



Cash is the currency of freedom

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Former Treasury secretary Larry Summers wants to get rid of the \$100 bill. But I think he has it exactly backward. I think we need to restore the \$500 and \$1000 bills. And the reason is that people like Larry Summers have done a horrible job.

Summers wrote recently in *The Washington Post* that the \$100 bill needs to go. The reason, he says, is that it's a favorite of criminals, along with the 500 euro note, which is likely to be discontinued. The *New York Times* editorialized in agreement, writing: "Getting rid of big bills will make it harder for criminals to do business and make it easier for law enforcement to detect illicit activity. ... There is no need for large-denomination currency. Britain's top bill is the 50-pound note (\$72), which has been perfectly sufficient. The United States stopped distributing \$500, \$1,000, \$5,000 and \$10,000 bills in 1969. There are now so many ways to pay for things, and eliminating big bills should create few problems."

Reading this got me to thinking: What is a \$100 bill worth now, compared to 1969? According to the U.S. Inflation Calculator online, a \$100 bill today has the equivalent purchasing power of \$15.49 in 1969 dollars. Likewise, in 1969, a \$100 bill had the equivalent purchasing power of \$645.55 in today's dollars.

So even if we brought back the discontinued \$500 bill, it wouldn't have the purchasing power today that a \$100 bill had in 1969, when larger denominations were discontinued. And carrying around a \$100 bill today is basically like carrying around a \$20 in 1969.

And although inflation isn't running very high at the moment, this trend will only continue. If the next few decades are like the last few, paper money in current denominations will become basically useless.

Of course, as CATO Institute analyst Daniel J. Mitchell writes, to our ruling class this isn't a bug, but a feature. Governments want to get rid of cash for two reasons. First, it gives them more control over citizens: They justify it in the name of fighting terrorists and organized crime, but what they really care about is making sure that nobody escapes their scrutiny, for purposes of taxes, regulation and political finagling. Second, if you're stuck putting your money in a bank,

they can force you to spend it (and thus “stimulate” the economy) by subjecting you to negative interest rates, in which money that just sits in the bank shrinks away, providing an incentive to spend.

The Federal Reserve and various other financial regulatory bodies were sold politically in no small part as protections against inflation. But inflation has run rampant. According to the inflation calculator, today’s \$100 bill is worth only as much as \$4.18 in 1913, the year the Federal Reserve was established. When you realize that inflation helps debtors and that governments are the world’s biggest debtors, this makes a certain amount of sense — for them.

But at a time when, almost no matter where you look in the world, the parts of it controlled by the experts and technocrats (like Larry Summers) seem to be doing badly, it seems reasonable to ask: Why give them still more control over the economy? What reason is there to think that they’ll use that control fairly, or even competently? Their track record isn’t very impressive.

Cash has a lot of virtues. One of them is that it allows people to engage in voluntary transactions without the knowledge or permission of anyone else. Governments call this suspicious, but the rest of us call it something else: Freedom.