# Wild, Wild West: A View From Two California Schoolmarms

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People who work in payments innovation are really into the Wild West. Since 2008, when the industry started to heat up, we've heard them say, over and over again and across contexts, that ‘it’s a Wild West out there’, or ‘we are in the Wild West’. Sometimes they use it in marketing material, where it evokes the exciting, the new. Other times, they use it in terms of compliance, where it means that the legal or regulatory environment is murky, unsettled. Usually, these two discourses wind up being two sides of the same coin: the Wild West is a land of opportunity where anything goes and fortune favors those who can afford to take risks. That is, at least until the regulator shows up, the sheriff (or maybe the schoolmarm) riding into town.

The Wild West talk goes even further. Metaphors that are used in the payments industry to describe its networks and technologies often come directly out of 19th century Western expansion of the United States of America. There is talk of gold rushes, of land grabs, of railroads, of pioneers. It suggests something deeper: an unsettling of old allegiances, perhaps, an opening of new frontiers and the shaking loose of some of the conventions of person, property, state, and market.

## Payment

‘Payment’ is conceptually and practically distinct from ‘exchange’. Anthropology, the field to which at least one of us belongs, is built on notions of exchange. In the classic work *The Gift,* Marcel Mauss set forth the basic understanding that human sociality is solidified through various exchanges of one kind or another, of shells or money or other sorts of valuables or gifts or kin, ramifying social relations in enduring webs of obligation.[[1]](#footnote-1) Through our research in the payments industry, however, we have had to rethink this exchange-centrism.

The payments industry is the set of business and government entities that facilitate the transfer of value from point A to point B any time you are not using cash or coin, that is, any time you’re not using state-issued tokens representing fiat currency. From your employer to your bank account in the form of your electronic paycheck; from your credit card account to a merchant whenever you use a plastic card to pay for something; from a person to another person when a sending electronic credits via text message in a mobile money service like Kenya’s M-Pesa.

Payment is different from exchange. With exchange, there is usually a transaction in which people are equilibrating values. This is the old barter story. I’ve got some pigs, you’ve got some yams. We’re going to exchange. We have to do a kind of calculation to figure out how many pigs for how many yams. Payment is a separate process: once we have decided how to calibrate the value of our items, how do I get the value that’s embodied in my pigs over to you, and then get the value embodied in your yams over to me? It seems almost trivial. In the mythical barter situation, the payment infrastructure is our hands, the baskets in which we place the yams, the stick we use to herd the pigs. In a cash exchange, similarly, it is the hands that facilitate payment. I take cash in my hand. I give it to your hand. We have transferred value.

With non-cash payments, it’s not so simple, or trivial. We need network infrastructures built, maintained, gated, and tolled by all the diverse players in payments: card networks, point of sale device manufacturers, payment processors, billing companies, wire services, application developers, mobile network operators, and government-mandated systems, too. Payments innovators are looking for opportunities in the transit of value. Some of them are looking for opportunities in the medium of exchange, too – to supplement or even replace state-issued currencies. Wild West indeed!

## The Old West

Even when it is not overtly referred to, visions of the ‘wild west’ are summoned in many ways in today's payments industry. For example, the Visa network is routinely described as a set of ‘rails’, referring to transcontinental railroads that moved people, news, mail, currency, and gold across the widening United States and, in most grand narratives, consolidated it as a nation.

Eventually, in the actual Wild West, the actual rails were regulated as ‘common carriers’, private utilities operating in the public interest. Farmers, who depended on this new infrastructure to transport their goods to market and whose land had been ceded to build the rails, demanded universal service, freedom from price discrimination, and reasonable expectation of safe delivery. Regulation also arose to protect the nascent United States Postal Service, which was in competition with private express shipping cartels – who rode the infrastructure and colluded with the railroads and each other.

In the early 21st century, the language and principle of common carriage was ported onto telecommunication infrastructure. In the United States (at least at time of writing) and other countries, Internet Service Providers are obliged to treat all data equally, to not discriminate in terms of price or speed according to user, site, or platform.

But the most direct descendant of ‘rails’ is not the internet but the payments industry. By the start of the 20th century, the private expresses were threatened by competition from the telegraph, but they had already moved on to a new, lucrative, and unregulated way to move value: Money Orders for the poor, the immigrant, and the illiterate and Travelers' Checks for the elite. Crucially, the ‘float’ – the money left over each month from checks not yet cashed – could be invested at interest. During World War I, the private express industry was nationalized. With little incentive to remain in the shipping business, the cartels officially consolidated as American Express and focused on their payments services and financial activities.[[2]](#footnote-2) The modern payments industry was born.

No private infrastructure industry wants to be regulated as serving the public good. Railroads, private expresses, Western Union, and internet service providers have all resisted – with varied success – becoming a common carrier. No private rails want to be, as they put it in the telecom industry, a ‘dumb pipe’. All private rails seek rents and control. The payments industry is no different. Today – in internet and payment alike – the rents sought are increasingly not just fees but data. Personal and social data, to be used for the purposes of marketing and modeling, is described in the payments industry and beyond as ‘gold’, another Wild West throwback.

