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Payments are Getting Political Again

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In the USA, more and more retailers are adopting a "no cash" policy, only accepting payments by card or mobile phone. Sweden has long been touted as a country on an inexorable march towards becoming a "cashless society". In both countries, however, policy-makers are starting to worry about the impact of cashlessness on the public good. Some states and municipalities have even taken up the cause of cash, arguing that refusing cash unfairly excludes the un- and underbanked from everyday commerce, and disproportionately impacts the elderly and recent immigrants. Some of them even see Indian Prime Minister Narendra Modi's demonetization of high-denomination rupee notes as a cautionary tale. It sparked panic across the country during November and December of 2016, as people sought to exchange old notes for new, while the existing digital payment infrastructure was unprepared for an influx of new users.

Meanwhile, mobile app-based payments have swept through China. Alipay and WeChat Pay provide all-in-one suites of services, allowing users to purchase short-term bicycle rentals, order food delivery, buy movie tickets and even get fashion advice, and pay within the app or via QR codes scanned by the phone's camera. These companies have pioneered new ways to bridge the divide between the physical world and online or mobile interactions. Alipay can send near-instant push messages for shoppers in physical world stores containing digital offers and coupons, pegged to products customers have picked up and scanned with their phones while walking the aisles. WeChat and Alipay are going abroad, too, setting up across the world from the USA to Finland to provide payment options for Chinese tourists. Only those with Chinese bank accounts have access to these services, however, creating a sort of distributed, virtual zone of Chinese state sovereignty created through payment, whether in Helsinki or Hanoi. In response, some countries have put restrictions on these companies, with Vietnamese authorities sanctioning store owners who set up WeChat and Alipay services without going through a Vietnamese intermediary.

Why Payments are Political

Payments are political in that they are a function of state sovereignty, and also an extension of it. This is old news, of course: money itself emanates from state sovereignty. But digital payments, obviating the anonymity of cash transactions and generating vast quantities of data in their wake, provide new opportunities for states to extend their reach. It goes without saying that the Chinese government is able to garner vast troves of information on its citizens in-country and overseas by tapping into the data streams of mobile payment services. Much is being made of the partnership between Alibaba, the parent company of Alipay, and the Chinese government around various "social credit" scoring schemes. But I think the more mundane practice of state surveillance via machine learning algorithms, which are learning to spot shopping behaviour in which the government believes it has an interest, is more chilling because it is so banal.

Payments in the World's Largest Economy

These politics of payments are not, of course, limited to authoritarian regimes. Payment providers have been enlisted into government service almost since their inception, whether in the tracking of cash to hamper criminal activities or in the regulations around customer due diligence and identification for cross-boundary payments of all kinds.

One of my colleagues once joked to me: "The [US] Bank Secrecy Act is the most moronically named law on the books.

It means the bank can keep no secrets from the government." When the card networks and PayPal froze donations via their networks to WikiLeaks in 2010, they inserted themselves into a debate over information security and freedom. They also created one of those moments when the politics of payments were made explicit: in the ability of payments infrastructure to serve political ends.

Operation Choke Point followed: the US Department of Justice in 2013 mandated that banks conduct additional scrutiny of transactions over the automated clearing house (ACH) marked with a set of codes for merchants deemed "high risk" for criminal activity and money laundering (firearms dealers, payday lenders, dating services and other businesses). This was suspended due to a political pushback from the right wing in 2017, which saw it as targeting businesses associated with their constituencies (such as the gun lobby). Most American legislators – to say nothing of the general public – probably didn't even know what the ACH was before this.

Payments Across a World in Turmoil

Recent geopolitical turmoil has put the spotlight on the politics of payments, too: it appears that Russian conspirators during the 2016 US Presidential election accepted payment in the cryptocurrency Bitcoin, in order to avoid the scrutiny of banking authorities. In February 2018, when there were rumours online that Chase Bank had been summarily closing the accounts of prominent figures of the white nationalist movement in the USA, there was renewed attention on Bitcoin among the far right. This underscored the origins of the cryptocurrency in libertarian philosophies about the relationship between so-called sound money and "liberty".

