

A WICKED CHEAT

ATMs and the neo-feudal economy, by Gustav Peebles

In the garbage can beside the Automated Teller Machine at 7109 South Jeffrey Boulevard on Chicago's South Side, one will find a preponderance of receipts like this one, recording a \$20 withdrawal—the minimum allowed—at a \$2.00 fee, i.e., a rate of 10 percent. For a resident in wealthy Lincoln Park, fourteen miles north, who withdraws \$200 from an ATM with the same fee, the rate drops to a far more palatable 1 percent. This disparity is universally known but seldom discussed; we Americans seem to have accepted that it is dramatically more expensive for poor people to use cash. Although one might imagine that the disbursement of currency would be a matter of public policy, today our nation has left it, as with so many other vital functions, to the whim of the marketplace. And yet the ATM fee, seemingly an exponent of twenty-first-century technology and commerce, in fact has given our monetary system a decidedly archaic turn.

"\$" connotes, for us, a single currency, backed by the full force of our government. But we should remember that only since the beginning of the modern era has the task and expense of producing and circulating currency fallen solely to nation-states. Prior to this in Europe, getting cash was often a private affair. At "feudal mints" in the Middle Ages and later at locally "patented" mints, citizens were charged a percentage fee, called "seigniorage," for the assaying and imprinting of gold and silver. But eventually, private seigniorage was outlawed as an encumbrance on the economy. Denounced as "robbers' dens" in official proclamations, private mints were recognized as effectively being a private tax on cash transactions. Jonathan Swift, writing of an Irish private currency in 1724, called it "A WICKED CHEAT" and argued, on economic grounds, for its rejection.

The corner ATM is, in effect, a reincarnation of the private mint; the "owner fee" is the seigniorage charged for stamping one's virtual gold into the circulating medium of the physical world. Such fees burden the economy of the twenty-first century just as they did that of the sixteenth, except today they are far more widespread. In 1996, America had 140,000 ATMs, only a third of which charged fees to anyone. Today that number has grown to 371,000—or nearly five times the number of bank offices—with 89 percent charging fees to at least some users. Even worse, faced with ATM fees, plus the minimum-balance surcharges and overdraft penalties associated with having a bank account to begin with, many poor Americans have chosen instead to pay seigniorage to another type of private mint: the nation's check-cashing agencies, which generally extract fees of \$5 per paycheck, or up to 1 to 6 percent of a check's face value.

As well-off customers, seeking to avoid ATM fees, flee to more prevalent networks—such as Bank One's, the fifth largest in the country—the nation's community banks, which tend to charge far less in account fees and thereby allow poorer customers to bank there, are fast disappearing. Today some 12 million U.S. families cannot afford even a simple checking account, which, for those who cannot maintain a minimum balance, costs on average \$228 dollars per year. In the nineteenth century, bankers and governments convinced the people to "draw the money out of the mattresses" (where it had been hidden for much of human history) and into the banks with a promise that the money would grow, or at least keep pace with inflation. This win-win covenant was a virtuous circle that helped to build the capitalist system. Now this covenant has, for many, been perverted, in that it is more expensive to keep their money in the bank than out of it.

Slowly, the cash withdrawal is becoming less preferred as a prelude to purchasing; today almost a third of transactions are made with credit or debit cards, up from 19 percent in 1990. Credit and debit cards, because they are neither accepted by all merchants nor available to all consumers, are in a sense a separate currency, pegged to cash but distinct from it. Anthropologists who have studied societies with multiple currencies almost always have found that one becomes privileged, with some people never gaining access to it. Someday, perhaps, our high-end restaurants will refuse cash—as, for example, many FedEx locations already do—thus assuring a more exclusive, credit-toting clientele. At the very least, it is not far-fetched to imagine that the number of ATMs may begin to decline, in a pattern that mimics the rise and fall of pay phones: initially available only in rich neighborhoods, ATMs may soon be found only in poor ones, as only people without access to credit bother with the tawdry greenback.

The ATM fee, frankly, should be dispensed with, for it is not a necessary component of a healthy economy. A visit to Europe can attest to this: it is cheaper to use an American ATM card in England or Denmark than to use that same card at most ATMs in the United States itself. Access to cash is not a market-organized choice but is, for poorer Americans, at least, a daily necessity. The unequal burden of ATM fees represents a retreat—one of many, in recent decades—from the modern ideal of social equality, which developed, it should be noted, at the same time we abandoned private mints in the first place. Today's legislators should see such extortionate systems of currency circulation just as critics of a previous era saw them: as embarrassing indices of a feudal economy, which thrives on the unsubtle and unjust transfer of wealth from the poorer to the wealthier classes.

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