BOOK REVIEW

Cash is freedom from banking oligopoly control

Cloudmoney: Cash, Cards, Crypto and the War for our Wallets, by Brett Scott, Random House, 2022

Reviewed by Robert Barwick

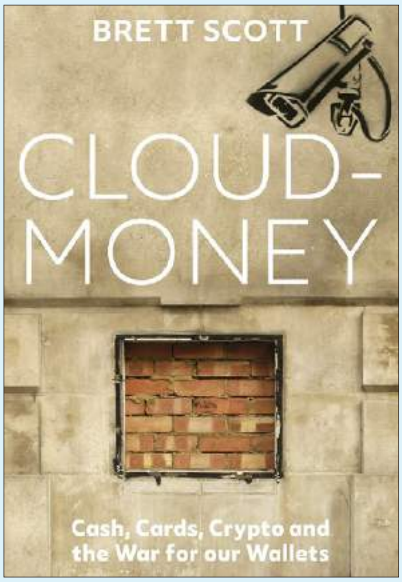
Imagine if the oil companies and fuel station chains used their lobbying power to get bicycles banned, for no other reason than they didn't want any free alternative to car transport to exist.

That's the equivalent of what banks are trying to do to cash, argues South Africa-raised journalist, "economic anthropologist", and former financial broker Brett Scott in his excellent 2022 book *Cloudmoney*.

Scott attacks the banks' self-serving narrative that cash is "old technology" being left behind by digital commerce, the way automobiles replaced the horse and cart; rather, he compares cash in this analogy to the bicycle—slower, yes, but free to use and accessible to everyone. Just as it would make no sense to lose bicycles as a transport option, it should make no sense to lose cash as a commerce option, because, Scott explains, cash is not just another form of currency, it's a very different type of money.

Brett Scott devotes much of his book to explaining, in lay terms, the technical details of the financial system, so readers can understand the fundamental differences in the types of money. People fixate on the token forms of money—whether cash, card, or crypto—but what they are looking at are changes in the surface appearance of money, without most of them understanding the fundamental types.

The most important distinction is between state money and bank money. State money is issued by the government and is the currency of the nation. It exists in two forms: as "reserves" in the central bank—the majority—and as physical cash in circulation. When the state spends money, say on a construction project, the government does not physically pay the building contractor. Instead, it pays their bank, by issuing digital units into the account of the contractor's bank at the central bank. This increases that bank's reserves at the central bank; it's left up to the bank to credit the contractor's account. These reserves circulate in a closed system at the central bank, constantly being adjusted to account for the millions of daily payments flowing between bank customers. "Those reserves, however, can be 'materialised' into physical cash", Scott explains. "When banks ask, a central bank can delete a promise written down on a computer (reserves) and re-write it instead on a paper bill (cash)." That state promise written on paper is legal tender for all payments.



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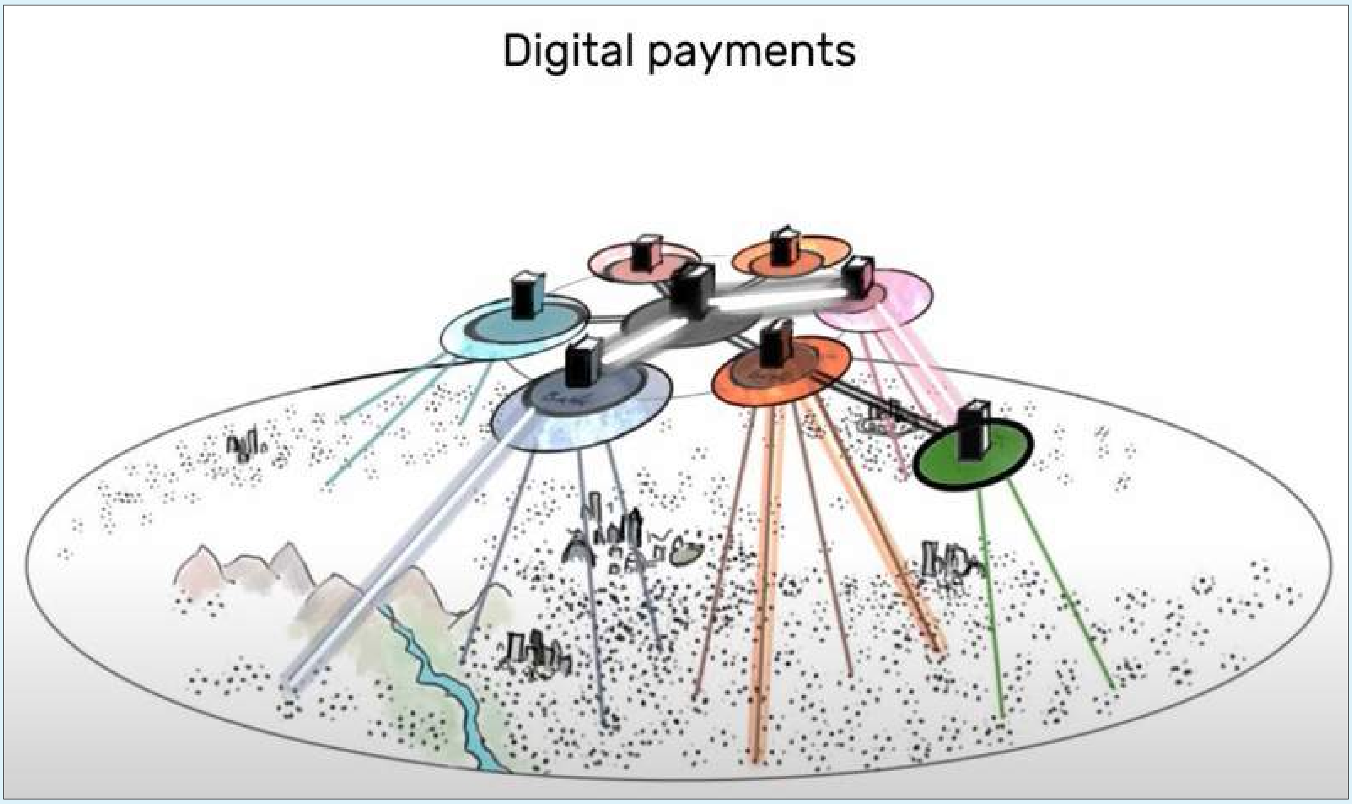

