

Bold

Is Cash an Endangered Species? Will We See Harriet Tubman on Bitcoin Anytime Soon?

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April 27, 2016

The politics of who appears on our physical currency is all the buzz right now. The Treasury Department announced that the mug of the founder of central banking in America, Alexander Hamilton, would continue to grace the \$10 bill (undoubtedly, the Broadway smash *Hamilton* breathed new life into his legacy). Meanwhile, former president Andrew Jackson will be knocked off the front of the \$20 bill in favor of Harriet Tubman, a figure in American history that many feel needs more recognition for her heroic fight against the institution of slavery. Other changes are in the works, including adding more women and other figures that are reflective of our multicultural history to our currency.

While these changes to our physical currency will likely be popular and well-received, they come at a time when cash is slowly becoming less and less common in everyday transactions. As Glenn Zorpette has written, “Your earnings, your savings, your spending: Virtually all of it is virtual.”

Make no mistake, cold hard cash still accounts for 40 percent of consumer transaction activity, according to a 2010 study by the San Francisco Federal Reserve Bank. However, if we are looking at the role cash plays in raw numbers, the value of transactions that are settled in cash are much smaller than its digital counterparts. The San Francisco Fed points out that “the average value of a cash transaction is only \$21, compared with \$168 for checks and \$44 for debit cards.” The study concluded that cash will continue to endure, despite the innovations on the cashless front, including mobile digital payments and cryptocurrencies like Bitcoin.

“Cash has competitors today that it didn’t in the past, but going cashless would meet stiff opposition,” said Jim Harper Senior Fellow at The Cato Institute. “Bitcoin is cash, in my opinion, and it would continue cash’s role or help cash to flourish. If by ‘cash’ you mean paper money, Bitcoin would certainly move us in the direction of a cashless society.”

Naomi Brockwell, who’s become popularly recognized under the moniker “Bitcoin Girl” echoes Harper’s sentiments. She believes that cryptocurrencies like Bitcoin are accelerating the trend towards a cashless society, and that in some ways, it’s a more convenient form of cash.

“We are increasingly becoming a cashless society, and cryptocurrency is the cheapest and fastest form of digital currency,” said Brockwell. “Whether Bitcoin holds the major market share going

forward is uncertain, there are certainly some other interesting cryptocurrencies out there that have the capacity to do more than bitcoin, for example Ethereum is doing some really interesting work in smart contracts.”

Many governments around the planet are very interested in adapting their economies to purely digital currencies because it would help curtail black market transactions and subsequent tax evasion, and also aid in economic planning. Many lament the global “war on cash” as an invasion of privacy, and are turning to cryptocurrencies to maintain their monetary privacy. It’s alleged that the mainstream media has a tendency to demonize Bitcoin and its association with the black market.

“Bitcoin has a reputation as being used for shady deals or by speculators,” said Iain Murray, the Vice President of The Competitive Enterprise Institute. “I imagine that part of the reason for cryptocurrency in general being regarded as dubious is because of the crypto- prefix itself. People associate the prefix with ‘hidden’ (which is after all its root), rather than with complex coding, which is what programmers think about when they use it. That needs to change.”

“Bitcoin represents monetary freedom,” Brockwell said. “The ability of government to freeze assets is a major part of the power it wields. Bitcoin is a definite threat to government control.”

There is also a huge problem with cryptocurrencies like Bitcoin—they’re not nearly as stable as other forms of money. While some currencies can swing in value, the U.S. dollar tends to be relatively stable. “Volatility is a well-recognized impediment to the success of Bitcoin as a currency,” Harper said.

On the other hand, Bitcoin has been enormously helpful for citizens of countries who have trouble legally gaining access to dollars. “It’s a fantastic alternative in countries where exchange into foreign currencies is prohibited by the government and people risk losing everything they have,” Brockwell said.

“A currency has to provide three things – it must be accepted as a medium of exchange (which Bitcoin is), a unit of account (where there is less acceptance), and a store of value,” Murray said. “Those who bought Bitcoin at the height of the market will not regard it as a store of value. However, since the market peak, Bitcoin’s value has been relatively stable for much of the time. There is also a question over whether any fiat currency is as stable as it looks. Inflation wipes off some value from fiat currencies every day.”

The future of currency is likely to be a mixed system, where cryptocurrencies, virtual cash, and hard cash are all used to settle transactions. The larger the amount exchanged between two parties, the more likely the transaction will be settled digitally.

Speaking in language familiar to environmental conservationists, it might be a bit too bold to claim that cash is an endangered species. Instead, it’s likely a threatened species that will comprise an ever-smaller percentage of everyday transactions. You’re probably not going to buy a pack of gum with virtual currency for a very long time, if ever.

That means that for the time being, at least in the short and medium term, overhauling the national heroes on our currency is something that’s going to have an impact on American society. Most of us still handle cash in some capacity, and having Harriet Tubman on the \$20 is a statement with a profound cultural impact.

Perhaps digital currency can eventually integrate our historical figures into their virtual design. It will be interesting to see how we honor national heroes in a world of digital currency.

“I joked with friends about the superiority of decentralized digital currencies in this respect. You could associate any picture you want with them. This might be the greatest honor of all to our national heroes – another dimension of freedom,” Harper said.