03 August 2019

John Thompson

Garran ACT 2605

Canberra Electorate

Australian Government

The Treasury

Manager

Black Economy Division

Langton Cres

Parkes ACT 2600

To Whom It May Concern,

Please accept this as my formal **submission** in opposition to the proposed Currency (Restrictions on the Use of Cash) Bill 2019.

**Personal Introduction**

I am writing this submission from the perspective of an individual wage income earner with an interest in protecting the personal freedoms of myself, my children and those of the broader Australian community.

The reasons for my opposition are:

1. **Freedom to choose not to use private banking companies.**

The restrictions on the use of cash is a step towards the removal of my freedom to manage my wealth independent of a private financial company. Financial institutions are not the economy and only represent one option for the store of wealth. I believe I should have the freedom to choose my own store of wealth, including cash or any other legal tender.

This reason is further antagonised by the fact that the finer details of the Bill, such as the monetary limits of cash transactions and exempt transactions, are housed within regulations which can be amended by Government without parliamentary consultation or endorsement and the constituents of parliamentary representatives would have no recourse to object to amendments.

1. **Creation of "criminality" for an act (the process of doing or performing something) that is not harmful to an individual, community, society or state.**

The bill introduces the concept of "criminal activity" that I believe does not qualify as a crime. A criminal is defined as “a person who has committed a crime”. A crime is defined as “an action or omission which constitutes an offence and is punishable by law.” By definition a crime only exists where a law exists to punish an action or omission, however, both of these definitions fail to account for philosophical morality, human expectation or amalgamated societal values. In an age where our civilisation has the technological capacity to capture societal values en masse, it is becoming quite apparent that often a government’s attempt to implement law intended to serve the public interest does not align with long accepted common law or the precedence of natural history or order.

The current Wikipedia definition of crime captures this cognitive dissonance quite succinctly by stating:

“*The term "crime" does not, in modern criminal law, have any simple and universally accepted definition,[*[*2*](https://en.wikipedia.org/wiki/Crime#cite_note-Farmer-2)*] though statutory definitions have been provided for certain purposes.[*[*3*](https://en.wikipedia.org/wiki/Crime#cite_note-3)*] The most popular view is that crime is a category created by law; in other words, something is a crime if declared as such by the relevant and applicable law.[*[*2*](https://en.wikipedia.org/wiki/Crime#cite_note-Farmer-2)*]* ***One proposed definition is that a crime or offence (or criminal offence) is an act harmful not only to some individual but also to a community, society or the state ("a public wrong").****”*

This bill proposes to make the legitimate usage of legal tender cash, an act that is not harmful to an individual, community, society or state, a punishable crime. It is only becoming a crime as a result of this bill’s legislation and it is seeking to create criminality for activity that has been long established throughout history as acceptable.

1. **No recourse in negative interest policy conditions**

In the event that economic interest rates become negative, if I am forced to use private banks as a store of wealth then I will have no recourse against paying interest on my own wealth. Negative interest rate would effectively become a state sanctioned, private industry and mandatory fee.

1. **Negative interest rates are not an effective anti-recession measure**

If I thought negative interest rates were an effective anti-recession economic measure I would consider paying it, however, negative interest rates are only a temporary solution to an inevitable financial collapse because it is only a treatment of the symptoms, not a treatment of the root cause. Therefore, I wish to remain free to choose to participate, or not to participate, in the payment of negative interest rates.

1. **Forced speculation**

With restrictions on the use of cash in effect, and in the event of negative interest rates on private bank deposits, the community will be encouraged to participate in speculative investment activities, such as share trading, foreign exchange trading, contract for difference trading (CFD), etc., to avoid the cost of saving. These speculative activities place the wealth of individuals at risk and I do not believe it is in the best interest of the people for the Government to implement legislation that places the wealth of the community as risk.

1. **Not an effective measures to resolve black economy issues**

The majority of black economy that this bill seeks to address will remain unaddressed by the bill’s measures. The cash transactions between tradesman and the like account for almost insignificant amounts of the black economy’s transactional volume. International studies have demonstrated that the restrictions on the use of cash are ineffective against the black economy. For further information please see *Restricting or Abolishing Cash: An Effective Instrument for Fighting the Shadow Economy, Crime and Terrorism? – Friedrich Schneider[[1]](#endnote-1).*

*“Reduction in cash or introduction of a cash limit: Shadow economy reduction between 2 and 20% (extreme case: no cash); corruption reduction between 1.8 and 18 percentage points (extreme case: no cash); crime reduction between 5 and 10%.”*

The cited research indicates that even in extreme cases of cash restrictions the result would not address the black economy. Further, the research highlights the negative impacts to citizens and our civil liberties which I have included in this submission as reason one above:

“*For liberal societies the importance of cash has much deeper aspects than “pure” economic ones. Cash reflects the fundamental relation between citizens or taxpayers and state authorities. Using cash means freedom, independence and personal fulfilment 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.*

*Of course, anonymous cash makes tax evasion easier, especially for those who cannot afford to shift funds abroad. However, easy cash is clearly not the main reason for tax evasion, though it does facilitate it. Indeed citizens’ willingness to pay taxes crucially depends on tax morale. Tax morale has been found to correlate with the relation between citizens and the government. The better the relation the higher the tax morale. A high degree of trust and of political influence (direct democracy) strengthens tax morale and the willingness of the citizens to pay their taxes, so that the state can provide goods and services. Tax authorities should treat taxpayers or citizens with respect and as clients rather than as suspects or servants. Hence, such a fundamental basic contract (developed by Frey and Feld (2002, 2007)) between the tax payer and the state is crucial for the functioning of society.*

*The abolishment or strict limitation of cash carries the risk of seriously weakening trust in state authorities. Abolishing cash as a simple tool against citizens to enforce state control can easily prove to be counter-productive. Given the real perceived importance of cash for civil liberties, a limitation or abolition could only be justified by sound reasons and large benefits.*

*Only then may trust between citizens and authorities remain intact. As cash is neither the motivation nor the reason for shadow economies, crime or terrorist attacks, its abolition would not lead to large welfare gains. In a democracy the choice between cash and other means of payment should be left to users, who happen to be citizens, taxpayers, consumers and producers at the same time. Hence, my final conclusion is that citizens don’t want to be forced by state authorities not to use cash anymore. They should be free to choose which payment instrument they use*.”

1. **Other more effective measures to increase tax revenue**

If there is a need to increase tax revenue then I believe there is more effective tax measures available to achieve that outcome. For example, the common wage of individual income is taxed at rates of 20-45%, however, billion dollar corporations continue to utilise legal tax measures to pay far lower percentages of tax on business revenue.

**Ministerial Contact**

Please note that I will also be mailing this submission to my local member of Parliament Ms Alicia Payne MP to ensure my views are considered in Parliament.

Sincerely,

John Thompson

1. <https://www.econstor.eu/bitstream/10419/162914/1/Schneider.pdf> [↑](#endnote-ref-1)