

War on Cash: VISA Tries to Bribe Merchants to Stop Taking Cash

written by GEG | July 17, 2017



Visa and other payment networks want to abolish cash and checks that compete with their credit and debit cards. The card companies are offering thousands of dollars in upgrades on card technology but, in exchange, merchants must stop accepting cash. So far, merchants do not want to risk losing business and are not receptive to the scheme.

The war on cash is escalating. A big driver isn't central banks who want to be able to inflict negative interest rates on savers, or Treasuries who see cash transactions as hiding revenues from their tax collectors, *but the payment networks that want to kill cash (and checks!) as competitors to their oh so terrific (and fee-gouging) credit and debit cards.*

However, one bit of good news is there doesn't appear to be much enthusiasm on the buyer, as in merchant, end.

First, the overview from the Wall Street Journal:

Visa Inc. has a new offer for small merchants: take thousands of dollars from the card giant to upgrade their payment technology. In return, the businesses must stop accepting cash.

The company unveiled the initiative on Wednesday as part of a broader effort to steer Americans away from using old-fashioned paper money. Visa says it is planning to give \$10,000 apiece to up to 50 restaurants and food vendors to pay for their technology and marketing costs, as long as the businesses pledge to start what Visa executive Jack Forestell calls a “journey to cashless.”



There are good reasons to think this initiative won't get far.

Customer resistance. Food vendors, and in particular restaurants, are low margin businesses with fickle customers who have little to no loyalty. Why risk driving business away?

Aside from the fact that some customers prefer cash, a related issue is that using cards and smartphones often seem to be a tax on time. I really hate using chip cards. Mag cards were often faster than cash, since you swiped and could stuff the card back in your wallet while the transaction was being approved. Chip cards, by contrast, require you to keep the card in the machine while it is being approved, so one is very much aware of the wait. And when I've seen people using phones (often to buy small stuff like coffee, which really amazes me), I find that they are slower with it than they would probably be with cash, in that they seem to have to fumble with the phone to get the right app readied and then the payment doesn't always go right through either.

And that's before you get to the fact that ApplePay and other smartphone payments time stamp exactly when you paid, adding to the information the surveillance state is gathering about you. By contrast, even if you use a credit card at a store, Clive informs us that the card network typically retains only the date of transaction.

Higher merchant charges. I take credit and debit cards through PayPal, and also checks. And even though I am often slow to deposit checks because I find it hard to get to the bank, I'd still rather have checks despite the somewhat greater hassle because I save the 3% cut the card networks take. Visa makes the argument that handling cash has costs too, but they are the ones that have ginned up the numbers, and in my case, they don't wash. As the Journal points out:

Indeed, many merchants prefer cash because they don't have to share the revenue with card companies. Credit-card interchange fees, which networks like Visa set and that merchants pay to the banks that issue their cards, are on average around 2% of the transaction amount, according to the National Retail Federation, the largest trade group that represents merchants in the U.S.

“The idea that merchants don't want to accept cash is a myth,” said Mallory Duncan, senior vice president and general counsel at the National Retail Federation.

Negative impact on employees who get tips. As one of my tax attorney buddies drily remarks, “Some people have this odd idea that cash payments aren't taxable.” Restaurant workers who have tips as the major source of their income almost assuredly prefer getting them in cash, rather than facing the delay of having their employer receive them through the payment network which creates delay as well as the not-trivial odds that the

boss might cheat them either informally or declare that he's entitled to a processing cut. And that's before getting to the fact that restaurant pay levels probably pre-suppose a fair bit of tax evasion, so the business owner might risk losing his better employees to competitors who hadn't gone the no-cash route.

Enforcement. How is Visa going to police establishments that say they aren't going to take cash? Will Visa have spies? Will Visa have audit rights?

Risk of legal challenge. As a surprisingly large number of Wall Street Journal readers pointed out, cash is a legally sanctioned means of payment. For instance:

Richard Tavis

Merchants who will no longer accept cash won't get my business, period. Call me a Luddite, but U.S. currency pretty clearly states that "THIS NOTE IS LEGAL TENDER FOR ALL DEBTS, PUBLIC AND PRIVATE". It seems to me this will go to court eventually. Merchants must accept notes issued by the Fed. Sorry, that's the way it is

Richard Tauchar

@Richard Tavis

That's my take as well.

And, as someone else mentioned, what happens if you refuse to pay with a Visa, or don't have one, after having completed the meal? Will they take cash then, or is the meal free?

So I'd be surprised if Visa had a legal leg to stand on, when trying to make these deals.

The Treasury does support the position that **private business can refuse to take cash as payment for goods and services**, as opposed to settlement of debts.

However, as writers following David Graeber's *Debt: The First 5000 Years*, like to point out, we incur and settle debts all the time. And a bar tab or restaurant bill is a debt. The vendor provides the service *without being paid*, then expects you to settle the debt you incurred.

Thus the market segment Visa is targeting for this move (the Wall Street Journal headline says, *Visa Takes War on Cash to Restaurants*) would seem to be one where Visa is on a particularly weak legal footing. I can easily see someone with a penchant for mixing things up go to a restaurant, either not have a card or bring a card he knows will be declined (just to look like he didn't intend to stage a stunt) and then video putting down more than enough cash to settle the bill and leave. The merchant will have no legal out. He's been paid. And at least in any decent-sized city, no way will the cops intervene. They'll regard this as a private dispute not worth their time. If the restaurant staff try to restrain the exiting customer, they could wind up with a very costly suit on their hands.

Taking cash may be the real point of the merchant. A savvy New York City colleague

regularly points out how many New York City businesses, like pizzerias and cheap jewelry stores that never seem busy, or nail salons that have economics that don't seem to make sense, are probably partly if not mainly in the money laundering business.

Visa has even bigger ambitions:

Visa is trying to turn those numbers more in its favor. In the U.S., it is going after spending categories, such as parking and rent, that have been entrenched in cash and check payments for decades. Abroad, it is partnering with governments to move more payments onto its network, including an agreement that it recently signed with the Polish government to move the country to a cashless system.

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