

I'm making this submission in opposition to the following proposed bills:

- \* Currency (Restrictions on the Use of Cash) Bill 2019
- \* Currency (Restrictions on the Use of Cash – Expected Transactions) Instrument 2019
- \* Currency (Restrictions on the Use of Cash) (Consequential Amendments and Transitional Provisions) Bill 2019

My concerns are as follows:

- \* Accelerate adoption of alternative store of wealth and medium of exchange.
- \* Loss of faith in the currency.
- \* Reduction of economic freedom.
- \* Reduction of civil liberties.
- \* Concentration of power into banks.
- \* Anti-competitive behaviour.
- \* Make economic system more fragile.

There are two purposes of a currency: 1) a medium of exchange and 2) a store of wealth. Debt is one person's asset and another's liability and a promise to pay.

Holders of debt assets expect to convert them into money and then into goods and services down the road, so they are very conscious of the rate of its loss of purchasing power (i.e., inflation) relative to the compensation (i.e., the interest rate) they get for holding it.

At the time of writing using the official Reserve Bank of Australia (RBA) figures, the current cash rate is 100 basis points and inflation is 160 basis points. Australia now has negative interest rates (i.e., interest rates that are significantly less than inflation rates), therefore inadequately compensating lenders for holding the currency/debt.

Holders of debt denominated in the poorly returning currency are motivated to sell it and move their assets into another currency or a non-currency store of wealth like gold.

On the 29th of April 2019, The International Monetary Fund (IMF) published a working paper titled "Enabling Deep Negative Rates to Fight Recessions: A Guide"[1] which outlined tools in which central banks could enable deep negative interest rates as the experience of the Great Recession and its aftermath revealed that a lower bound on interest rates can be a serious obstacle for fighting recessions.

Currently there is relatively little room available to advanced country central banks to fight downturns by interest rate cuts in the positive region. 500-600 basis points cuts in policy rates have been typical during recessions in advanced countries. Given interest rates are currently at 100 basis points, deep negative interest rates of approximately -500 basis points may be required. If this scenario were to materialise, this bill would impose a de facto wealth tax.

Sweden leading the world to become cashless society backtracked with The Swedish Civil Contingencies Agency (MSB) responsible for issues concerning civil protection, public safety, emergency management and civil defence. Urged citizens to stockpile coins and banknotes in case of emergencies ranging from power cuts or technology glitches to terrorism, cyber-attacks by a rogue government or war [2]. This highlights the key role cash plays in a society.

Since these bills were born out of the Black Economy Taskforce, tasked with combating the black economy; in 2012, HSBC agreed to pay a record \$1.92 billion in fines to U.S. authorities for allowing itself to be used to launder a river of drug money flowing out of Mexico and other banking lapses [3]. You may have to expand your terms of reference to include a bank ban.

My concern is that this may be the first salvo, and the Black Economy Taskforce might have other bills in the pipeline as detailed in other papers such as "Costs and Benefits to Phasing Out Paper Currency"[4] and "Making it Harder for the Bad Guys: The Case for Eliminating High Denomination Notes"[5] which explores some of the issues associated with phasing out paper currency, especially large-denomination notes. As of March 2013, there was almost \$1.3 trillion in US currency in circulation, nearly 78% of the total value is in \$100 bills.

This is not without precedent, in 2016, in one of the most audacious experiments in India's modern history, Prime Minister Narendra Modi banned the two largest bills — of 500 rupees, and 1,000 rupees — which account for about 86 percent of the currency in a country where 78 percent of financial transactions are done in cash.

Under the plan, people are allowed to exchange the old bills for new ones of 500 and 2,000 rupees, but only at banks or post offices, where their exchanges will be monitored and anyone with a large amount of cash will have to explain its source. [6]

The proposed bills if to become law would:

- \* drive holders of Australian dominated debt into alternative stores of wealth.
- \* impose a de facto wealth tax if deep negative interest rates are to materialise.
- \* limit citizens ability to transact independently of Australia's commercial banking system.
- \* limit citizens that wish to conduct their economic affairs in private.
- \* accelerate adoption of Crypto-currencies.

Again I reiterate my opposition, urge you to reconsider these bills and trust you will consider my concerns fully in making your decisions.

Thank you for taking the time to read this submission.

Yours faithfully,

Adam Cooksley

## References:

- [1] <https://www.imf.org/en/Publications/WP/Issues/2019/04/29/Enabling-Deep-Negative-Rates-A-Guide-46598>
- [2] <https://www.thetimes.co.uk/article/sweden-nation-that-pioneered-living-without-cash-warns-hoard-your-banknotes-6f72jqbf3>
- [3] <https://www.reuters.com/article/us-hsbc-probe-idUSBRE8BA05M20121211>
- [4] <https://scholar.harvard.edu/rogoff/publications/costs-and-benefits-phasing-out-paper-currency>
- [5] <https://www.hks.harvard.edu/centers/mrcbg/publications/awp/awp52>
- [6] <https://www.nytimes.com/2016/11/15/world/asia/how-india-plans-to-wipe-out-black-money.html>