**From:** Zoran Gagic <zorang@gmail.com>   
**Sent:** Monday, 12 August 2019 11:32 AM  
**To:** RG - Black Economy <Blackeconomy@treasury.gov.au>  
**Subject:** Submission - Currency (Restrictions on the Use of Cash) Bill 2019

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10th 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 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.*

The proposed bill (and associated instrument) are a major affront and assault to economic freedom in Australia and represents a significant curtailment to Australian civil liberties. The proposed laws would punish individual Australians as to how they wish to spend their private wealth, including whether:

* they wish to conduct transactions independent of Australia’s commercial banking system; and
* they wish to conduct their economic affairs in private.

My wife and me are in our fifties and unfortunately we are both out of work and our only income are our savings. We have always been very conservative and put money aside for a rainy day and retirement, we currently have money in our bank accounts from retrenchments payouts and decades of savings. We are concerned that the new proposed law has the potential to punish savers like us.

***Negative Interest Rates***

I am particularly concerned about potential impact of negative interest rates.  Last week RBA governor Philip Lowe suggested Australia's central bank may introduce negative interest rates:

<https://www.abc.net.au/news/2019-08-09/reserve-bank-cuts-economic-forecasts-again/11399576>

We already know that the ASX is already preparing for negative interest rates:

<https://www.bloomberg.com/news/articles/2019-07-15/australia-s-asx-prepares-for-negative-interest-rate-tradin>g

A few months ago the IMF published a blog post warning that during a recession interest rates need to be lowered between 3% - 6% in order to stabilise the economy and to allow economic growth to recover and given that official interest rates are already very low around the world, deep negative interest rates of approximately -4% may be required, yet there is an obvious problem:

<https://blogs.imf.org/2019/02/05/cashing-in-how-to-make-negative-interest-rates-work>

"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. Moreover, it can be obtained in unlimited quantities in exchange for bank money. Therefore, instead of paying negative interest, one can simply hold cash at zero interest. Cash is a free option on zero interest, and acts as an interest rate floor."

I am concerned that the proposed laws would curtail the abilities of Australians to escape negative nominal interest rates if such a regime were to be imposed by the Reserve Bank of Australia. This would potentially punish people with cash deposits in bank accounts as they would not be allowed to withdraw their own cash greater than $10,000.

***Impact on the Black Economy***

With respect to the so-called black economy, the Commonwealth and the Black Economy Taskforce, have failed to provide sufficient evidence that the proposed laws would have any material impact on the black economy whether from the tax leakage or illicit activities perspective.

An independent 2017 study by Friedrich Schneider, *‘Restricting or Abolishing Cash: An Effective Instrument for Fighting the Shadow Economy, Crime and Terrorism”* states that:

<http://www.econ.jku.at/papers/2017/wp1708.pdf>

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

Moreover, Schneider notes that countries such as Sweden, still have sizeable shadow economies even though cash payments have become rare.

Finally, Schneider concludes:

*“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.”*

***Concerns with the Proposed Laws***

I have a number of specific concerns in relation to the proposed bill and associated legislative instrument including:

* What is the evidence that this bill will increase tax revenue and reduce crime?
* Where is the cost benefit analysis?
* What is the impact on civil liberties?
* Why are we forced to use electronic transactions through commercial banks that have fees and are not anonymous depriving us of the free physical cash alternative?
* Is there any assurance that we will be able withdraw over $10,000 from bank accounts to escape negative interest rates? Negative interest rates are supposed to stimulate the economy, incentivising investment by making it less attractive to hold cash, yet a negative interest policy would penalise savers and retirees, robbing them of their savings and income they need from savings, and forcing capital to be allocated in nonproductive and speculative assets further inflating already high, late cycle asset prices.

We should have the option of using physical cash thereby not losing money with negative interest rates.

* Do we have any assurance that bail-ins will not occur during a financial crisis?  Bail-in is the taking of depositors’ cash to bail out banks that became insolvent through the actions of the banks’ management, not the actions of depositors. If citizens are forced to move from cash to digital currency that is held in banks then much easier to enforce controls and steal the depositors money to support the banking system.
* Would a domestic commercial transaction above $10,000 between between two parties which involved the equivalent physical gold and silver bullion be considered in breach of the proposed law or not?

In conclusion, the proposed bill is wrong given that it is a gross abuse of Australian economic and civil rights.

Regards,

Zoran Gagic