**From:** Narelle Lewis <nlewis31@icloud.com>   
**Sent:** Wednesday, 7 August 2019 5:00 PM  
**To:** RG - Black Economy <Blackeconomy@treasury.gov.au>  
**Subject:** Stop the Introduction of this Legislation.

I wish to support in the strongest terms stopping this Government bringing forth this new legislation which restricts Cash and is about creating a negative interest rate economy. I am 61 and have some Super. What you are doing is criminal. I submit all the issues raised by John Addams and Martin North in their submissions which suggest this is a failed strategy and a way to strip the people of basic freedoms and liberties in a democracy. We did not vote for you to co e into our homes and steal our savings and create more debt we can’t possibly pay off. This is a sinister attempt to control the people and take away our basic fundamental rights. It’s Socialism, Communism and Totalitarianism. You will be tossed out if you dare try t go down this path. Stop by his whole hidden agenda now. There are some very angry voters out there. You cannot create policy that  is hidden from the people. LISTEN to the people. Your corrupt anti freedom stance is going to be exposed. .

Stop the Legislation Now. Your agenda is being made known to the people despite your deliberate attempt to push this past the parliament . We are a free country. We do not accept governments or banks making decisions for us.

# **The New Global Push for Negative Nominal Interest Rates**

Australians must be alert to the risk of, and the adverse consequences of, negative nominal interest rates being introduced in Australia.

In the past few years, several countries around the world have controversially introduced modest levels of negative nominal interest rates (between -0.1% to -0.75%) in order to squeeze ‘liquid cash assets’ out of their respective banking systems.

Under such circumstances, negative nominal interest rates set by a central bank require client banks and financial institutions to pay them part of their deposited capital reverses (charged at the nominal negative interest rate) rather than receive income generating interest payments.

This in turn forces client banks and financial institutions to charge a similar negative nominal interest rate on institutional and retail clients deposits in order to:

* pass on the negative nominal interest rate charge imposed by the Central Bank; and
* encourage these clients to withdraw funds and either engage in additional consumption or investment that thus boosts economic growth in the short term.

This recent controversial approach to monetary policy coincides with a series of international elite academic papers, blogs and commentary that have been:

* promoting the virtues of negative nominal interest rates; and
* seeking to address the inherent economic, legal and social challenges that negative interest rates may produce.

This catalogue of academic scholarship received a boost recently (i.e. 5 February 2019) with a prominent International Monetary Fund (IMF) blog titled: *Cashing In: How to Make Negative Interest Rates Work****[[1]](https://www.wix.com/dashboard/8a5d3d09-2234-4183-8400-4777ea9ec70c/blog/5c73d23526832c001c7c15db/edit" \l "_ftn1" \t "_top)***.

This blog post provides the latest cutting edge thinking on this controversial topic and builds on a detailed IMF blueprint titled: *Monetary Policy with Negative Interest Rates: Decoupling Cash from Electronic Money*[***[2]***](https://www.wix.com/dashboard/8a5d3d09-2234-4183-8400-4777ea9ec70c/blog/5c73d23526832c001c7c15db/edit#_ftn2) which was published in August 2018.

**Why are Negative Nominal Interest Rates Required?**

With the world currently experiencing the largest global debt bubble ever recorded with simultaneously ultra-low official interest rates, many Central Banks have left themselves little to no room to further cut official interest rates if the global economy experiences a major economic downturn or even a debt-deflationary collapse.

Based on previous financial shocks that have resulted in severe economic recessions (including the 2008 Global Financial Crisis), Keynesian-orientated economic institutions, such as the IMF, state that a monetary stimulus policy response of between a 3% ‑ 6% interest rate cut is typically required in order to neutralise the deflationary forces that typically result from a debt bubble popping.

For most developed economies, including Australia, official interest rates are currently below 3% meaning that Central Banks have limited scope to use interest rate policy if an economic shock eventuates given that negative nominal official interest rates below -0.75%[[3]](https://www.wix.com/dashboard/8a5d3d09-2234-4183-8400-4777ea9ec70c/blog/5c73d23526832c001c7c15db/edit#_ftn3) have never been implemented anywhere and hence the full economic ramifications of taking nominal interest rates well below -0.75% remains unknown.

