

Part 2

Argument

Directions: Closely read each of the *four* texts provided on pages 12 through 19 and write a source-based argument on the topic below. You may use the margins to take notes as you read and scrap paper to plan your response. Write your argument beginning on page 1 of your essay booklet.

Topic: Should cash currency be eliminated?

Your Task: Carefully read each of the *four* texts provided. Then, using evidence from at least *three* of the texts, write a well-developed argument regarding whether or not cash currency should be eliminated. Clearly establish your claim, distinguish your claim from alternate or opposing claims, and use specific, relevant, and sufficient evidence from at least *three* of the texts to develop your argument. Do *not* simply summarize each text.

Guidelines:

Be sure to:

- Establish your claim regarding whether or not cash currency should be eliminated
- Distinguish your claim from alternate or opposing claims
- Use specific, relevant, and sufficient evidence from at least *three* of the texts to develop your argument
- Identify each source that you reference by text number and line number(s) or graphic (for example: Text 1, line 4 or Text 2, graphic)
- Organize your ideas in a cohesive and coherent manner
- Maintain a formal style of writing
- Follow the conventions of standard written English

Texts:

Text 1 – Denmark Might Eliminate Paper Money: Should We Do The Same?

Text 2 – Yes, Credit Cards Are Making You a Bad Person

Text 3 – The Sinister Side of Cash

Text 4 – Cash Is Critical

Denmark Might Eliminate Paper Money: Should We Do The Same?

By next year [2016], if you walk in a restaurant or gas station in Copenhagen, you might no longer be able to pay with cash. The Danish government is considering allowing some stores to stop taking paper money. It's the next step as the country starts to get rid of cash completely: The central bank doesn't print bills or make coins anymore, many banks don't carry cash, and almost all adults have a credit or debit card.

Will places like the U.S. follow? Experts argue there are several reasons to get rid of paper money—like the fact that it might be able to help foil crime and force people to pay their taxes. In most countries, the majority of cash is used to hide secret transactions in the U.S., only about 10% to 15% of paper money is used in the legal economy. The government misses out on hundreds of billions of dollars of taxes every year—not even counting the informal economy¹—because people get paid in cash.

Still, while moving to electronic money might make things harder for criminals or tax evaders, it's unlikely to eliminate the underground economy.² "People will always find new ways to cheat," says David Wolman, author of *The End of Money*. "Most money by value is already electronic, and we all know that there's plenty of illicit³ activity involving digital money, ranging from garden-variety credit card fraud to colossal schemes orchestrated by the likes of Bernie Madoff.⁴ It's all zeros and ones."

And if the government—or potentially hackers—can track where people are spending money, that poses obvious challenges for privacy. "The privacy issue is enormous," says Wolman. "We should be fighting for it in the already-very-digital present, let alone worrying about it in the highly hypothetical cashless future. But the fact is that no monetary system is perfectly safe. The issue is reducing risk and perceived risk sufficiently so that consumers/citizens feel comfortable enough using that system."

Getting rid of cash does have other benefits. In Denmark, the move to let some stores stop using it was motivated by the fact that it costs those businesses money (it's worth noting that for now, even if the new proposal passes, places like hospitals and grocery stores will still have to accept paper bills). It's also obviously insecure: In the U.S., retailers lose around \$40 billion a year because of the theft of cash (banks lose another \$30 million or so in robberies).

Without paper currency, it's also easier for governments to change fiscal policy.⁵ Denmark already has negative interest rates; if you put money in the bank, you pay a fee. That helps encourage people to either spend money, or invest it. (Cash spoils this plan, since people can decide to hide it under a mattress and ignore the government's interest rates.) ...

It would probably take at least a decade before the U.S. could be truly cashless, he [Wolman] says. But along the way, we could take steps like getting rid of low-value coins like pennies and nickels (which cost more to produce than their face value), and eliminating high-value bills like \$100s.

