Stanislaw Leszczynski

Email: st.leszczynski@icloud.com

11 August 2019

Manager

The Treasury

Black Economy Division

Langton Crescent

Parkes ACT 2600

Dear Sir/Madam

Submission: Currency (Restriction on the Use of Cash) Bill 2019

I am writing to express my opposition to the intended introduction of the following Bills:

* Currency (Restriction on the Use of Cash) Bill 2019;
* Currency (Restriction on the Use of Cash – Expected Transactions) Instrument 2019,
* Currency (Restriction on the Use of Cash) (Consequential Amendments and Transitional Provisions) Bill 2019.

The timing of the introduction of the above bills and the highly restrictive time, of only two weeks, for public submissions is deeply disappointing and contributes to a lack of trust in the government and relevant Commonwealth departments.

In democratic societies it should be up to their citizens to decide of how they wish to handle their money and in what quantities. In history we have more than a magnitude of examples of how the centralised regulations and subsequent command economy in the hands of the few (the elite) proved futile with huge negative consequences to whole societies and their quality of life.

In this instance the efforts to introduce legislation subject to this submission as well as legislation already passed, mentioned below in this submission, may have adverse consequences other than those intended.

The Government (the Treasury) claims that the introduction of this bill relates to the black economy, namely the tax leakage and illicit criminal activity. Unfortunately, there is no empirical evidence provided by the Government that the introduction of the proposed bill will correct any of the above mentioned issues.

Moreover, no one numerical analysis has been released by the Government, the ATO or the treasury to show how the introduction of this legislation will prevent the leakage of the Australian taxation regime.

No cost benefit analysis was conducted with the introduction of the proposed measures, which normally accompany proposals of this nature. Instead there is a presentation by the government of unspecified, unquantified benefits associated with the introduction of this legislation.

To reiterate; there is none or very week empirical evidence supporting the government’s position. Instead, in the academic circles there is rather somewhat related protractive debate[[1]](#footnote-1) about the advantages of phasing out fiat currencies.[[2]](#footnote-2)

On the other hand, well known and highly respected Austrian “shadow economy” researcher Professor Fredrich Schneider investigated;

* the use of cash as a possible driving factor of the shadow economy,
* the use of cash in crime, especially in corruption (noticeable but not a decisive factor for bribery activities),
* the use of cash for terrorist operations (the limit of cash does not prevent terrorism),
* the limitation in use of cash negatively impact civil liberties.

In his research Schneider concluded;

“*The conclusion of this paper is that cash has a minor influence on the shadow economy, crime and terrorism, but potentially a major influence on civil liberties*.” (2017)[[3]](#footnote-3)

It should be noted that the Swedish experience, where there is a significant decline in usage of cash over the last 10 years, shows no sign of a comparable reduction in shadow economy.

It is very apparent that the introduction of this bill is to be a first step to the introduction of or preparation for the introduction of negative interest rates regime in Australia. If this proves to be the case and the RBA is to introduce negative interest rates in Australia the proposed bill (and associated instruments) if passed into the law will contribute to the negative impact on the financial wellbeing of self-funded retirees and on the majority of the Australian population. Mostly those on the lowest levels of income. Moreover, it is reasonable to assume that the continuity of a transfer of wealth will continue and the gap between the rich and the poor will continue to increase. The so called middle class with continue to shrink.

Most importantly, the proposed bill needs to be assessed in conjunction with;

* Financial Sector Legislation Amendment (Crisis Resolution Powers and Other Measures) Act 2018, (FSLA Act 2018),
* IMF Working paper (WP/15/224),”Breaking Through the Zero Lower Bound”.
* IMF Working paper (WP/18/191),”Monetary Policy with Negative Interest rates: Decoupling Cash from Electronic Money”, and
* IMF Working Paper (WP/19/84),”Enabling Deep Negative Rates to Fight Recession: A Guide”.

The FSLA Act 2018 passed on a voice vote with just 7 senators present allowing APRA “crisis powers” to secretly step in and run distressed banks. In Australia every citizen who holds money on deposit with the ADI (Bank – Authorised Deposit-taking Institution) is in fact simply an unsecured creditor of that bank.

