The contemporary push toward a fully cashless economy is framed, almost universally, as a utilitarian story of technological progress: lower transaction costs, greater financial inclusion, and the elimination of the inefficiencies and criminal anonymity that physical currency enables, all of which, together, are said to define a new way of living. Central Bank Digital Currencies (CBDCs) and mobile payment infrastructure are being piloted across dozens of nations.[1] The question of whether to go cashless is prevalently treated as a logistical one, concerned primarily with timing and implementation. This framing is skewed and consequential. This paper argues that the transition away from physical currency structurally reorganizes the relationship between individual citizens and the societal institutions that govern them, and this shift is one that fundamentally undermines democratic rights in a capitalist society through data monopolization and authoritarian surveillance, replaces tangible ownership with conditional digital access, and eliminates the practical capacity for citizens to resist government overreach. To fear a cashless society is a frank, vigilant, and intellectual response.

In the *Second Treatise of Government*, Locke establishes that property is not a gift of the state or of any rigid system. It is a natural right that precedes government entirely, derived solely from an individual's labor.[2] A person mixes their labor with the world and, in doing so, acquires a claim on its fruits that no civil authority created and that no civil authority can arbitrarily revoke. Money, or cash, in Locke's account, emerged as a solution to the problem of perishability: precious metals allowed individuals to store the value of their labor beyond what they could immediately consume or trade.[3] Government entered the picture not to generate additional property rights but to systemically protect the right to own one’s labor through the reward of a stable currency. A state that undermines currency is thus a state that has violated the property covenant justifying its existence.

This essay critically illuminates the stakes of a cashless transition. Physical cash is bearer-based. To hold currency equates to holding property directly, where no intermediary, institution, and technical infrastructure stands between the individual and their wealth. When currency becomes exclusively digital, that direct relationship is severed as conditional access and digital permission makes currency revocable by the institutions administering the network. Bank-based digital payments & CBDCs depend on private financial infrastructure governed by institutions with their own interests, meaning that the state can freeze, restrict, or monitor funds without any of the procedural friction that physical seizure of cash would require.[4] The proposed "trustlessness" of cryptocurrency's blockchain network—decentralization without reliance on any formal authority—offers some reconciliation but merely attempts to conceal trust displaced into undemocratic factors: crypto requires internet access and functional infrastructure, and the irrevocable loss of private keys is the permanent destruction of one's property rights with no legal recourse. Thus, in each case, the individual's claim to their own economic output and Locke's theory of natural property rights is fundamentally violated.

Furthermore, rent-seeking occurs as a byproduct of unchecked monopolization as cashless systems dominate. When cash exists as a competitor to digital payment systems, it imposes a discipline on financial institutions: fees must be reasonable and services must be useful since citizens retain the option to exit. With a cashless system, however, market consolidation produces extraneous rent-extraction, minimizing efficiency. Network effects of consumer aggregation, combined with natural monopoly characteristics of digital payment infrastructure—high fixed costs, negligible marginal costs—results in a gravitational consolidation toward a handful of dominant platforms.

In a Rochet & Tirole's theory of two-sided markets, a dominant platform's profit maximization through its transaction fee is determined mainly by the company's market power (α) and merchant price elasticity (ε)[5] (Fig. 1):

$$f = c + (\alpha/\epsilon)$$

Where: f = fee
c = marginal cost (transaction processing cost)
α = market power
ε = merchant price elasticity

Fig. 1: Two-sided markets

As cash is eliminated, merchant elasticity (ε) approaches zero, meaning the fee ceiling in a cashless society becomes effectively unconstrained as market power consolidates, allowing for unchecked monopolization and rent-seeking to happen without resistance.

