by external hackers or employees

— I am in control of my money
  — Bank accounts can be frozen, digital payments rejected
  — What is legal? Competing law?
Contact

Heike Mai
Senior Economist
Banking, Financial Markets, Regulation
Deutsche Bank Research

Mainzer Landstraße 11-17
60329 Frankfurt/Main
Phone: +49 69 910-31444
Email: heike.mai@db.com
Internet: www.dbresearch.com