Submission On The Currency (Restrictions on the Use of Bill) 2019

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My overriding concern is that Parliamentarians will only consider the narrow tax efficiency aspect of the Bill and vote it through without grasping the true intent and consequences. Civil liberties are being eroded, and the trap will be set to force households and businesses to transact within the banking system, thus facilitating experimental monetary policies, via the back door.

Currency (Restrictions on the Use of Cash) Bill 2019

I have reviewed your exposure draft and wish to register my complete opposition to the bill especially as it contains a whole blank section – which is either sloppy, at best, or planned and dishonest in the least.

My objections are centred around the following points.

- **The Drafting of the bill is incomplete**, so the review processes is incomplete and allowing insufficient public discourse on the measures and the very short time for consultation and its release late on a Friday night I find sneaky and disingenuous.
- **Civil Liberties Are Being Destroyed.** Further public debate on this legislation is called for, as they are fundamentally restricting personal freedoms. This is one in a series of measures which have been taken like media freedoms and are curtailing the hard-won freedoms Australians had. Surveillance of offending transactions would be required if the Bill were passed. How would it be policed.
- **There are other more pressing areas of tax leakage and AML risk.** According to the OECD report "Implementing The OECD Anti-Bribery Convention" released as part of the OECD Working Group on Bribery, Real Estate is identified as at "significant risk" of being used for money laundering. Among a raft of recommendations, is one saying Australia should be "Taking urgent steps to address the risk that the proceeds of foreign bribery could be laundered through the Australian real estate sector, just for instance the Malaysian DB1 scandal recently. These should include specific measures to ensure that, in line with the FATF standards, the Australian financial system is not the sole gatekeeper for such transactions". To date these loopholes, remain open, as do those relating the corporates and big business who, partly thanks to the assistance of the large international accounting firms are responsible for the lions share of tax leakage and AML activity. Research suggests that Government, under heavy corporate and business lobbying is deliberately letting this slide, preferring to target in on a relatively inconsequential area of tax leakage relating to cash transactions.
- **The Legislation Would Be Ineffective**. It is clear from a range of sources that such a cash ban would have very little impact on hard core tax leakage. For example, Professor Fredrich Schneider, a research fellow at the Institute of Labor Economics at the University of Linz, Austria, a leading international expert on the black economy has stated that there is a lack of empirical evidence that cash transaction bans will help reduce the black economy. Schneider published a paper in 2017 titled "Restricting or Abolishing Cash: An Effective Instrument for Fighting

the Shadow Economy, Crime and Terrorism in which he made this specific point. Even the most casual observation of the Australian economy would discover the introduction of the GST, was one of, if not the largest contributing factors of the domestic “Black Economy”, despite being lauded as the answer to the black economy. Similarly, the GST was proposed to “Fully Fund” the States and Australians were promised the end of “Payroll Tax”, which did not happen. “FID and BAD” taxes, were abolished, as promised, these of course were replaced by “Bank Fees” and “Charges” and all GST did was to move targeted Sales Tax from luxury items consumed by the rich and move it to essentials consumed mostly by poor people and all the compensation paid to pensioners and welfare recipients was burned up by inflation.

- **There Is Another Agenda.** In addition, while the Bill is silent on the connection to implementing negative interest rates as part of unconventional policy, the link was made clearly in the 2016 Geneva Report by the International Centre for Monetary and Banking Studies (ICBM) titled: What else can Central Banks do? This paper which was drafted by officials from international organisations such as the IMF/BIS and multiple central banks and commercial banks.
- **The IMF Shows Why.** The same thematic is shown in a recent IMF Blogs and working papers. In April 2019, the IMF published a new paper on how to deeply negative interest rates work. In previous papers, the IMF has suggested that nominal interest rates may have to go deeply negative, for example, -3% – 4%. They say “In summary, ten years after the crisis, it is clear that the zero-lower bound on interest rates has proved to be a serious obstacle for monetary policy. However, the zero lower bound is not a law of nature; it is a policy choice. We show that with readily available tools a central bank can enable deep negative rates whenever needed—thus maintaining the power of monetary policy in the future.” They then declare “Our view is that, when needed, deep negative rates are likely to be worth the political cost. While the complete abolition of paper currency would indeed clear the way for deep negative interest rates whenever deep negative rates were called for, such proposals remain difficult to implement since they involve a drastic change in the way people transact.”
- **The Bill Is Connected to Negative Interest Rates.** The connection is obvious in that in a negative interest rate environment households and businesses will be likely to withdraw funds from the banking system and transact in cash. If enough cash is extracted, negative interest rates will simply have no effect. I believe the measures in the current Bill are really about enabling negative rates, yet this is not mentioned in the Bill. This is misleading and deceptive. The true motivations should be on the record, however it explains the short time frame for comments.
- **The Structure Allows Change by Regulation**. The structure of the Bill enables parameters to be changed by regulation not Parliament. This enables the removal of the concessions contained in the current drafting without scrutiny of the Australian people or parliament. It is important to note where cash transaction bans have been introduced, the value ceiling has been lowered. France has legally prohibited cash transactions above 1,000 euro, Spain has legally prohibited cash transactions above 2,500 euro, Italy has prohibited cash transactions above 3,000 euro, and the European Central Bank ended the production and issuance of its 500 euro note in 2018.
- **Unreliability of the Banks**. Several times in the last few months we have seen Australia wide failure of the banks, Coles, Woolworths and most of the CBD in my town have had to close because they were unable to transact with the EFTPOS

network, what will happen when there is no cash to back up the system in an extended shutdown?

- **Inflation**. There is no mention of inflation in the Bill. Current monetary policy is desperately trying to induce “Inflation” into the Australian economy, what happens when it does, we may wind up with “Hyper Inflation”, and this Bill will by other means remove all cash from the Australian economy, because it will be practically useless, this will not harm the major protagonists in the Black Economy as they are mostly offshore corporations and global accounting firms, happily resident in offshore Tax Havens, far from the prying eyes of Australian Law Enforcement. Similarly, “terrorist organisations” will have little problem side stepping the legislation, as currently I would suggest they receive little benefit from corporates, or Citizens in traceable cash and if they did, it would be a simple matter of reorganising their cash income so as to comply with the legislation.

This Bill should not be allowed to pass, reading it has made me physically ill.

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