

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:

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

This bill is an assault to economic freedom in Australia and a major restriction on the civil liberties of its citizens. As outlined below, I suspect that the true primary intention for this proposed law is not to counter money laundering and tax evasion as presented by the Commonwealth Government, but to force the citizens of Australia to keep their money in the banking system whilst confidence in this system rapidly diminishes. Bail-in laws that do not specifically exclude deposits, the lack of clarity in the 'execution of the \$250k government deposit guarantee' should it be required, the lack of Glass-Steigel separation of commercial and investment banking, as well as possible negative interest rates all present considerable risk to Australian citizens whose hard-earned wealth could easily be legally forced and trapped into the private banking system through this bill.

The governments handling and release of this proposed bill has also contributed to the suspicion of the true underlying intent. In particular:

- The two-week time frame provided for consultation is appallingly short given the seriousness of this bill;
- The announcement to the public of the proposed bill and the consultation period was made after 5pm on Friday 26 July 2019, a typical tactic to minimise awareness and scrutiny by the media and the public;
- No cost benefit studies, no quantification of potential savings and ROI of objectives in relation to how this bill will benefit the Australian economy against the black economy and cash-related tax evasion;
- The drafting of the bill is incomplete. Division 2 of Part 2 (relating to offences) is missing from the draft exposure version of the bill;
- The structure of the bill allows change by regulation, rather than through parliamentary debate and scrutiny.

There is little evidence that restricting and abolishing the use of cash in an economy will have a viable impact on the black economy. It is very unfortunate that the government and the Black Economy Taskforce have failed to provide sufficient evidence that the proposed laws would have any material impact on the Black Economy; either for tax leakage or illicit activities.

An independent 2017 study by Friedrich Schneider [Professor of Economics at Johannes Kepler University of Linz, Austria, and Research Professor at the DIW Berlin, Germany] notes that countries

such as Sweden still have sizeable shadow economies even though cash payments have become rare. His independent study conducted in 2017 titled *'Restricting or Abolishing Cash: An Effective Instrument for Fighting the Shadow Economy, Crime and Terrorism'* states that:

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

*"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."*

### **The Concern regarding the Real Intent of this bill:**

This proposed legislation and the associated Legislative Instrument may only be the first step in a series of escalating measures from the Commonwealth which seeks to infringe on the rights on individual Australians and Australian businesses to engage in commerce independent of the commercial banking sector and the RBA's monetary policy regime (especially if a policy of negative nominal interest rates are pursued).

It is no secret that Australia has a high probability of heading down the path of negative interest rates. Given that the RBA official cash rate sits at 1%, there is an increasing likelihood that the RBA will be motivated to implement negative nominal official interest rates if the Australian economy were to fall into recession or if a global shock were to eventuate.

The global banking industry, in particularly the International Monetary Fund (IMF), have been calling for the role of cash to either be eliminated or significantly reduced, given that the use of physical cash or digital cash outside of the government's control undermines the policy of negative nominal interest rates.

Blog posts and papers released by the IMF have argued that the elimination of cash from an economy would enhance the effectiveness of negative interest rates. The following 3 are cited for an example:

- August 2018: *Monetary Policy with Negative Interest Rates: Decoupling Cash from Electronic Money*
- February 2019: *Cashing In: How to Make Negative Interest Rates Work;*
- April 2019: *Enabling Deep Negative Rates to Fight Recessions: A Guide*

Australians should have the fundamental right (both economic and civil) to protect their private wealth independent of the commercial banking sector that will strip them of their hard earn savings due to negative interest rates.

In addition, the citizens of Australia are unfairly subjected to deposit bail-in laws that were snuck through parliament by the Liberal Government and do not specifically clarify the exclusion of deposits. The primary objective of this bail-in system is to shift the risk of GFC equivalent bank failure onto the innocent citizens who have wrongly placed trust in the banking system, ignorant of the extreme risks the sector faces due to financial gambling through derivatives and other like instruments.

Although the proposed bill includes a number of exclusions, in particular inter-personal transactions and bank withdrawals, these are defined in a legislative instrument and not in the proposed bill. Given this is such a highly contentious bill, this gives the Executive Government via the Assistant Treasurer considerable flexibility to remove the exemptions without the robust scrutiny of parliament, the media and the public.

This proposed bill may be a little easier to digest if the following were implemented:

- Exclusions written into law, not via the Legislative Instrument
- The full entire bill is presented to the public for scrutiny and debate, as opposed to sections being omitted as 'To Be Advised' (Division 2 of Part 2)
- Longer period of community consultation
- Bail-in laws specifically and clearly exclude customer bank deposits (written into the legislation)
- Glass-Steigel separation of commercial and investment banking activities

## **Conclusion**

I strongly oppose this proposed bill and the associated legislative instrument as they are a gross abuse of Australian economic and civil rights.

Robust and empirical evidence has not been provided by the Black Economy Task Force and the Federal Government that the cash transaction ban will have any material impact on diminishing the black economy.

The proposed bill will restrict economic freedom and make it increasingly difficult for Australians to escape the wealth drain effect on saving deposits if negative interest rates are implemented and the proposed exclusions were reversed. It will unfairly direct savings into assets, the risks of asset value bubbles and lack of liquidity (which is the prime purpose of bank savings).

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