This limited policy scope has created significant public policy concerns given that economists at institutions such as the IMF have suggested that Central Banks may be required to cut official nominal interest rates to severely negative levels, for example in the -3% to -4% range, (in addition to new rounds of quantitative easing), if a global depression is to be avoided in the event of a systemic financial economic shock.

**The International ‘War on Cash’**

However, recent economic experience has shown that another major limiting factor that has prevented negative nominal interest rates from working effectively as a public policy tool is the hoarding of physical cash, which was unanticipated by economic policy makers.

In countries that have introduced negative nominal interest rates, for example Japan, many individual economic agents took decisive action to:

* withdraw funds from their bank or financial institution; and
* hold such funds in physical cash form in order to avoid being charged a negative nominal interest rate on their capital (i.e. individuals hold physical cash at a nominal 0% interest rate).

The hoarding of physical cash in such examples has proven to be counter-productive to the original policy intent as the hoarded cash was not used for consumption and investment purposes and thus no boost to economic growth could be generated.

Given this hoarding behaviour, governments, central banks and major private sector corporations around the world have, in recent years, launched what some have describe as an undeclared ‘war on cash’[[4]](https://www.wix.com/dashboard/8a5d3d09-2234-4183-8400-4777ea9ec70c/blog/5c73d23526832c001c7c15db/edit#_ftn4) in order to overcome the cash hoarding dilemma well ahead of when severely nominal negative interest rates may be required to stabilise the implosion of the current global debt bubble.

This war has sought to reduce the amount of physical cash that is used throughout an economy via a range of techniques including:

* placing economy-wide cash transaction limits; or
* eliminating specific physical notes or denominations of physical cash;
* fast tracking technological solutions that encourage and facilitate non-cash transactions (e.g. non-cash payment platforms); and
* implementing laws that dissuade businesses and individuals from engaging in cash transactions, including for example requiring wages to be paid to an electronic bank account or withdrawing existing tax deductions for transactions conducted in cash.

These techniques have, to date, been implemented in a range of countries and political unions, for example:

* France has legally prohibited cash transactions above 1,000 euros;
* Spain has legally prohibited cash transactions above 2,500 euros;
* Italy has legally prohibited cash transactions above 3,000 euros;
* India eliminated 86% of all physical cash throughout the Indian economy in 2016 via the banning of popular denominations of government issued currency; and
* the European Central Bank ended the production and issuance of its 500 euro note at the end of 2018.

It is important to note that these and other initiatives have been met with suspicion, and in some cases political resistance, by citizens around the world who oppose the loss of economic liberty and encroaching control by governments and large financial institutions.

**The Australian War on Cash**

In Australia, the Turnbull and Morrison Governments have been implementing their own ‘war on cash’ under the guise of clamping down on the so-called ‘black economy’.

This domestic war commenced in December 2016 with the launch of the Government’s ‘Black Economy Taskforce’ (the Taskforce) that sought to explore various aspects of how physical cash is used in Australia as part of the black economy.

The final report of the Taskforce[[5]](https://www.wix.com/dashboard/8a5d3d09-2234-4183-8400-4777ea9ec70c/blog/5c73d23526832c001c7c15db/edit" \l "_ftn5" \t "_top), published in October 2017, dedicated a whole chapter (chapter 3) to exploring how the Australian economy could be transitioned to a ‘near non-cash world’. This chapter put forward several recommendations which the Federal Government has either already adopted or is planning on adopting including:

* imposing an economy wide ban for cash transactions above $AUD 10,000[[6]](https://www.wix.com/dashboard/8a5d3d09-2234-4183-8400-4777ea9ec70c/blog/5c73d23526832c001c7c15db/edit#_ftn6);
* the creation of a standing Black Economy Taskforce;
* banning the sale or use of ‘electronic sales suppression tools’; and
* amending to the taxation system that remove tax deductions for transactions conducted in cash (including the payment of wages).