¹informal economy — a system of trade or economic exchange used outside state-controlled or money-based transactions

²underground economy — the part of a country's economic activity that is unrecorded and untaxed by its government

³illicit — illegal

⁴Bernie Madoff — an American financier who defrauded thousands of investors of tens of billions of dollars

⁵fiscal policy — the means by which government adjusts its spending levels and tax rates to monitor and influence a nation's economy

secret transactions

new ways to cheat

privacy

other benefits

40 “Some 70% of 100-dollar bills already reside overseas,” says Wolman. “Get rid of them because they’re not doing what cash is supposed to do, which is facilitate commerce. In 1969, the \$500, \$1,000, and \$5,000 notes were formally discontinued. Why? To impede crime. We should do the same with the \$100.” ...

—Adele Peters
excerpted and adapted from “Denmark Might Eliminate Paper Money:
Should We Do The Same?”
www.fastcoexist.com, May 21, 2015

Yes, Credit Cards Are Making You a Bad Person

The cashless society — a world where physical money is practically obsolete — has, in just a few years, gone from a utopian dream to something like an inevitability. In Sweden, a national effort is underway to take the country cashless within two decades. Throughout Africa, it's perfectly common for merchants to accept money through mobile phones by having buyers transfer a specific amount of money to a specific number associated with the merchant.

In the U.S., the road to cashlessness is paved in plastic (glass, too¹). In the 1970s, fewer than 20 percent of the adult population owned a credit card. Today, between 70 and 80 percent of the adult population does. In some cities, being forced to pay with cash already feels like a precious anachronism² (“What do you mean I have to *count the money* before extending my arm to the register?”).

The world of economic research has tried to keep pace with the plastic revolution, producing hundreds of reports on how MasterCard, Visa, and AmEx change our relationship to money and ourselves. The logic of credit is fairly simple. People rarely spend exactly what they earn, exactly when they earn it. With savings, we pass today's earnings to the future. With credit, we pull expected future earnings into today. ...

The typical knock on credit cards is that they're too effective at letting us buy stuff. Cash and coins must be considered, handled, counted, organized, re-counted, negotiated into the small space of a palm, and delivered cleanly to a merchant. Each of these verbs represents an inconvenience — a point of friction. But a card is just a card. Pull, swipe, finished. It's so easy to spend whatever we want.

Too easy, actually. Research has shown that people who own more credit cards spend more over all; more in specific stores; more at restaurants; more on tips at restaurants ... literally, there are hundreds of studies on the effect of credit cards on spending, and the vast majority of them find that, all things equal, we put more on plastic. ...

The downside of counting money is that it takes time and effort. The upside is that it takes time and effort. That makes it more memorable. Cards make us forget we're dealing with money. They create “an illusion of liquidity,”³ wrote Dilip Soman, a professor at the University of Colorado at Boulder, that makes consumers confuse the *ability* to spend money and the *means*⁴ to spend money. When paying with plastic, buyers have a tendency to outsource their mindfulness to the card. As a result, they were less likely to remember details about their purchases and more likely to buy additional items.

The “pain” of paying with cash has a hidden benefit. It makes it harder to quickly capitulate⁵ to indulgences. Credit cards “weaken impulse control.” Manoj Thomas, Kalpesh Kaushik Desai, and Satheshkumar Seenivasan found in a 2011 paper published in the *Journal of Consumer Research*. “Consequently, consumers are more likely to buy unhealthy food products when they pay by credit card than when they pay in cash.” Studying the contents of shopping baskets, the three economists found that shoppers with credit cards bought a larger share of food items they had ranked as unhealthy. In this way, the

¹glass, too — the use of smart phones for buying and selling goods and services

²anachronism — something that is not in its correct historical or chronological time

³liquidity — the availability of cash money

⁴means — financial resources

⁵capitulate — surrender

Credit cards
change
relationship

too effective

pp1 spend
more w/ C

CCs make
forget

impulse control

40 permissiveness of credit cards weakens consumers' judgment in more subtle ways than total amount spent. ...

