**From:** Ronald Clapham <ronald.clapham@gmail.com>   
**Sent:** Sunday, 4 August 2019 1:02 PM  
**To:** RG - Black Economy <Blackeconomy@treasury.gov.au>  
**Subject:** Submission on the Currency (Restrictions on the Use of Cash) Bill 2019

I am a retired finance  lawyer who spent 25 years doing complex financial transactions mainly for governmental bodies on Wall Street and in Sydney. My wife is a retired Vice President of Citibank, N.A. in the USA. We are educated and sophisticated in matters of governmental and private finance, central bank monetary and fiscal policy. We are Australian citizens who have been here since 2004.

***Negative Interest Rates and Quantitative Easing failed in America, Europe and Japan and they will fail here.***

We raise the following points:

* Australia and much of the rest of the world is suffering from a public and private debt bubble that threatens to engulf the Australian and global economy in a monumental fiscal and monetary crisis;

* These bubbles have been the result of misguided monetary and fiscal policies that have led to low or even negative interest rates that encouraged borrowing by governments, corporates and individuals on an unprecedented scale and punished savers across the world;

* Low and negative interest rates have not led to a sustainable growing economy but have led to distortions in the distribution of wealth in society particularly in the USA and Australia. These distortions are corrosive to the wellbeing of society and if left unchecked threaten the public order as we are seeing in France and Hong Kong today;

* Most importantly from a crisis management perspective, these low and negative rates have not allowed the RBA to raise rates to historically “normal” levels as the business cycle matures or allowed governments around the world to escape from the perils of Quantitative Easing (money printing) and the inevitable dilution of the value of their currency;

* The natural reaction that savers have in a low or negative rate investment environment is to seek riskier investments looking for a positive return or to hold cash or cash equivalents like GOLD or Bitcoin to avoid the dilution of the currency. These modest options are all forbidden now or allowed to be forbidden in the future under this legislation;
* Forcing the elderly into risky investments to fund a modest retirement is a serious threat to the entire Superannuation and pension scheme in Australia;
* The rational that this legislation is to “stop the black economy” is not credible;

* The International Monetary Fund, which encouraged negative interest rates and money printing in Europe (which resulted in unsustainable distortions in the European economies),  has recommended to all governments that cash be eliminated from society to facilitate the punitive imposition of NEGATIVE INTEREST RATES on an unsuspecting public and particularly the vulnerable in society including the elderly;

* The solution is not to go down the path of Japan and Europe and further distort the wealth distribution in society, create more debt and choke off growth which is what negative interest rates have already done in these countries; or to punish people who have avoided this debt trap by taking away a modest method to avoid negative rates and the inevitable dilution of the currency which is what legislation is designed to do;

* The solution is what the USA did after the GFC, allow easy access to bankruptcy to clear the debt bubble quickly and reinvigorate the economy with lower house prices, less debt and more headroom to grow;

* Capitalism at its most fundamental level is about **creative destruction**, in its arrogance the government believes it can have one without the other;

**If low and negative rates were the answer we would have seen a different economic result in Europe and Japan; negative interest rates will FAIL to return our economy to sustained growth; we must bankrupt the debt away, recapitalise the banks with a government bailout (not a depositor bail-in) and address the wealth distortion in our society. Bold Australian thinking is the answer not the failed policies from Europe and Japan.**

My wife Christine and I are very concerned about the Treasury preparing the country for negative interest rates to help manage the largest debt bubble the world has ever seen which the government created by it’s own foolish policies.The experience in Europe and Japan with low or negative rates is that people try to avoid the negative rates and the loss of their hard earned money by holding cash and gold instead of leaving it in a bank where it would be subject too the negative interest rates and the loss of their capital. The entire government bond yield curve in Germany is now negative, how can the elderly fund their retirement safely in such an environment?

Do not repeat this disaster in Australia.

The Australian government has introduced legislation to forbid the use of cash in transactions over $10,000. The stated rationale is that it is to stop the black economy. That is false, it is to prevent people from holding cash or GOLD during a period of negative interest rates.

The government has already taxed our money once, negative interest rates will tax it again. That is outrageous particularly for elderly people like my wife and I.

***Please stop***, do not take our freedom to hold and use cash and gold and introduce a stealth tax through negative interest rates.

Respectfully Submitted,

Ron and Christine Clapham

Kingscliff NSW