But this is also an old phenomenon. Payments are getting political, *again*.

In the USA, the abolition of interchange on cheques was one of the first important achievements of the Federal Reserve. It not only smoothed interstate commerce, but also represented a new extension of federal power over the states of the union. That the majority of non-par banking states were historically members of the Confederacy only underscores the politics of payment and, specifically, their inflection by histories of American racism. One can trace a lineage from those in Congress who argued against par clearance of cheques to today's white nationalists. At the time, the establishment of the Federal Reserve was seen as akin to the coming of the industrial railroads from the North: an affront to Southern sovereignty and to the hierarchies of race and value manifest, for Southern elites, in sound money and deposit banking.

Northern elites, it was argued, supported "greenbacks" (cash) and credit money, denaturing value in ways Southern elites likened to miscegenation (meaning "the interbreeding of people considered to be of different racial types").[1] Southern bankers established the National and State Bankers' Protective Association to fight the Fed's mandate of par clearance of cheques and Southern lawmakers fiercely defended non-par banks. As one pronounced on the floor of the US House of Representatives:

> *The country bank needs no eulogy, its money has cleared the forest, made the countryside livable, and the city possible. As a rule, its life has been honestly spent with one object in view, and that objective was the preservation of the physical values and character values of its community. It should not die, for with it will go the last bastion of States' rights, and freedom should shriek at its fall.* (quoted in Miller 1949: 144)[2]

[1] M. O'Malley, *Face Value: The Entwined Histories of Money and Race in America* (Chicago, IL: University of Chicago Press, 2012).

[2] M.C. Miller, *The Par Check Collection and Absorption of Exchange Controversies* (Cambridge, MA: The Bankers Publishing Company, 1949).

Payments and their Relevance in Society

For physical values and character values, read whiteness. For State's rights, read segregation.

Federal Reserve agents travelling the country to enforce par clearance of cheques had to arm themselves (Medley 2014: 55).[3] The chairman of the National and State Bankers' Protective Association compared them to socialists (Medley 2014: 62). On the Great Plains, similarly situated with regard to monopoly country banks and driven by its agricultural sector (a sector enabled by federal extension of railroads, which were, nonetheless, resented as land grabs by an overreaching government), a local paper opined, in a column liberally laced with anti-Semitic reference: "The Federal Reserve System is the visible hand of the Invisible Empire picking the pockets of the producers of real wealth" (quoted in O'Malley 2012: 178).

We read this today as payments scholars and professionals and think "Wow! Really? Payments created *that* kind of passion?"

Again, though, this should not be a surprise. Dee Hock, the visionary behind Visa, proclaimed payments to be the business of the electronic transit of value. As transit systems, infrastructures or "rails" as those in the business call them, payments systems are agnostic about the source or origin of the value they carry. Know Your Customer policies demand that banks curate data on the individual or personal source of that value. But the state itself actually animates it in the first place: in today's world, states are still the dominant issuer and guarantor of the standard of value. The state sets the standard and literally makes the money. Even though bank credit expands the money supply and the world revolves around the hyper-financialization of everything, that the money is denominated by the state speaks volumes about the state's continued monopoly over the standard of value and the means of exchange.

Yet there are challenges to state dominance, not least because the state allows non-state providers to handle much of the business of payment. Historically, it has granted this licence to the banks. Today, the tech industry's interest in money and payments means there are countless non-bank parties coming onto the scene. The iPhone, M-Pesa and the 2008 financial crisis all fed into the hype and eventual traction of new FinTech startups promising new ways to pay and value-added services riding the rails of payment.

What this Means for the Future of Payments

All of this means that it's difficult to figure out exactly what payments might be becoming.

While some worry about payments as a means of state surveillance, more and more people are becoming conscious of the extent to which the most intimate details of their lives are known by Google, Amazon, Apple, Facebook and other such digital platforms.

