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Cash may no longer be king, but the Optus debacle shows it is still necessary

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A simple software upgrade went wrong. Across the country economic life ground to a halt. Groceries were abandoned at supermarket checkouts. Commerce was paralysed as the nation waited for its payment system to be brought back on line.

The Optus outage lingers fresh in our minds yet the scene described here is not Melbourne or Sydney in November 2023, but Zimbabwe four years ago when the southern African nation suffered a 72-hour outage of the mobile money service known as Ecocash.

At a time when up to 96% of the country's transactions were cashless, EcoCash, owned by the privately held telco, EcoNet, boasted more than three times the number of registered users than there are Zimbabweans who hold traditional bank accounts, and a near monopoly on mobile money payments.

Read more: Optus has revealed the cause of the major outage. Could it happen again?

Occurring soon after a deeply unpopular move towards a cashless economy, this outage, along with a shorter one due to rolling blackouts earlier that same year, exacerbated concerns about the reliability of non-cash payments.

Abandoning the cashless experiment

Four years on, Zimbabwe has retreated from cashlessness, with the pandemic facilitating a return to cash in US dollars as the preferred means of payment. While the 2019 outage was not the only reason Zimbabwe returned to a cash economy, increasing frustration with mobile phone transactions contributed to it.

When I talk informally to Australians about these events and their possible implications for our own economic behaviours, I commonly hear some variant of the reply "but Australia isn't Zimbabwe!"

The Optus and other outages raise questions about the benefits of becoming a cashless society.
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But the Zimbabwean case holds some important lessons for us about the undesirability of eliminating cash in the aftermath of the latest Optus outage.

First, these outages highlight a key advantage of physical cash - it never goes down. We can rely on it to be there when we need it in contrast to cashless payment systems such as EFTPOS which suffered disruptions during the 2020 fires in NSW and Victoria.

We're using less cash but we still won't let go

Many Australians might argue for the need to keep cash as a fall back in the event of future natural and technical disruptions but the main reason they want to hang onto it has nothing to do with using it to buy and sell.

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Indeed its use in buying and selling has been in decline for 20 years and continued to decline during the pandemic. The total percentage of economic transactions cash accounted for dropped from 69% in 2007 to 13% in late 2022 according to the Reserve Bank's June Bulletin on Consumer Payment Behaviour in Australia.

By contrast, much of the continuing demand for cash can be attributed to its use as a store of value — something you hold onto rather than spend. During the pandemic there was more cash being kept under metaphorical mattresses as a source of security and comfort, than was being spent.

A March 2021 RBA report found from March 2020 to February 2021, the value of banknotes in circulation rose 17.1% to A$97.3 billion because people were holding onto money at home. Moreover, even as its most recent report on cash usage highlights decreased reliance on cash across all demographics, the percentage of respondents stating they would "experience a 'major inconvenience' or 'genuine hardship' if cash was hard to access or use" has remained unchanged since 2019 at just over a quarter.

Read more: Going cashless isn't straightforward. Ask Sweden, or Zimbabwe

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This desire to access cash even as its circulation declines highlights the degree to which doing away with it might be ill-advised and potentially destabilising. Indeed, this is exactly what happened in Zimbabwe — the country went cashless very quickly and without buy-in from most people.

Other reasons to keep cash, apart from dodgy technology

Other concerns about going cashless include the lack of privacy in the electronic payment system plus it being more difficult to control spending.

Even as some Australian banks move away from handling cash, other countries, Sweden most famously, have been forced to walk back such measures to respond to the needs of communities left behind by the shift to cashless payments.

These include the elderly, people in regional and remote areas, migrants and people who don't have a bank account. While these groups are decreasing in size we ignore people who don't have the knowledge the confidence or reliable access to cashless payment systems at our peril.

The financial transaction process needs to be inclusive. Standard, state-issued currency has historically been a public good that is accessible to all and ideally not a source of profit.

Read more: Depending on who you are, the benefits of a cashless society are overrated

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Going cashless is a form of privatising money. It moves transactions into a world where you must rely on banking institutions to buy and sell things while someone is making money off your financial dealings through fees. We wouldn’t usually think about this as similar to selling off the power grid but in some ways it is.

And as we saw all too vividly with the Optus debacle, a transition to privatised payment infrastructures opens up new kinds of vulnerability to go along with their convenience.