**From:** Hugh Kelly <hugh.f.kelly@gmail.com>   
**Sent:** Friday, 9 August 2019 9:54 PM  
**To:** RG - Black Economy <Blackeconomy@treasury.gov.au>  
**Subject:** Submission: Exposure Draft-Currency (Restrictions on the Use of Cash) Bill 2019

27 Lavenders Ln

Kyneton VIC 3444

9 August 2019

Manager

Black Economy Division

The Treasury

Langton Crescent

Parkes ACT 2600

Dear Manager,

RE: Currency (Restrictions on the Use of Cash) Bill 2019

I am writing to express my strong opposition to the draft on the basis that it is a significant restriction on civil liberties in Australia and an assault and major affront to economic freedom.

The proposed laws will restrict an Australian person’s ability to spend their own wealth as they see fit.  A person may wish to conduct transactions independent of Australia’s banking system and carry out their economic affairs in private.  It is clear that the proposed laws will restrict this ability and is thus a restriction on civil liberties and an assault on economic freedom.

Bearing in mind what has been revealed by the recent Royal Commission into banking it is improper for the Commonwealth to implement anti-competitive laws that in effect force citizens to use goods or services offered by the banks.  The proposed laws are anti-competitive because cash is an alternative to the banking sector.

I refer to the 2017 study by Friedrich Schneider, Restricting of abolishing cash: An effective instrument for fighting the shadow economy, crime and terrorism which states “cash has a minor influence on the shadow economy, crime and terrorism but potentially has a major influence on civil liberties”.  Schneider notes that Sweden still has a sizeable shadow economy even though cash payments are rare.

Schneider concludes: “Cash reflects the fundamental relation between citizens or taxpayers and state authorities.  Using cash means freedom, independence and personal fulfilment for a citizen who does not want a state intervention when using cash. The ‘voices’ calling for the limitation or abolishment of cash argue that tighter and more comprehensive state control over individuals’ financial flows and funds will effectively fight crime, shadow economy and terrorism. But in my opinion we have weak empirical evidence.”

I am also most concerned that the proposed laws will prevent citizens from avoiding negative interest rates.  Today I heard on the news the Reserve Bank is anticipating a zero percent interest rate.  Negative interest rates are definitely on the cards.  This would clearly be a theft from those who have saved money.

But further I do suggest that you do study the graph of the exponential function and bear in mind that compound interest is the exponential function.  Prof Al Bartlett is famous for pointing out that the greatest human shortcomings is our inability to understand the exponential function.

A quick study of the exponential function shows that it increases rapidly along the positive x axis and goes to zero quick on the negative x axis.  It is also non-linear and non-symmetric about the y-axis.  So it is beyond me why anyone imagines that they can control the economy by adjusting interest rates.

The International Monetary Fund (IMF) argues that during an economic recession interest rates need to be lowered by 3%-6% to stabilise the economy and to allow economic growth to recover and given that interest rates are already very low around the world deep negative interest rates of approximately -4% may be required if a global economic recession or shock were to eventuate.

The IMF has also noted that a ban on the use of cash would enhance the effectiveness of negative nominal interest rates.

 I have two other concerns.

The proposed legislation may be just the first step in a series of measures from the Commonwealth that infringes on. The rights of Australian individuals and businesses to carry out commerce independent from the commercial banking sector and the RBAs monetary policy.

The exemptions to the cash transactions ban are not in the proposed bill but defined in a legislative instrument so this enables the Government to remove the exemptions without scrutiny of the Parliament.

In conclusion, the proposed bill and associated legislative instruments are a gross abuse of economic and civil rights and are thus wrong.  Also there is a lack of empirical evidence that the proposed cash transactions will have any material impact or diminish the black economy.

Yours sincerely

Hugh Kelly