A diagram used by author Brett Scott to illustrate the role of the banking oligopoly hovering over the world approving all digital transactions.

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Bank money is very different. Yes, it has the same apparent role in daily commerce, but it is entirely digital money that is under the control of the banking system. Brett Scott likens money in the bank to casino chips, which the casino issues to you in exchange for cash, and which is a form of money you can use in the confines of the casino. Unlike a casino, however, banks can issue far more chips than they have in reserves, through fractional reserve banking, or credit creation. The banking sector is a globalised oligopoly, hovering over society, and when you make a transaction you're sending a message to the banks' servers asking permission to transfer chips to someone else. Digital bank transactions are promoted as far more convenient, but in fact they are far, far more complex at the back end, where bank servers are sending millions of transaction permission requests back and forth every second.

Banks promote the belief that we, the ordinary consumers, are the ones that are driving the move towards digital banking and transactions, but that is not true. Human being like doing human things, and there is nothing innately appealing to a human to do everything digitally, just for supposed convenience. Humans actually like cash because it is tactile and certain, but people are bombarded with criticisms of cash that reshape perceptions. The three main criticisms Scott identifies are that cash is: 1) old fashioned, like the horse and cart; 2) inefficient and inconvenient; and 3) dangerous, associated with organised crime and tax evasion. But these are unfair perceptions, easily refuted. For instance, the vast majority of tax evasion and organised crime is facilitated by bank transfers to offshore tax havens, not through cash. Scott emphasises that for all the reasons cash is beneficial—reliability, independence, privacy etc.—it is not the consumers who gain from a cashless society, but the big oligopoly players.

Scott explains that people think they've made the decision to go cashless, but the banks and digital giants have made the decision for them, to make it more likely they'll go along. The example he gives is closing bank branches and removing ATMs. Scott returns to his casino analogy: "Picture yourself winning big at a casino blackjack table, raking in a pile of chips, then heading to the cashier to convert those to cash and leave. The cashier looks up and says, 'Sorry, we don't redeem those any more.' They let you into their casino, but now are trying to stop you exiting it. Would you be angry?" That's what the banks are doing by closing branches and ATMs, which are the ramps into *and out of* their system. By making us go cashless, we can't transact without the bank's permission, and can only use bank chips. "'Cashless society' is a euphemism", Scott writes, "as uninformative as calling whisky 'beerless alcohol'—but the financial industry likes the phrase because it draws attention to something that is absent, rather than to something that is rising to power. Imagine how much harder it would be to market the 'bank chip society'."

The virtue of Brett Scott's book is that by patiently explaining the technical details of the financial system in a way anyone can understand, including through useful analogies and metaphors, he demystifies the system and succeeds in clarifying what is going on with the cashless agenda. This gives the average citizen an overview of the process from which to make an informed judgment. From everything he knows, Scott's judgment is that it is essential that cash be retained in the financial system, for all the reasons that cash is beneficial—simplicity and accessibility (everyone can use it), reliability (immune to power and communications failures), certainty (the transaction is instantly complete), privacy (none of the banks' business)—but also, very importantly, to *balance* the power of the banking oligopoly. Without cash, he emphasises, citizens are entirely under the control of private banks. (The alternatives are central bank retail digital currencies [CBDCs] and cryptocurrencies, but they have their own drawbacks, including unreliability when technology fails, and in the case of CBDCs a lack of privacy, and exposure to government surveillance.) Scott isn't advocating an exclusively cash system, although he urges his readers to use cash regularly; but is advocating a permanent balance between cash and digital, so citizens retain economic power independent of the banks.

The timing of Brett Scott's book couldn't be better. He published it in 2022 just as the Citizens Party and its collaborators including Dale Webster, Martin North, John Adams, Bob and Robbie Katter, Gerard Rennick and Malcolm Roberts have been fighting to stop regional bank branch closures and establish a postal bank. *Cloudmoney* shows that this is a far bigger fight than just to retain essential services; it's actually a fight to stop governments allowing the banking oligopoly to push the financial system in the direction of an exclusively bank-controlled system, where we must not allow it to go.

This ad for a horseless carriage illustrates the idea that banks would like consumers to have about going cashless, except instead of digital banking simply being a technological advance, it actually gives the banks monopoly control over all commerce.