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Taking Down Payment Barriers Is a Safe Way to Make Maryland's Economy Inclusive

Position statement in support of House Bill 340

Given before the House Economic Matters Committee

Marylanders are currently facing enormous challenges—the threat of illness, the grief of losing loved ones, and deepening economic insecurity. In this environment, it is natural to take every conceivable step to protect one's safety. However, the rising trend of retailers rejecting cash payments is based on bad science and does nothing to quell the COVID-19 pandemic. Worse yet, this practice raises barriers that make it harder for many to purchase necessities, and these barriers are often highest for Marylanders of color, families surviving on low incomes, and people with disabilities. Ensuring Marylanders can purchase the things they need with cash will foster an inclusive economy and is consistent with public health. **For these reasons, the Maryland Center on Economic Policy supports House Bill 340.**

Nearly 90,000 Maryland households did not have a bank account in 2019, according to data from the Federal Deposit Insurance Corporation.ⁱ Half a million more have a bank account but sometimes must rely on expensive financial institutions like check cashing services and payday lenders.ⁱⁱ For people with little or no access to mainstream financial institutions, cash is often the only option for buying necessities like food or clothing.

Ensuring these Marylanders can meet their needs with the form of money they have is essential to make our economy inclusive.

While Marylanders of all backgrounds may be without a bank account, those who already face discrimination or other economic roadblocks are especially likely to rely on cash:ⁱⁱⁱ

- Between 2013 and 2017, 4 percent of Maryland households were “unbanked,” meaning that no member of the household had an account at a mainstream banking institution. Another 22 percent were “underbanked,” meaning that they had a bank account but still had to rely on expensive financial institutions.
- Among households with between \$15,000 and \$30,000 in annual income, 11 percent were unbanked during this period, as were 20 percent of households with income under \$15,000.
- Black families were five times more likely to be without a bank account than white families during this period, and one-third of Black families were underbanked.
- Among households headed by a working-age person with a disability, 11 percent were unbanked and 32 percent were underbanked.
- While aging adults are not among those most likely to be unbanked, retailers report that they are more likely to prefer cash or be uncomfortable with electronic payment methods.^{iv}

With a year's worth of evidence accumulated, public health experts agree that cash payments are consistent with coronavirus best practices:

- According to the Centers for Disease Control and Prevention, “Spread from touching surfaces is not thought to be a common way that COVID-19 spreads.”^v CDC guidance—including guidance specific to situations like shopping and banking—consistently emphasizes the importance of staying home when possible, maintaining social distance, wearing a mask, and frequent hand washing. Payment methods are mentioned only in passing, and the relevant guidance raises concerns about cashless payment methods just as much as cash: the CDC advises using “touchless payment” when possible, specifying that this means **no contact with cash, a card, or a keypad**.^{vi}
- Research has found that the virus that causes COVID-19 can survive significantly longer on hard surfaces—including objects such as credit cards and PIN pads—than on paper.^{vii}
- As of April 2020, there were zero known cases of transmission involving cash or coins.^{viii}

No-cash policies can make it harder for tens or hundreds of thousands of Marylanders to get necessities, even when they can afford to pay. These policies also have no basis in public health research. However, these policies do present a lucrative opportunity to corporations that make a profit by collecting fees from retailers or data from customers:^{ix}

- As thousands of Marylanders have seen their livelihoods disappear, PayPal saw its stock price more than double during 2020.^x While online commerce was surely a major driver of the company's success, misguided policies to reject cash payment further tilt the pandemic economy in favor of wealthy individuals and large corporations, at the expense of families trying to make ends meet.
- The British electronic payments company Tappit went so far as to adopt the misleading slogan “No more dirty cash,” falsely suggesting that its product could protect people from contracting coronavirus.^{xi} These scare tactics can drum up long-term business for such companies, as large numbers of vendors have signed five-to-ten-year contracts with them. This means that misplaced health fears could build financial barriers that remain long after the pandemic is under control.
- To the extent that payment companies harvest data to fuel targeted advertising, forcing customers to use digital payment methods could pose a serious privacy threat, especially in the case of a data leak.