Further work on reducing the use of physical cash throughout Australia via the standing Black Economy Taskforce is ongoing and includes, for example, a November 2018 Commonwealth Treasury consultation paper titled *“Improving Black Economy Enforcement and Offences”.*

**The New Front - The New Payment Platform**

Beyond this body of work, the ‘war on cash’ in Australia has open up on other domestic fronts including through initiatives (which were initially unrelated) such as the introduction of the New Payment Platform (or NPP).

The NPP[[7]](https://www.wix.com/dashboard/8a5d3d09-2234-4183-8400-4777ea9ec70c/blog/5c73d23526832c001c7c15db/edit" \l "_ftn7" \t "_top) is an open access payment platform infrastructure that enables consumers, businesses and government agencies to facilitate faster and more flexible digital payments by allowing real-time settlement of transactions between Authorised Deposit-taking

Institutions across Exchange Settlement Accounts held at the Reserve Bank of Australia (RBA).

The NPP came into operation on 13 February 2018 and its use within the Australian banking system has already grown to 400,000 transactions daily as of November 2018.

Increased utilisation of the NPP is expected to provide consumers and businesses with easier to use and more efficient digital payment options (including, for example, paying with smart phones) thus facilitating the transition to what the RBA has described a ‘near cash-less’ economy.

**An Alternative Solution – Dual Local Currency System?**

Despite these initiatives, economic researchers and policy makers acknowledge that a transition to a completely cashless national economy faces significant political opposition in several countries which hence present barriers to solving the cash hoarding dilemma and thus implementing a workable negative nominal interest rate regime.

To overcome this dilemma, economic researchers at the IMF recently proposed that national governments and central banks consider introducing a dual local currency money supply system that de-couples cash (i.e. physical cash and physical banknotes) from electronic money (i.e. central bank reverses), with electronic money becoming the official unit of account.

Under this system, a national central bank would be required to impose a negative carrying cost on cash on banks and financial institutions – i.e. to introduce an ‘exchange rate’ (or conversion rate) between physical cash and electronic money.

Practically, this means that when banks and financial institutions make deposits into their central bank reserve account using cash, the deposit, recorded as electronic money in their reserve account, will be calculated according to the cash-electronic money exchange or conversation rate[[8]](https://www.wix.com/dashboard/8a5d3d09-2234-4183-8400-4777ea9ec70c/blog/5c73d23526832c001c7c15db/edit#_ftn8).

This, in turn, forces the value of cash to depreciate over time resulting in banks and financial institutions imposing this depreciation cost of cash (via the conversion rate) throughout the economy.

IMF researchers believe that such a dual local currency system has the ability to:

* overcome the cash hoarding dilemma (as described above);
* allow central banks to reduce nominal interest rates to severely negative levels (such as -3% or -4%); and
* stimulate economic activity in response to a deflationary economic or financial shock.

Despite these beliefs, IMF researchers do acknowledge that without empirical data or historical experience, the introduction of such a system will create a series of local legal and structural issues that will result in several questions remaining unanswered including:

* what is the initial behavioural response? and
* what is the impact on domestic financial stability?

Having noted this, the question of whether a dual currency system can become a practical workable solution remains unclear and requires further research.

Despite this requirement for more research, it is important to note that the introduction of government-issued electronic money consistent with the IMF proposal is being actively considered by central banks around the world, including by the RBA[[9]](https://www.wix.com/dashboard/8a5d3d09-2234-4183-8400-4777ea9ec70c/blog/5c73d23526832c001c7c15db/edit" \l "_ftn9" \t "_top).

**Negative Interest Rates in Australia?**

In summary, the global economic and monetary elite are currently deploying significant intellectual resources to prepare for a world economy that operates under a workable regime of extremely negative nominal interest rates.

It would appear that Australia has joined in these efforts and hence the risk that negative nominal interest rates may be introduced in Australia should not be discounted.

With official interest rates at only 1.5 per cent, the RBA has little to no room to provide the type of monetary stimulus which they provided in 2008 when official interest rates were reduced from 7.25% to 3% in the wake of the collapse of Lehmann Brothers.

