**The Kewley Family**

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**11 August 2019**

**The Manager**

**Black Economy Division**

**The Treasury**

**Langton Crescent,**

**PARKES ACT 2600**

**Dear Manager,**

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

This submission is made by the below signed members of the Kewley Family. We write to express our strong opposition to the following:

* 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.

We also wish to express our disappointment in the way the consultation process for the above draft instruments has been managed. Our concerns are set out below in the following manner:

1. **Concerns regarding Policy Objectives**
   * *Lack of Evidence Based Policy*
   * *Alarming International Evidence*
2. **Concerns regarding Undisclosed Ramifications of this Bill**
   * *Erosion of Civil Liberties*
   * *Negative Interest Rate Predictions*
3. **Concerns regarding Government Management of this Policy**
   * *Short Submission Timeframe*
   * *Incomplete Draft*
   * *Improper Disclosure Attending this Bill*

Yours gratefully,

Robert Kewley ***Naomi Kewley***

Robert Kewley Naomi Kewley

**Miriam Kewley** **David Kewley**

Miriam Kewley David Kewley

**1. Concerns regarding Policy Objectives**

The Currency (Restrictions on the Use of Cash) Bill 2019[[1]](#footnote-1) and accompanying instruments introduces an offence for entities that make or accept cash payments of or exceeding $10,000.

As stated in the Bill’s explanatory memorandum, the policy intention of this measure is to restrict cash activity connected with tax avoidance or the shadow (black) economy.

There is alarmingly little evidence that the measure will support this policy objective.

***Lack of Evidence Based Policy***

We are not aware that the incumbent Federal government has undertaken any cost/benefit analysis in relation to this measure. We also cannot locate any material evidence by the Commonwealth or Black Economy Taskforce in support of the Bill’s efficacy. We are therefore unable to comment upon empirical evidence associated with this particular policy.

***Alarming International Evidence***

However, there is international evidence which suggests that this measure is poorly targeted to achieve its stated objective. We quote Friedrich Schneider, a research fellow at the Institute of Labor Economics, the University of Linz, in his 2017 independent study, *‘Restricting or Abolishing Cash: An Effective Instrument for Fighting the Shadow Economy, Crime & Terrorism’*:

*“Cash reflects the fundamental relation between citizens or taxpayers and state authorities. Using cash means freedom, independence and personal fulfillment for a citizen who doesn’t 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.”*

Moreover, Schneider observes that Sweden continues to have a sizable shadow economy, though cash payments are now rare. He says:

*“Cash has a minor influence on the shadow economy, crime and terrorism, but potentially has a major influence on civil liberties.”*

It would appear that empirical evidence of the Bill’s efficacy toward its stated policy objectives is very weak. There are, indeed, far more critical loopholes for tax avoidance and illegal activity than the ability to transact in cash. It is an acknowledged fact that corporates and big business are responsible for extensive money laundering and tax leakage. It is disconcerting that the Government justifies this policy on grounds for which there is little empirical support, while completely disregarding the major negative ramifications the Bill does introduce. These undisclosed ramifications are now examined.

**2. Concerns regarding Undisclosed Ramifications of this Bill**

*“In a democracy, the public should be asked how much security and how much privacy they want for themselves.”*

*Max Mosley*

We believe that the proposed measure introduces a critical threat to economic freedom and civil liberty in Australia. While the exemptions that would currently apply to this policy ensure a minimal effect upon common transactions, we note that the exemptions are defined in a legislative instrument and not the Bill itself. The exemptions (while currently available to placate the public) may be removed quickly and quietly without Parliamentary scrutiny.

The proposed Bill therefore has the potential to restrict an individual’s ability to:

* privately conduct their financial affairs;
* conduct transactions independent of Australia’s commercial banking system

This Bill may force individuals into a corrupt and self-interested banking system, which (though exposed though the Hayne Royal Commission) is poorly held to account and has demonstrated an alarming amount of power in the economic and political sphere. It is inappropriate for the legislature to dictate the manner in which Australians manage their financial affairs. The proposed law interferes with individual freedom in a manner that advantages the commercial banking sector and undermines the anti-competitive principles of this country.

Loss of the cash alternative is even more critical in the face of impending negative interest rates.

***Negative Interest Rate Predictions***

Should the Reserve Bank of Australia introduce a monetary policy imposing negative interest rates, there will arise great incentive to restrict cash transactions and the holding of cash. If the proposed Bill has been successfully implemented, these restrictions may take effect very quickly.