So, when we hear tell of new moneys build on data collection or its circumvention – be it American Express points or bitcoins – we think of ‘wildcat bankers’ who issued notes to pioneers backed by dubious reserves. We also think of a Twitter exchange by some of our payment industry interlocutors. One wrote of the current explosion of innovation in payments, ‘In a gold rush, you can mine for gold or sell shovels’.[[3]](#footnote-3) Another countered, ‘Or set up a bank’.[[4]](#footnote-4) Another offered, ‘You could sell treasure maps too. Today we call that consulting’.[[5]](#footnote-5) If we were wearing our capitalist black Stetsons instead of our schoolmarm bonnets, we might suggest that if they really wanted to be the winning robber barons in this metaphor, they might consider a railroad.

## The *Old* OldWest

There is another Wild West worth considering: the far west of the Achaemenid Empire that stretched from India to Anatolia under kings like Darius and Xerxes. Some of the world’s first metal coins come from the west of that empire, Lydia and Ionia in what is now Turkey. State authorities issued ancient coins bearing an image of the king – sometimes standing, sometimes kneeling; with a spear, or a bow and arrow. Yet users of those coins marked them with their own insignia, tiny counterstamps indicating... what? The answer is not entirely clear. These were definitely not test cuts – gouges into a coin to ensure it was solid silver or gold. Many of the marks are intricate, delicate, beautiful abstract designs, small hands, lion’s paws.

Remember that the earliest moneys were not tokens but records, receipts inscribed on cuneiform tablets, more like contracts or letters of credit than cash or coin.[[6]](#footnote-6) These were also often held centrally, by religious or state authorities, in storehouses where grain or silver or tribute items might also be maintained. Did the early users of this new Wild West technology, the coin, feel compelled to write their own stories on them, mark their own debts and obligations? Or simply proclaim their status (‘I have a scale, and I have weighed this coin. Here is my mark’.). Such proclamation would suggest a world where rank trumps the kind of calculability we have traditionally associated with money tokens.

Perhaps those placing their marks on the early coins were still living in a ledger-based mentality, unfamiliar with the idea that there could be an unmediated means of exchange, a form of payment without an obvious infrastructure. Perhaps they did not fully understand that the coin could be a state issued, anonymous means of exchange that required no payment infrastructure other than the king’s mints and the hands, bags, and maybe scales and weights of their daily exchange.

The state part of the story is important in this early history of coin, and it is what some payments innovators today are chafing against. For kings like modern states would exact taxes or tribute in their own token, an expression of political sovereignty that also exercised economic control. We think back to those marked coins, however, this desire to write, to make records. Because there is a growing awareness again today that money is nothing but records, after all. At least in some quarters. Not a commodity unto itself, but a database – a book of credits and debits, a statement of transactions.[[7]](#footnote-7)

## New Rails

If, in that Anatolian Wild West, people were inscribing on coins their own marks as if to re-make the coin into a kind of tablet, today among payments innovators, people are remaking the tablets. They are doing so, also, in a game of status and rank: against each other (Google versus Apple; Dwolla versus PayPal; Heartland versus FirstData; Verifone versus Ingenico), against the banks, and – crucially – against the states that still issue and warrant currency and mandate the fairness and function of some of the rails and provide oversight of all of them.

But banks and states are still important. Today in the United States, the Automated Clearing House facilitates more than 60 percent of non-cash payments by value (all those paychecks!), though debit cards account for almost 40 percent of non-cash payments by number of transactions (all those small purchases at the point of sale!).[[8]](#footnote-8) The ACH is a federally-mandated interbank network responsible for clearing and settling transfers between bank accounts. The debit card networks developed from the automatic teller machine (ATM) networks built by the banks to make it easier and cheaper to get money to account holders.[[9]](#footnote-9)

Payments innovators come from another place. Many of them come from the Wild West – at least as far as the American continent is concerned – the information technology, start-up culture, and venture capital associated with the northern part of the State of California: gold rush territory. Even VISA, now the most mundane of payment rails, was, in the 1970s, envisioned as a radical disruption by its San Francisco-based founder and feared by traditional bank executives.[[10]](#footnote-10) First PayPal in the late 1990s, and now ApplePay in 2014, a host of new companies have come into being since 2008 seeking to jump into payments.

Why? A convergence of inspirational stories, new possibilities, and one giant financial crisis. The mobile telecommunications provider Safaricom lauched M-Pesa in 2008, a service that allowed Kenyans to send small amounts of money to one another via their simple mobile phones. It took the country by storm, and was widely reported in the tech and business media in the global North. And then there was the iPhone, Apple’s foray into mobile telephony unleashing a burst of application development and a new business model, as well as revealing the possibilities of taking high-powered computing mobile. Why did the global financial crisis matter for payments? For one thing, it further eroded public confidence in banks: banking itself, as an overarching ‘brand’, suffered. For another, it actively pushed more and more people out of conventional banking and into alternative financial services –from pawnshops to check cashing services and payday lenders, as well as prepaid payment cards. Entrepreneurial folk looking at payments started to see opportunity in non-bank provision of money services. Among payments innovators, there was a palpable sense that anything was possible. Who needs banks? Who even needs money – the state kind, anyway?