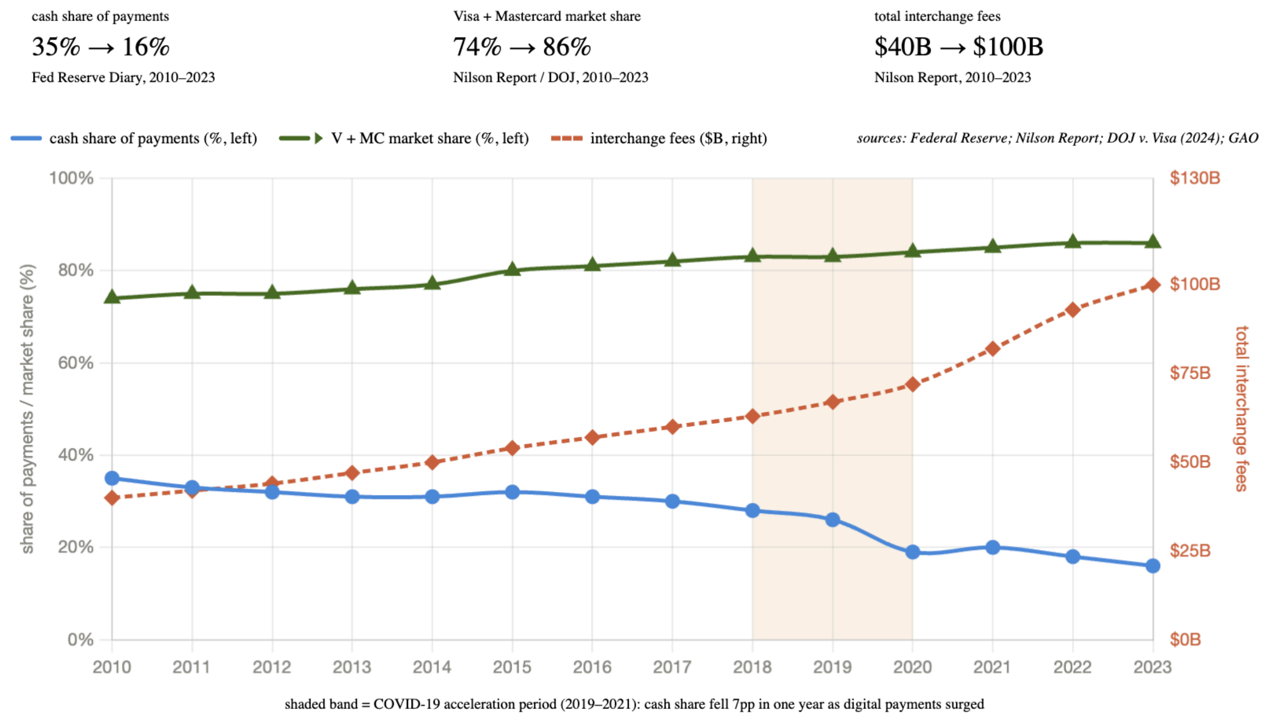

Fig. 2: Declining cash usage and rising interchange fee extraction in the United States, 2010–2023.[6] Chart compiled by author.

As cash's share of US consumer payments fell from 35% to 16% between 2010 and 2023,[7] Visa and Mastercard's combined market share rose from 74% to 86% (Fig. 2)—and total interchange fees extracted from merchants climbed from $40 billion to $100 billion, a 150% increase, despite the marginal cost of digital processing falling toward near-zero over the same period.[8] The average merchant fee rate for Visa and Mastercard credit transactions has held between 2.09% and 2.24% since 2013 as unconstrained market power (α/ε) (Fig. 1) operated without competitive discipline. Central banks cite “stronger surveillance of financial transactions”[9] as a reason for development. Visa “amassed the power to extract fees that far exceed what it could charge in a competitive market,” leading to $7 billion dollars of annual “monopoly profits.”[10]

Yet the implications of cashlessness extend far beyond economic extraction. In an optimal democratic society, financial privacy is the material precondition of political autonomy.[11] Political communication requires the ability to speak, associate, and act without being permanently recorded and made available to those in power. When every financial transaction is logged and accessible to government and institutional actors, financial behavior becomes a form of legible political identity, and those who wish to support unpopular causes face a structural deterrent. In *Privacy, Security and Government Surveillance*, Adam Moore describes how asymmetric surveillance—where the state vision significantly outweighs individual access—actively suppresses dissent.[12] People aware of surveillance act suboptimally, and a government aware of this fact has a structural advantage in the knowledge of being watched becoming widely understood. Gavison's democratic framework of privacy, embodying the values of "secrecy, anonymity, and solitude,"[13] is therefore violated by cashlessness.

Locke's theory of the right to revolt, stating that citizens retain the right to resist a government that has violated the social contract by ceasing to protect property and natural rights, is meaningless without the economic independence to exercise it.[14] Jefferson grounded American independence in the notion that governments derive their *just* powers from the consent of the governed, and that the governed retain the right to alter or abolish governments destructive to the ends for which they were originally instituted.[15] Both arguments presuppose that the citizen retains some practical capacity to act on that right, where economic independence manifested as a stable currency is a material condition. In a cashless society, a government with the technical ability to freeze the bank accounts of organizers, monitor the financial associations of activists, or detect the funding networks of opposition movements before they become politically significant has effectively dismantled the infrastructure of legitimate resistance.