These platforms themselves have variously dipped their toes into the payments industry, adding to the "Wild West" character that payments have taken on in the past 10 years. There are new entrants, new business models and often, frankly, imaginary business models built on dreams of data, or blockchain, or artificial intelligence, or a world of always-on, interconnected smart devices, which have to be able to transact with each other somehow…even dreams of payments in outer space, for if and when Earth becomes uninhabitable and people have to pay for stuff *somehow* out there in the solar system.

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[3] B. Medley, *Highways of Commerce: Central Banking and the US Payments System* (Kansas City, KS: Federal Reserve Bank of Kansas City, 2014).

Several years ago it was common to imagine that payments would become a branch of marketing. By digitizing more and more payments and integrating payment data with physical world and online purchase data, as well as physical world geolocation, online browser, social media, text and voice, and even ambient sound monitoring via mobile phone, payments would become a piece in the puzzle allowing companies to anticipate or fill users' desires with just the right touch of personalization.

Payments Shaped for People, by People

What has always interested me, however, is those pesky users themselves. They have their own agendas, their own microlevel politics, as well as their own aspirational macropolitical relations too. Consider how Venmo and PayPal each generate unique constituencies or loyalties among groups of users, new social groups based on how, when and with whom you pay. For example, Venmo for friends sharing a dinner or renting an apartment, and PayPal for more distant relations or strangers over eBay, or in strictly online relationships.

With more attention to payments, and payment data, we can also hear the rumblings of another politics. Data activism has emerged as a potential social movement and political force. While users might haphazardly clear their browser histories or deny permission for mobile apps to access their digital photo collections or contact lists, signs of organized efforts to seize more control from platform companies over data are ever apparent:

- Information studies scholars point to and promote various efforts to obscure one's digital traces by generating more and more data rather than trying to embark on the hopeless task of cleansing one's data trails.[4]
- Sociologists and activists suggest alternative, cooperative data economies or means of data sharing or custodianship.[5]
- Some organized groups build new infrastructures by creatively adapting and rearranging the existing ones.[6]

One can discern in all this the rise of a new technological imaginary, one attuned to the centrality of data, its storage, ownership and use in everyday life. The EU's General Data Protection Regulation represents an obvious political response.

The Old Questions in Our New Digital World

What will all of this mean for payments? Leaving aside the scholars and industry professionals who work on and in payments and are probably hyperconscious about how they pay, it's difficult to say how intentional people's payment practices are outside of their quest for loyalty points or rewards. Will the politics of payments lead people to express political decisions in their choice of payment – that is, not in what they pay for, but in how they choose to complete the act of payment itself?

Again, though, these are in fact old questions. During prior periods of political upheaval around the world, people would overstamp state-issued banknotes or strike slogans on coins as an act of political assertion, and even the assertion of their own claim to sovereignty. What would be the latter-day analogue of this practice

[4] F. Brunton and H. Nissenbaum, *Obfuscation: A User's Guide for Privacy and Protest* (Cambridge, MA: MIT Press, 2015).

[5] Y. Milner, "An Open Letter to Facebook from the Data for Black Lives Movement" (2018), available at https://medium.com/@YESHICAN/an-open-letter-to-facebook-from-the-data-for-black-lives-movement-81e693c6b46c (accessed on 2 March 2019). N. Schneider, *Everything for Everyone: The Radical Tradition that is Shaping the Next Economy* (New York: Nation Books, 2018).

[6] T. Lehtiniemi and M. Ruckenstein, "The Social Imaginaries of Data Activism" (2019), *Big Data and Society*, Jan/Jun, 1–12.

where corporate-controlled data economies are concerned? How can we countermark our Facebook data in an effort to reground our relationship to it, whether that be a relationship of ownership or something else? How can payments themselves mobilize alternative imaginaries of these relationships, given that they are among the most intimate, and most frequent, and most consequential actions a contemporary human being makes that bridge the physical and digital worlds while connecting us to one another?

If payments have always been political, and if payment politics are coming to the fore again, how can the payment technologies and relationships we design point towards a new politics, adequate to this data-saturated, rapidly warming and politically unstable world?

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