Is A Digital Payment System Realistic?

by

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Most people are **NOT** aware that there are **TWO** attacks taking place against the US dollar and in turn our economy and your welfare.

One attack is taking place internationally and is being conducted by Russia, China, Korea, and Iran. In the 1920's the US dollar became the international reserve currency for trade and commerce. However since the 2022 sanctions placed on Russia, the axis nations have been making a concerted effort to destabilize the US dollar as the international currency for commerce and financial transactions.

The development of crypto currencies has not helped as it has become a credible alternative to nation state currencies such as the US dollar, British pound, etc. These currencies are increasingly being perceive s safe, stable, and liquid; and are growing as a currency for international trade.

When Biden took office, he started pushing for an **ALL** digital US currency system. Like many of his harebrained ideas this one is not looking at the consequences of such a scheme.

Currently there are two digital systems in use within the US. One system is used by banks and financial institutions to "move cash" for large banking transactions. These transactions are conducted via digital networks operated by the Federal Reserve (Fedwire) and the Clearing House Interbank Payments System (CHIPS).

Most of us are already using the second digital system when we go shopping. When using a credit card, like the banks, the card purchases are processed through credit card processing companies. Until recently the transaction charges were seamless but with inflation merchants started adding "processing fees" to purchases when customers used credit cards instead of cash.

Digital currency has been used for decades. For example, when you deposit physical currency into your digital bank account, the amount of your deposit is electronically entered into your account and the physical cash is used when others withdraw cash from their digital accounts.

Investopedia has identified several advantages for using digital currencies. The main advantage identified is that using such currencies makes all transactions faster and cuts costs. Aside from increased transactions speed, payments can be made faster, users can have 24/7 access to their accounts, and global transactions are easily made.

Along with these potential advantages, there is a lot of fear-mongering that digital currencies will wipeout physical currencies (eg. cash). So what is causing this increasing fear?

There are several driving forces such as increasing technology development, changing business practices, and government involvement. Sounds scary, right? Absolutely, as it should be!

Unlike many countries around the world, cash usage in the US is still high, but is declining. According to the [Federal Reserved](), cash payments accounted for 31% of all payments in 2016, and dropped to approximately 18% by 2022.

With technological advances it is reasonable to conclude that cash will eventually be displaced by credit cards, electronic payment applications (online n in-store), and crypto currencies. However technology is not the only thing driving a cashless environment.

Using cash has associated costs that often go unnoticed. People who do not have a bank account or financial service often pay up to five times more in fees to access their money than account holders. Those without accounts can also expect additional time and travel expenses in order to get cash or in making cash payments.

It is not surprising that commerce is embracing cashless payment. Not only does it cut down on mistakes of cashiers returning over/under change to the customer, but also helps to reduce fraud and outright theft of cash. Some major retailers and restaurants already refuse cash and require digital payment for goods and services.

From a government viewpoint, going cashless has a lot of benefits (for the government). An all digital system can reduce counterfeiting, especially when the treasury no longer has to print currency bills. This alone will result in a huge savings for the government.

In addition, a cashless society can make it easier to adjust monetary policies. The IRS could become more efficient and reduce operating costs. Better processing of tax returns, issuance of refunds and so forth would save taxpayer dollars and time.

Regardless of the potentials and advantages of digital currency systems, there are tremendous risks and disadvantages to them. These risks and cons are what people fear. We have already witnessed the both risks and disadvantages associated with such systems.

Let's consider just two events and their impact on people.

Last year [CBS News]() released a story on how "Mastercard keeps detailed records of the spending habits of its credit card holders, which it then sells to third-party companies —

often without customers' knowledge.” In essence your privacy and consumer preferences have been violated. This practice is akin to the high-pressure salesmen (used car salesmen, etc.) found in many retail areas. By violating your privacy and preferences allow the third-party companies to aggressively pressure you into buying their products over their competitors.

Earlier this year in April, the IRS disclosed that taxpayer personal data, including social security numbers, names, and financial data, was accessed by unauthorized and unknown people. According to the Federal News Network, between 2018 and 2023 there were more than 1,000 violations of IRS employees accessing taxpayer data.

One of the greatest concerns about digital currency systems is their vulnerability to being hacked. Companies and governments are spending millions of dollars in attempting to build secure systems. The problem is that anything devised by man can be “hacked,” regardless of whatever security is in place. This is true even if Artificial Intelligence (AI) is incorporated into the systems or used to build the systems.

Hackers have the potential to crash a nation’s financial infrastructure. We have seen them do this to companies and even hospitals were patient lives are at stake. The reality is that hackers are a national security threat and must be recognized as such.

A second major issue with digital systems is that they rely on computers, internet connections and payment services. If any of these subsystems goes down for whatever reasons (weather, electrical grid, terrorism, etc.) consumers and companies will have problems accessing their digital funds. Remember, digital currencies and accounts exist only on computers that require electricity to operate. There are no paper backup ledgers that can reconstruct your digital accounts.

One other major concern is that your privacy is compromised. Paper money (cash) is almost impossible to track and is thus anonymous. However digital money is easily tracked since all transactions create a record, allowing an easy to follow trail. While this is an advantage for government, digital currency systems can easily be abused even with existing laws in place. This was demonstrated when an IRS internal investigation revealed abuses by its own employees (see above).

Essentially, a fully implemented national digital currency system allows government to track (spy) every transaction you make. The system does not even have to be fully implemented for government overreach to exist. For example, earlier this year, California started requiring banks and other financial institutions to create a new “Merchant Category Code” (MCC) for transactions involving firearms and ammunition sales. Similar moves are being made in other democratic states.

This government overreach by California, et.al. can easily allow government to follow China's overreach.

The People's Bank of China can monitor all digital currency transactions and tie the transactions to the government's social credit scoring system, which used to control its citizens by rewarding or punishing their behaviors.

In the US, such monitoring can be tied to credit ratings, income levels, political party affiliation, sex, racial identity, or any other group based on some discriminatory factor. This is a very real situation that can be used to control you and your spending.

During the Biden administration, the Justice Department was weaponized to go after Trump and others. If, at the time, a national digital currency system was in place, the Treasury could have frozen Trump's assets, reduce his credit rating to the point where he could not make any investments, and/or "embarrass" him by rejecting his credit cards when making purchases. All of these things and more, just to gain the political advantage.

As countries switch to digital currencies, the use of cash vanishes and with it personal freedoms.

One final concern is what happens if access to digital accounts cannot be accessed. This was a real life situation when hurricane Helene hit the Carolinas. There was so much destruction that almost all communications were out for a couple of weeks. During that time people were unable to buy groceries or gas unless they had paper cash. Similarly they were not able to pay for shelter, house repairs or tree removal unless they had cash. While loan sharks and other predators took advantage of the disaster that Helene brought, charities and other individuals donated time, goods, services, and other support for those who were stricken by the disaster.

Helene revealed the importance of maintaining a cash-based system in addition to the nation having a digital currency system. In such disasters or apocalyptic events, digital currency systems will fail, resulting in multiple problems that could leave you in a situation where you have the money in the bank to pay your bills and purchase goods and services, yet you cannot do so. Cash-based systems will help maintain the economic structure of a community or nation. Without those systems the economy will fall into disarray and bartering systems will take over.

Cash will likely become less popular, thanks to the high cost of using it and the growing array of alternatives. But it will remain with us. The future will be “less cash,” rather than cashless.