On the other hand, Kenneth Himma and others in the security-efficiency tradition argue that a cashless society reduces crime, money laundering, and tax evasion, and that the increased regulatory visibility strengthens the rule of law, producing a more stable political order.[16] However, this argument rests on two assumptions that are individually questionable and jointly untenable. The first is that governments can be trusted with indefinite, unchecked monetary surveillance power over the entire economy. The historical record attests to the opposite: from the Stasi's financial monitoring of dissidents in East Germany to the Nixon administration's weaponization of the IRS against political enemies to China's Social Credit System linking spending behaviour to political compliance, unchecked institutional access to economic activity has never remained confined to its original justification[17] because the political incentives to do so are structural and the mechanisms of restraint are self-imposed. The second assumption is that surveillance effectiveness scales with comprehensiveness in a way that meaningfully reduces criminal behavior. Sophisticated criminals and state-adjacent actors adapt to new regulatory environments; financial surveillance therefore burdens the freedom of ordinary citizens while creating new attack surfaces—both technical and political—that sophisticated actors constantly adapt to, producing a deeper power imbalance. The argument for efficiency and security thus mistakes the direction of causality for parallelism, where privacy is not a measure to be traded equally against security, but the foundational condition upon which democratic security rests. A cashless society that sacrifices financial privacy for regulatory visibility is self-defeating.

With approximately 1.4 billion adults globally still lacking access to formal financial services, a more sympathetic objection holds that cashlessness benefits the poor, driven by mobile money systems like M-Pesa that have demonstrably expanded financial access for the unbanked.[18] However, the argument conflates two separable questions—digital financial access and the elimination of cash. M-Pesa and comparable mobile money systems operate alongside cash, simply expanding the menu of options available to the poor without foreclosing any existing ones while only requiring digital infrastructure, not cashlessness. Simultaneously, the economic efficacy of inclusive social access is statistically questioned by the fact low-income consumers paid the highest net transaction cost as a percentage of purchase values as they incurred card fees priced into retail while wealthy users recouped costs through rewards.[19] A society can extend mobile payment access to every unbanked citizen while preserving physical currency as a parallel option to capture the benefits while maintaining cash as a democratic anchor.

The informational asymmetry created by a cashless transition distorts power. In a cashless economy, governments, central banks, and payment platforms have access to complete transaction data for every participant. Citizens have no equivalent window into how that information is used, shared, or acted upon. Contextualized as a principal-agent problem operating at civilizational scale, citizens delegate monetary authority to institutions, and those institutions acquire, in the process, capabilities that create direct conflicts with citizen interests. The ability to monitor, freeze, or restrict access to funds is the ability to selectively exclude individuals from economic participation without judicial process, legislative authorization, or public accountability. In 2022, during the Canadian Freedom Convoy protest, the government froze approximately 206 bank accounts holding $7.8 million under the Emergencies Act without court orders specifically "to encourage protesters to leave and discourage others from joining."[20] Under this structure, property rights are held at the state's discretion.

Michael Oakeshott and Edmund Burke, additionally, offer a complementary angle of critique. Oakeshott's conservative notion of particularist skepticism states that the consequences of radical institutional change cannot be anticipated by the reasoning that recommends the change, because the tacit knowledge embedded in existing institutions is not accessible to abstract analysis.[21] Physical currency embodies decades of evolved political wisdom (it is anonymous by design, censorship-resistant by nature, functional without infrastructure, and outside the administrative reach of any single institutional actor); thus, what Cohen deemed as utilitarian analysis, reduces everything to measurable efficiency gains and is incapable of accounting for the intrinsic political value of institutions that protect fundamental freedoms and the inherited historical consensus of privacy.[22] The fact that a cashless system might process transactions more efficiently does not mean that the historical political protections embodied in cash are available for exchange at that price and are not fungible with efficiency gains and path dependence. Additionally, the forward-looking technocratic case for cashlessness that appeals to risk-driven innovation perceives only the optimistic face of radical change, as history is equally littered with catastrophic failures of rationalist schemes that dismantled carefully evolved safeguards for utilitarian gains never fully materialized. Vigilant fear against a cashless society is thus a reasonable opposition to unoptimized, irreversible risk.

Fear is the correct response to a cashless society, but fear of the right kind is critical: not the irrational panic that resists all technological change, but the vigilant, theoretically grounded recognition that the elimination of physical currency concentrates economic power, eliminates financial privacy, dismantles the material conditions of political resistance, and locks future generations into a structure of institutional dependence with no exit. The Lockean compact between citizen and state is a contract for the protection of natural rights. A government that controls the only form in which money can exist threatens democratic rights, on terms it sets unilaterally and that are revocable at its discretion. A cashless society does not simply create authoritarianism or corruption, but it removes the last structural friction standing between political stability and societal suppression.

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