The proposed legislation will not only force Australians to hold money in the banks’ accounts but it sets up a situation that will facilitate any bail ins of ADI in distress, from that money. The funds that theoretically belong to the Bank’s customers will be used to bail banks. [[4]](#footnote-4)

Let me say this again, the customer’s money deposited on customers’ deposit accounts with the bank may be used, without customer’s approval, to bail in banks in financial distress as determined by APRA. The proposed legislation contributes to the facilitation of this process as it enhances holding currency in a digital form.

The IMF working papers listed above outlay the process and steps required for the introduction of negative interest rate regime. The introduction of the Currency Act is a first step in the process to ensure limitation of currency hoarding possibilities by the public.

The IMF prescription goes into significant detail of how to ensure that any processes are implemented well in advance and how to minimise public scrutiny and reduce political risk associated with the possibilities that the measures of negative interest rate introduction will not meet with public approval.

It is very apparent that the introduction of these bills precedes the introduction of the negative interest rates framework in Australia.

The proposed legislation;

* further erodes civil liberties in Australia,
* generates additional unwarranted scrutiny of citizens’ financial affairs by government institutions,
* forces citizens to use financial payment institutions (Banks, Visa, Master Card, etc.) causing financial commissions to be paid by the user and overall cost increase,
* forces to engage with, sometimes corrupt and in instances criminal (as established by the recent Royal Commission) in its conduct, certain Australian financial institutions,
* Division 2 of part 2 is missing. It is disappointing that Australians can not provide comments in their submissions relating to offences proposed in this bill.
* Will not deal with the problem for which it is supposedly enacted for, namely, the reduction of shadow economy.

Yours Sincerely,

Stanislaw Leszczynski

1. Sands, P. (2016), Making It Harder for the Bad Guys: The Case for Eliminating High Denomination Notes, Boston, Harvard Kennedy School, M-RCBG Associate Working Paper Series No. 52, February 2016.

   Rogoff, K.S. (2014), Costs and Benefits to Phasing Out Paper Currency, Washington (DC), National Bureau of Economic Research NBER, working paper 20/126.

   Schneider, F. and Linsbauer, K. (2016), “The Financial Flows of Transnational Crime and Tax Fraud: How Much Cash Is Used and What Do We (Not) Know?,” in: Beer, C., Gnan, E. and Birchler, O.W. (eds.), Cash on Trial, SUERF Conference Proceedings 2016/1, Vienna and Zurich.

   Immordino, G. and Russo, F.F. (2016), “Cashless payments and tax evasion,” Center for Studies in Economic and Finance (CSEF) working paper no. 445, June 2016. [↑](#footnote-ref-1)
2. Riccardi, M. and Levi, M. (2017), “Cash, Crime and Anti-Money-Laundering,” in: King C., Walker C. and Gurule J. (eds.): The Handbook of Criminal Terrorism, Financing Law, Palgrave McMillan Publishing Company.

   Feige, E.L. (2012), The Myth of the Cashless Society: How Much of America’s Currency is Overseas?, University of Library Unique, NPRA Paper 42/169 . [↑](#footnote-ref-2)
3. Schneider, “Restricting or Abolishing Cash: An Effective Instrument for Fighting the Shadow Economy, Crime and Terrorism?” 2017 https://www.bundesbank.de/resource/blob/634950/803cf541deb87a4433533e7196c2cd96/mL/2017-04-24-schneider-data.pdf [↑](#footnote-ref-3)
4. “Senate Passes ‘Bail In’ Law – How Safe Is Your Cash Now?”

   Of course the whole process of taking the depositors money is more complex for more details please refer to;

   https://www.ainsliebullion.com.au/gold-silver-bullion-news/senate-passes-e2-80-98bail-in-e2-80-99-law-e2-80-93-how-safe-is-your-cash-now-/tabid/88/a/1722/default.aspx [↑](#footnote-ref-4)