## New Territories

Much payment innovation is taking place in the domain of person-to-person payments, seeking an M-Pesa type service for the Global North, and purchases at the physical world point of sale, seeking an alternative to cash and cards at the merchant’s till. The latter has been described to us as a ‘last commons’, an as-yet unfenced field of potential personal transactional data, ripe for ‘mining’.

The payments game, in other words, is being played over databases: who shall collect, fence, own, leverage the commons of transactional data currently locked up in cash purchases? Who will bring purchase histories together with payment information together with locational, credit, social network, or other histories? David Stearns chronicles how fights between big merchants and the emerging card networks led to the development of different technological standards for inventory and payment.[[11]](#footnote-11) The stores, using optical scanner technology, gained access to what consumers were buying, but only in their own shop or franchise. The networks, using magnetic stripe technology on plastic cards, could know levels of spending and locations, but would not get information on the details of each purchase. The legacy of this split endures: some payments innovators base their technology on optical scanning, generating QR codes or bar codes on mobile devices; others embed data-generating technology in the form factor of the device itself, with near-field communication chips. Wherever you see the former, be on the lookout for ‘merchant’ interests; where you see the latter, look for the card networks and the banks.

Imagine a great database, split in two: purchase data and payment data sundered. Some payments innovators want to reunify the database. Others – especially of the crypto-variety – seem to want to disperse it, massively replicate it so that no one entity can control it.

The empire’s coin asserted state authority but freed people to trade, with no necessary centralized infrastructure. Yet people reinscribed status and rank and personality into those coins, perhaps advertising their own infrastructures for value – scales with which to weigh the metal.

The state’s money reasserted political authority and the state’s central banks affirmed the position of the state in monetary policy and banking. It also facilitated free exchange, with an infrastructure for producing and distributing cash but no central record of how that cash was being used. In the Simmel story, this is anonymized and dehierarchized money. Viviana Zelizer, Jane Guyer, and others, however, have shown how people took that deracinated money and reinserted it into relations of rank.[[12]](#footnote-12)

What is happening now? Centralized database owners vie with one another over ownership of new and vast transactional archives that are always in the making. Infrastructures are not just the sites of transfer of the information in those archives, but the sites of its production and capture. This is itself a kind of decentralization, into multiple databases.

## New Politics

Michael Warner argued in *Letters of the Republic* that broadsides in early colonial America at first provided a representation of a God-given hierarchical natural order, king firmly ensconced at that top of that order.[[13]](#footnote-13) The Revolutionaries’ were different: they were, after all, trying to constitute a new kind of person through these letters: fellow citizens, whom they would hail as such. By hailing the person into a distributed horizontal community they would then constitute the Republican polity. If new payment systems are proliferating the records of transactionality for human beings, what kind of person and what kind of public are thereby being constituted? What’s the nature of the database of all human interaction and transaction? Where is it? Who controls it?

Money can serve as an externalized memory of social transactions and relations.[[14]](#footnote-14) What we are seeing now is a kind of and memory. One kind of decentralization is corporate. There is decentralization from the mass payment markets of the ACH, the card networks, and checks – with designs on cash. There is then a corresponding recentralization into closed corporate communities, to borrow wrongly an ethological phrase, of the payment innovators. Another decentralization is the distributed system represented by the Bitcoin blockchain, a massively replicated ledger, broadly and publicly shared, with a public whose speech is somehow concealed.

Payments today are a spaghetti of cables and wires and rails and portals and protocols. We are now seeing new linkages among these private infrastructures, private gateways between, say, ApplePay and American Express, or Braintree (the payment service behind almost all ‘sharing economy’ ventures) and PayPal. Virtually invisible, those private gateways may become sites of political concern. They are the recentralized, enclosed storehouses of our memories, our histories of interrelation.

We, two wild west schoolmarms, want to prod people – the payments innovators, the public, you, dear reader – to think anew about the interfaces and compositions among these types of systems. Regulators do this all the time, when they mandate interoperability between systems, and we benefit from it, even though it flies under our radar, because we ignore what company’s point-of-sale terminal we’re using to pay with whatever card we wish, and we can’t even see the Independent Sales Organization or the payment processor behind that terminal. There are switches and interchanges mandated to allow our money to ride these rails; there are tons of intermediaries in what seems like the simplest card swipe or PIN entry.

If we think about infrastructures or channels as closed political claims, payment innovation can be an unsettling of those claims, and the opening up of possible alternatives. The alternative can be liberating. Or, frankly, expensive or extortionist. We pay to pay every time we use a non-cash system. How will various forms of money-memory interoperate in a world no longer necessarily undergirded by the old narratives of nation, state, and economy?

How will the Wild West be won – and who will win it?

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