- Derek Thompson
excerpted from "Yes, Credit Cards Are Making You a Bad Person"
www.theatlantic.com, June 12, 2013

Yes
less cash

The Sinister Side of Cash

When I tell people that I have been doing research on why the government should drastically scale back the circulation of cash—paper currency—the most common initial reaction is bewilderment. Why should anyone care about such a mundane topic? But paper currency lies at the heart of some of today's most intractable¹ public-finance and monetary problems. Getting rid of most of it—that is, moving to a society where cash is used less frequently and mainly for small transactions—could be a big help.

There is little debate among law-enforcement agencies that paper currency, especially large notes such as the U.S. \$100 bill, facilitates crime: racketeering, extortion, money laundering, drug and human trafficking, the corruption of public officials, not to mention terrorism. There are substitutes for cash—cryptocurrencies,² uncut diamonds, gold coins, prepaid cards—but for many kinds of criminal transactions, cash is still king. It delivers absolute anonymity, portability, liquidity and near-universal acceptance. It is no accident that whenever there is a big-time drug bust, the authorities typically find wads of cash.

Crime

Cash is also deeply implicated in tax evasion, which costs the federal government some \$500 billion a year in revenue. According to the Internal Revenue Service, a lot of the action is concentrated in small cash-intensive businesses, where it is difficult to verify sales and the self-reporting of income. By contrast, businesses that take payments mostly by check, bank card or electronic transfer know that it is much easier for tax authorities to catch them dissembling.³ Though the data are much thinner⁴ for state and local governments, they too surely lose big-time from tax evasion, perhaps as much as \$200 billion a year.

tax eva

Obviously, scaling back cash is not going to change human nature, and there are other ways to dodge taxes and run illegal businesses. But there can be no doubt that flooding the underground economy with paper currency encourages illicit behavior. ...

To be clear, I am proposing a "less-cash" society, not a cashless one, at least for the foreseeable future. The first stage of the transition would involve very gradually phasing out large denomination bills that constitute the bulk of the currency supply. Of the more than \$4,200 in cash that is circulating outside financial institutions for every man, woman and child in the U.S., almost 80% of it is in \$100 bills. In turn, \$50 and \$20 bills would also be phased out, though \$10s, \$5s and \$1s would be kept indefinitely. Today these smaller bills constitute just 3% of the value of the currency supply. ...

less-cash society

If cash is so bad, why retain small bills of \$10 and under? For one thing, cash still accounts for more than half of retail purchases under \$10, though the share fades off sharply as payment size rises, with debit cards, credit cards, electronic transfers and checks all far more important than cash for (legal, tax-compliant) payments over \$100. ...

Retaining small notes alleviates a host of problems that might arise if cash were eliminated entirely. For example, cash is still handy if a hurricane or natural disaster knocks out the power grid. Most disaster-preparation manuals call for people to keep some cash on hand, warning that ATMs [automated teller machines] might be paralyzed.

disaster-

But times are changing. Nowadays, cell towers and large retail stores typically have backup generators, allowing them to process bank cards during a power outage. And there

¹intractable — not easily controlled

²cryptocurrencies — digital currencies

³dissembling — concealing financial transactions

⁴thinner — less informative

are always checks. In due time, smartphone technology is likely to overtake all other media, and one can always keep a spare charging cell for emergencies.

45 Perhaps the most challenging and fundamental objection to getting rid of cash has to do with privacy—with our ability to spend anonymously. But where does one draw the line between this individual right and the government’s need to tax and regulate and to enforce the law? Most of us wouldn’t want to clamp down on someone’s right to make the occasional \$200 purchase in complete privacy. But what about a \$50,000 car or a \$1 million apartment? We should be able to reduce the problems I’ve described here while also ensuring that ordinary people can still use small bills for convenience in everyday transactions. ...

privacy

50 In sum, there are many issues to take into account, but if done gradually and properly, the balance of arguments is distinctly in favor of becoming a society that depends much less on cash. ...