Requiring retailers to accept cash would put Maryland in good company:^{xii}

- Most stores and restaurants in New York City are required to accept cash as of November 2020.
- Philadelphia, San Francisco, and Berkeley, California, required acceptance of cash in 2019.
- New Jersey has required retailers across the state to accept cash since 2019.
- Massachusetts has prohibited rejection of cash for decades.
- The central banks of Canada and South Africa have acted to educate the public about the science regarding cash and coronavirus and to encourage retailers to accept cash.^{xiii}

There are lots of smart ways to curb the spread of COVID-19. Individuals can wash their hands frequently. Businesses can allow employees time to take safety measures. Policymakers can require safe practices in public spaces. Rejecting cash is not one of these measures. Ensuring Marylanders can buy necessities using cash will help foster an inclusive economy and allow us to focus on safety measures that work.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Economic Matters Committee make a favorable report on House Bill 340.

Equity Impact Analysis: House Bill 340

Bill summary

House Bill 340 would require vendors in Maryland to accept payment in cash.

Background

News reports have documented an increasing number of stores and restaurants going “cashless,” or accepting only cards or electronic payment.^{xiv} This trend began before 2020 but accelerated during the COVID-19 pandemic.

Although companies that adopt such policies may hope that barring the exchange of paper money will reduce coronavirus transmission, the science does not support this.^{xv} By far the most important mode of transmission is through inhalation of respiratory droplets from a person in close proximity. Furthermore, firm surfaces like credit cards and PIN pads that are often necessary to make cashless purchases have been shown to support the virus longer than softer materials such as paper.

Equity Implications

Requiring acceptance of cash would benefit Marylanders who have inadequate access to financial services and therefore must rely on cash for most purchases. Research by the FDIC shows that people who face economic barriers or discrimination because of factors like their race or a disability are less likely to have a bank account:^{xvi}

- Between 2013 and 2017, 4 percent of Maryland households were “unbanked,” meaning that no member of the household had an account at a mainstream banking institution.
- Among households with between \$15,000 and \$30,000 in annual income, 11 percent were unbanked during this period, as were 20 percent of households with income under \$15,000.
- Black families were five times more likely to lack a bank account than white families during this period.
- Among households headed by a working-age person with a disability, 11 percent were unbanked.
- While aging adults are not among those most likely to be unbanked, retailers report that they are more likely to prefer cash or be uncomfortable with electronic payment methods.

Impact

House Bill 340 would likely **improve racial, economic, and disability equity** in Maryland.

ⁱ MDCEP analysis of FDIC 2019 data on household use of banking and financial services, <https://www.economicinclusion.gov/>

ⁱⁱ MDCEP analysis of 2013–2017 FDIC banking survey five-year estimates, <https://www.economicinclusion.gov/>

Data on “underbanked” households are not currently available beyond 2017.

ⁱⁱⁱ 2013–2017 FDIC banking survey five-year estimates

^{iv} Liz Alderman, “Our Cash-Free Future Is Getting Closer,” *The New York Times*, July 6, 2020

^v “How COVID-19 Spreads,” Centers for Disease Control and Prevention, October 28, 2020, <https://www.cdc.gov/coronavirus/2019-ncov/prevent-getting-sick/how-covid-spreads.html>

^{vi} “Running Essential Errands: Grocery Shopping, Take-Out, Banking, and Getting Gas,” Centers for Disease Control and Prevention, December 31, 2020, <https://www.cdc.gov/coronavirus/2019-ncov/daily-life-coping/essential-goods-services.html>

^{vii} Raphael Auer, Giulio Cornelli, and Jon Frost, “BIS Bulletin: Covid-19, Cash, and the Future of Payment,” Bank for International Settlements, 2020, <https://www.bis.org/publ/bisbullo3.pdf>

^{viii} Auer et al., 2020

^{ix} Alderman, 2020

^x MDCEP analysis of Google Stocks data.

^{xi} Alderman, 2020

^{xii} Ann Carrns, “Who Gets Hurt When the World Stops Using Cash,” *The New York Times*, September 11, 2020, <https://www.nytimes.com/2020/09/11/your-money/cash-credit-cards-coronavirus.html>

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- xiii Auer et al., 2020
xiv Alderman, 2020
Carrns, 2020
xv See endnotes v, vi, vii
xvi 2013–2017 FDIC data on household use of banking and financial services, <https://www.economicinclusion.gov/>