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Dear Sir / Madam

I am concerned about the *Currency (Restrictions on the Use of Cash) Bill 2019*, soon to be considered by the Australian Parliament, for the purpose of minimising black market activity. In particular, I have three sets of comments:

1. Ineffectiveness

Although I am not in any way affiliated with them, I concur with some feedback provided by the Australian Chamber of Commerce and Industry, dated 12 June 2019, namely:

(a) Little hard evidence is provided in support of the Bill; it being based more on speculation about the motives of mostly small businesses.
(b) Black market activity is best reduced by tackling its causes, by lowering the tax and regulatory burden on legitimate businesses.
(c) Cash may facilitate payment, but so do numerous other non-cash alternatives, and determined criminals and terrorists will undoubtedly exploit these without difficulty.

I would further add that black market activity has complex social, psychological, ethical, legal and enforcement dimensions. When you only have a hammer, everything looks like a nail: In this case, a simple, one dimensional, financial remedy is being proposed to deal with a quite complex multi-dimensional issue.

2. Broader Economics

The Bill leaves itself open to being used for purposes beyond that stated. In particular, it could be used to compel most people to use banks in circumstances when it would be against their personal interests.

In recent years, negative interest rates have been applied by financial institutions, notably in Europe so far. In other words, people must pay for having money in their deposit account. All workers and businesses must necessarily receive income and keep working amounts of money in such accounts. Restricting the use of cash while applying negative interest rates to them creates a perceived 'rent-seeking' cartel of banks profiteering from hard times.

I note that a number of economists expect some sort of serious recession within a year, and that some countries with legislation similar to this Bill have already set 'maximum cash' transaction amounts equivalent to as little as $2000. At the risk of sounding mistrustful, I also note that the International Monetary Fund has several papers and blogs encouraging countries to move to a predominantly cashless society specifically to compel people to suffer negative interest rates, if and when needed.

The intent of negative interest rates is to combat recessions, although evidence of its success when applied so far overseas is at best somewhat sketchy. However, its effect could also just as likely cause more people to use alternative (non-bank) and informal means of exchange; actually increasing, rather than reducing, the risk of black market activity.

3. Public Perception

Banks, financial institutions and the ‘big four’ accounting firms have, at the very least, a serious public perception problem; exemplified during the recent Royal Commission. The public tolerate such institutions to the extent that they facilitate genuine trade and loans, and will use their non-cash payment systems for their convenience. But that is an entirely different matter from mandating such methods more broadly.

Industry insiders have referred to the big four as “architects of tax schemes which cost governments and their taxpayers an estimated $US1 trillion a year (about $50 Billion in Australia). While advising governments on tax matters, they are advising their multinational clients how to avoid taxes.” Any involvement by them or their associates in this Bill’s development is likely to be regarded with more than a little suspicion.

The general public is ultimately likely to perceive the focus of this Bill as ‘straining out the gnat, but swallowing the camel’. Unless there is also an equivalent emphasis on minimising the perceived rapacious behaviour of the financial sector, the general public will view its longer term consequences with disdain to contempt. This will be especially so if its introduction is seen to be unreasonably hasty and/or insufficiently transparent.

Should a recession occur, and/or negative interests rates and cash thresholds well below $10,000 are subsequently applied in Australia, government might find they need to distance themselves politically from the consequences of this Bill. Commentators are likely to use analogies like ‘the foxes being put in charge of the hen house’ on this matter. Not only might it cause a loss of confidence in a specific government, but an increasing loss of confidence in the concept of government and the rule of law more generally.

Given the above comments, I would suggest that this Bill needs a great deal more public discussion and consultation, and inclusion of clauses that make possible alternative uses of it untenable, or at the very least transparent.

Regards – Phil Robeson

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