—Kenneth S. Rogoff
excerpted and adapted from “The Sinister Side of Cash”
www.wsj.com, August 25, 2016

No

keep cash

Cash Is Critical

...Cash is under attack in the United States, and elsewhere around the world. The very idea of physical currency is being challenged by businesses and intellectuals alike. But they couldn't be more wrong. ...

5 Of course, the digital age is something to embrace, and new ways of paying will continue to be introduced. But Americans need to recognize the risks and benefits of different payment instruments, and know that the banknote itself is a technology that remains a necessary part of our financial security – personally, nationally and internationally. Banknotes are convenient and universally accepted, and they offer unparalleled privacy as a payment instrument.

convenient + private

10 At a personal level, cash enables people to manage their financial security themselves. There are risks associated with storing cash, but each person can manage those risks by limiting the amount they carry with them or keep at home. You can lose the cash in your wallet, but no other part of your financial security is at risk.

financial security

No → 15 The risks associated with electronic payment instruments are far more diverse and severe. Losing your credit cards or being the victim of digital hackers can lead to a whole host of problems including denied payment, card theft, card skimming,¹ identity theft, account takeover, fraudulent transactions and data breaches. According to the digital security company Gemalto, more than 1 billion personal records were compromised in 2014.

risks w/ electronic pay

20 Each of those incidents leads to countless hours of dealing with financial institutions and law enforcement to try to gain access back to accounts, redress² fraudulent activity and reclaim one's own identity.

25 At a national level, the benefits of using cash far outweigh the risks, too. Counterfeiting is a risk associated with banknotes, although one that is much smaller than in popular imagination. In 2013, the U.S. Secret Service recovered approximately \$156 million in counterfeit U.S. currency, compared to a total circulation of just under \$1.2 trillion.

counterfeiting

No → Large numbers of banknotes are hard to transport, conceal and use without detection. Cash seizure is a prominent law enforcement tool and one that can hit criminals hard. Indeed, if you are a serious criminal, you avoid using cash. You'd rather hide your money in an offshore bank account than store large numbers of banknotes.

cash seizure + criminals

30 No → But the benefits of currency for national security aren't limited to law enforcement. Cash has repeatedly demonstrated its importance in times of crisis. When natural disasters knock out an electrical grid for days or even weeks, cash is a saving grace for residents to obtain critical supplies. ...

natural disasters

35 Internationally, cash has become a key target in the fight against terrorism. When there is actionable intelligence on where terrorists keep their cash, the military can strike and destroy those locations and put a significant dent in the terror groups' ability to operate. ...

terrorism

Cash means security to so many, whether in a wallet or on a battlefield. But the attacks on banknotes are misguided and ignore the reasons why they are ubiquitous³ and necessary.

¹card skimming - illegally collecting data from the magnetic stripe of a credit, debit or ATM card

²redress - repair

³ubiquitous - existing everywhere

40 When you add the personal, national and international security benefits to cash's inherent other attributes, banknotes should be seen as the foundational payment instrument of the future. not just of the past.

—Guillaume Lepecq
excerpted from "Cash Is Critical"
www.usnews.com, April 14, 2016

les ; Get rid of Cash

no, keep

Text 1, line 8 → secret transactions
Text 1, lines 27-28 → insecure
Text 1, line 29 → easy to change policy

Text 1, lines 12-13 → new ways to cheat
Text 1, lines 18-19 → privacy

Text 2

Text 2, lines 22-23 → spend more
Text 2, lines 27-28 → forget #
Text 2, line 34 → impulse control

Text 3 Text 3, line 11 → crime

Text 3, line 14 → ¹¹tax evasion

Text 3, lines 36-37 → disaster prep

Text 4

Text 4, lines 8-9 → convenient + private
Text 4, line 14 → risks w/ e-payments
Text 4, line 27 → cash seizures + crime
Text 4, lines 30-31 → natural disasters