While negative interest rates are still a ‘sleeping’ issue for many Australians, the policy consideration is rapidly emerging on the international stage. In Denmark, Nordea Bank Abp is now offering a 20-year fixed-rate loan that charges no interest. The bank’s prospectus now also allows for home loans up to 30 years at negative interest rates.[[2]](#footnote-2) Removal of the cash economy is clearly a desired object for the smooth implementation of such a monetary policy. We quote the following to illustrate:

*“Another advantage of eliminating large bills would be the effect on monetary policy. The Federal reserve should be able to implement negative nominal rates vastly more effectively in the absence of large bills, which could prove quite important as a stimulative tool in the next financial crisis.”*

*Ken Rogoff (Wall Street Journal, 2017)*

*“When cash is available, however, cutting rates significantly into negative territory becomes impossible. Cash has the same purchasing power as bank deposits, but at zero nominal interest…Cash is a free option on zero interest, and acts as an interest rate floor…”*

*“…While the global economy has been recovering, future downturns are inevitable. Severe recessions have historically required 3-6 percentage points cut in policy rates. If another crisis happens, few countries would have that kind of room for monetary policy to respond.”*

*Ararwal and Krogstrup (IMF, 2019)*

As Australia’s current cash rate is 1%, this nation is clearly one of those referred to above. It is significant to note the following extract released by the ASX:

*“Due to the declining interest rate environment, ASX has been investigating the impact of zero and negative rates on all ASX interest rate products…and relevant ASX systems.”[[3]](#footnote-3)*

RBA governor Philip Lowe has recently communicated that further Australian rate cuts could force interest rates to zero or below into negative.[[4]](#footnote-4) These sentiments were echoed more forcefully by New Zealand’s central bank governor, Adrian Orr:

*“Easily within the downward errors of our forecasts…if you’re trying to stimulate…that means you have negative interest rates.”[[5]](#footnote-5)*

It would appear that Australian financial markets and the banking system are preparing for a negative rate contingency. It is curious that this Bill is being introduced without any acknowledged connection to a monetary policy that that will rely upon the elimination of cash and will have such profound implications for the Australian people.

**3. Concerns regarding Government Management of this Policy**

We are very concerned by the manner in which this policy measure has been introduced.

***Short Submission Timeframe***

The draft instruments have been made available for public consultation for an extremely brief period of two (2) weeks. It has been acutely difficult for us to find the time to make this submission within the consultation period. We call on the Government to extend this timeframe.

***Incomplete Draft***

We also note that Division 2 of Part 2 (relating to offences) is missing from the Bill’s draft version. It is very odd that the full body of such critical legislation has not been made available for the consultation period. If material new elements are subsequently introduced to this draft, we call upon the Government to launch a new round of consultation for this legislation.

***Improper Disclosure Attending this Bill***

We are very disappointed by the lack of public disclosure that has attended this Bill. The vast majority of interested stakeholders remain unaware of this policy measure. We ourselves have only been made aware by the extraordinary efforts of several persons who have dedicated much of their professional time and expertise to informing themselves about such matters.

Many Australians are incapable of recognising this assault upon the cash economy and civil liberties, particularly when such a measure is introduced with a two week consultation period, with no media representation, and no recognition in explanatory materials as to the real policy significance of this measure. The IMF and the Black Economy Taskforce reveal themselves to be acutely aware of the true policy significance of this Bill. It is far more relevant to the operation of the economy in a negative interest rate environment than any deterrent upon the shadow economy. It is our opinion that the measure has been introduced with a level of stealth and non-disclosure that is very disappointing in the incumbent government.

We wish to conclude by expressing our disappointment in Australia’s elected executives. You have been given a mandate to govern this country. You owe it to all Australians to inform and represent fairly those policy measures you choose to implement.

*Woe to those who decree unrighteous decrees,  
Who write misfortune,  
Which they have prescribed  
To rob the needy of justice,  
And to take what is right from the poor of My people,  
That widows may be their prey,  
And that they may rob the fatherless.*

*What will you do in the day of punishment,  
And in the desolation which will come from afar?  
To whom will you flee for help?  
And where will you leave your glory?*

*Isaiah 10:1-3 NKJV*

Thankyou for considering this submission.

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1. Hereafter referred to as ‘the Bill’. [↑](#footnote-ref-1)
2. See news article, ’20-Year Mortgages Hit Zero for the First Time in Danish Rate History’, by Frances Schwartzkopff (August 2019). [↑](#footnote-ref-2)
3. See ASX Online at <https://www.asxonline.com/public/notices/2019/july/0690.19.07.html>. Accessed 11th August 2019. [↑](#footnote-ref-3)
4. See ABC News, business <https://www.abc.net.au/news/2019-08-09/reserve-bank-cuts-economic-forecasts-again/11399576?section=business>. Accessed 11th August 2019. [↑](#footnote-ref-4)
5. See The Business Times, banking & finance <https://www.businesstimes.com.sg/banking-finance/nz-central-bank-governor-reiterates-negative-interest-rates-a-possibility>. Accessed 11th August 2019. [↑](#footnote-ref-5)