Australians who have significant sums of Australian dollars (irrespective of whether this money is in the banking system or not) should note that:

* there are no current legal restrictions preventing the RBA from introducing negative nominal interest rates; and
* there has not been any official denial by the Morrison Government, Treasury or the RBA that negative nominal interest rates is part of their policy tool kit.

With additional legal restrictions on the use of cash expected to be introduced in Australia, the theft of wealth that comes with nominal negative interest rates is just another risk that Australians need to consider in preparing for the economic crisis that will inevitable come when either the domestic or global debt bubble unravels.

*John Adams is the Chief Economist for As Good As Gold Australia*

[[1]](https://www.wix.com/dashboard/8a5d3d09-2234-4183-8400-4777ea9ec70c/blog/5c73d23526832c001c7c15db/edit#_ftnref1) <https://blogs.imf.org/2019/02/05/cashing-in-how-to-make-negative-interest-rates-work/>

[[2]](https://www.wix.com/dashboard/8a5d3d09-2234-4183-8400-4777ea9ec70c/blog/5c73d23526832c001c7c15db/edit#_ftnref2) <https://www.imf.org/en/Publications/WP/Issues/2018/08/27/Monetary-Policy-with-Negative-Interest-Rates-Decoupling-Cash-from-Electronic-Money-46076>

[[3]](https://www.wix.com/dashboard/8a5d3d09-2234-4183-8400-4777ea9ec70c/blog/5c73d23526832c001c7c15db/edit#_ftnref3) Official interest rates in Switzerland are currently -0.75%, the lowest official interest rates in the world.

[[4]](https://www.wix.com/dashboard/8a5d3d09-2234-4183-8400-4777ea9ec70c/blog/5c73d23526832c001c7c15db/edit#_ftnref4) The current ‘war on cash’ is underway across a range of countries that have both positive as well as negative nominal official interest rates.

[[5]](https://www.wix.com/dashboard/8a5d3d09-2234-4183-8400-4777ea9ec70c/blog/5c73d23526832c001c7c15db/edit#_ftnref5) <https://static.treasury.gov.au/uploads/sites/1/2018/05/Black-Economy-Taskforce_Final-Report.pdf>

[[6]](https://www.wix.com/dashboard/8a5d3d09-2234-4183-8400-4777ea9ec70c/blog/5c73d23526832c001c7c15db/edit#_ftnref6) This measure was announced in the 2018-19 Federal Government budget and according to the 2018-19 Mid‑Year Economic and Financial Outlook (MYEFO) is expected to come into effect by 1 January 2020 (although the measure has not been activated).

[[7]](https://www.wix.com/dashboard/8a5d3d09-2234-4183-8400-4777ea9ec70c/blog/5c73d23526832c001c7c15db/edit#_ftnref7) The NPP officially went live on 13 February 2018 is operated by NPP Australia Limited (NPP Australia). NPP Australia is a joint government-private sector initiative and is owned by several organisations including the Reserve Bank of Australia, the Big 4 Banks and 7 other banking and financial institutions.

[[8]](https://www.wix.com/dashboard/8a5d3d09-2234-4183-8400-4777ea9ec70c/blog/5c73d23526832c001c7c15db/edit#_ftnref8) An example could include where a central bank has imposed a cash to electronic exchange rate of 0.95 and thus a bank depositing $1,000,000 of cash into their reserve account would have this deposit recorded as $950,000.

[[9]](https://www.wix.com/dashboard/8a5d3d09-2234-4183-8400-4777ea9ec70c/blog/5c73d23526832c001c7c15db/edit#_ftnref9) This was conceded by RBA Governor Philip Lowe in a December 2017 speech to the Australian Payment Summit titled: '*An e-AUD?'* See the following link:

<https://www.rba.gov.au/speeches/2017/sp-gov-2017-12-13.html>I

I demand that the Treasurer and the Prime Minister educate and and be totally transparent about there hidden agenda in regards to Cash restrictions and negative interest rates.

Concerned Voter

Concerned citizen

Patriotic supporter of a free and democratic country not controlled by tyranny and Despotism

Sincerely Narelle LEWIS

Gold  Coast  Queensland

Sent from my iPad