Concerned Individuals of the Commonwealth of Australia

**Secretary:** Greg Jones

Email: [greg.jones@ppltek.com](mailto:greg.jones@ppltek.com)

Brisbane, the State of Queensland, Australia.

Date: 12 August 2019

**Attention:** Division Head

Mr. Patrick Boneham

Treasury Building,

Langton Crescent,

Parkes ACT 2600

Phone: [(02) 6263 2068](tel:(02)%206263%202068)

Phone: (02) 6263 2111

Email: [patrick.boneham@treasury.gov.au](mailto:patrick.boneham@treasury.gov.au)

**RE:**

1. **Currency (Restrictions on the Use of Cash) Bill 2019**
2. **Currency (Restrictions on the use of cash-Expected Transactions) Instrument 2019**
3. **Currency (Restrictions on the use of cash) (Consequential Amendments and Transitional Provisions) Bill 2019**

Mr Boneham,

**Submission to the Proposed Currency Bill Act 2019**

We are writing to express our concerns about, and give notice of our opposition to the proposed instruments; 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. Below are the three main points which constitute our objections to the above mentioned instruments.

1. **The Black Market Economy**

(Source, <https://treasury.gov.au/sites/default/files/2019-03/Black-Economy-Taskforce_Final-Report.pdf>)

* The Black Economy Taskforce at best provided circumspection evidence and failed to establish credible links and lacked the empirical, qualitative and quantitative evidence from primary and secondary sources required to support the argument that restricting cash transactions will limit the “black economy”.
* While voluminous, the reports authors were unable to establish any real taxation revenue benefit deriving from the application of these proposed instruments, and more importantly that taxes are avoided by individuals, persons and corporations using cash. The authors many spurious assertions and speculative arguments which lack evidence, neither does the report distinguish between the interlocking elements of the legitimate economy vs the “black economy” using cash and the “black economy” using electronic financial transactions. The authors present a simplistic argument which lacks the maturity and understanding of real-world economics by conflating numerous issues to build a narrative rather than simply focusing on the evidence and the current best practice understanding of the Actors in motion which contribute to the true effects of the “black economy”.
* If the government of Australia is interested in addressing tax avoidance, a metanalysis of the significant findings and evidence within the last 30 years of Senate investigations, Royal Commissions and other legitimate investigations would identify the corporate entities and agents who have engaged in practices which underpin the “black economy”, which are not limited to: transfer pricing and accountants, lawyers and auditors who have facilitated the process with some very creative structures. In fact one can easily build a case that significantly simplifying the tax code and implement simple flat tax structures can eliminate much of the tax leakage. One doesn’t have to look far to find scandals.
* The overseas experience is not supportive of the authors claim either. For example countries like Sweden; which has less than 1/5 of the citizens contributing to the banking system and virtually eliminated their ability to use cash, functioning on purely electronic money means, has not seen the “black economy” or criminal activity reduced or disappear. The elimination of cash has resulted in the opposite increase effect on the “black economy”, by foreign agents, and would suggest the true intent of such legislative instruments.
* As an example, the independent research paper authored by Friedrich Schneider “Restricting or Abolishing Cash: An Effective Instrument for Fighting the Shadow Economy, Crime and Terrorism” (source: <http://www.econ.jku.at/papers/2017/wp1708.pdf>) finds no evidence to support the proposition asserted in the Australian Governments report.
* Schneider states: “Cash has a minor influence on the shadow economy, crime and terrorism, but potentially a major influence on civil liberties”.
* Schneider conclude: “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”. Schneider finds very little evidence to support the proposition.
* As such the bill and its accompanying instruments present suspicion and are of great concern to the average Australian individual, with the reports underlying reasoning simply fails to establish credible links from credible sources to support the argument that restricting cash transactions will limit the “black economy”.

1. **The Liberty of Australian Citizens and Businesses**

The proposed Bill is a restriction and can be interpret as an attack on law-abiding citizens to engage in commerce and their financial affairs lawfully and in private. The following key points need to be considered.

* Australian Currency is legal tender. Why are restrictions being placed of the use of something that is legal? For example how was the $10000 limit actually arrived at? There seems to be no empirical evidence provided, why not a $30000 or $50000 limit? The number appears arbitrary.
* Not all transactions need to be via the banking system nor is that preferable in all commercial situations. That is not to say the money will not be deposited into the banking system, but currency gives citizens alternatives to transact outside of banking and electronic means.
* Being able to transaction with currency also provides a natural hedge and safety net for citizens and businesses in case of bank failure and electronic payments system failure. There has been numerous cases in recent times of bank ATM’s and various electronic payments and EFT (electronic funds transfer) going down in the process freezing citizens out of commercial activities. This ends up imposing significant costs on the community yet the community is not compensated in any way for these failures. The Bill does not establish any principles of equity for citizens.
* Australia already has sophisticated reporting targeting money laundering and other criminal activities; again the argument has not been prosecuted as to why Australian Legal Tender can become illegal beyond a certain threshold.
* Given the recent Australian Banking Royal Commission (ABRC) and the scandals that have bedeviled the sector, this bill imposes unnecessary risks on Australian citizens and businesses by tying them without alternative to the banking sector. I note that quite allot of the issues identified in the ABRC are yet to be resolved. Moreover there significant competition issues relating to the Australian Banking sector, which the ACCC has not, addressed with the sector being dominated completely by the Big 4 (CBA, NAB, WBC and ANZ) with competition significantly diminishing past two decades, notwithstanding the enormous scandals that have occurred. The cash economy can protect citizens from banking scandals.

1. **Negative Interest Rates**

Another very concerning aspect to these bills which is not mentioned but is provided for by their machinery is the ability to impose interest rates on citizens.

* Looking at the arguments and evidence overseas, it appears these proposed policies have less to do with their stated purpose and more to do with the potential imposition of negative interest rates.
* If we examine the IMF papers, they specifically advocate for the abolishment of cash and the preference of “electronic only” currency. (Source <https://www.imf.org/en/Publications/WP/Issues/2019/04/29/Enabling-Deep-Negative-Rates-A-Guide-46598>)
* For the purposes here, by limiting the cash economy, it makes it possible for central banks to impose negative interest rates as all money is electronic. Having a viable cash economy effectively puts a floor on the ability of central banks and the banking system to impose negative interest rates on citizens as well as giving citizens an avenue to protect the wealth.
* The IMF in my opinion has presented a flawed economic argument pushing the concept that negative interest rates can somehow be a catalyst for economic growth and investment. It is basically the case of Keynesian Economic Theory as well as Modern Monetary Theory gone mad. These theories do not work and negative interests result in rather perverse outcomes that achieving their stated goal.

**Conclusions**

Given that cash transactions and the black economy have always existed, why is it a problem now? The use of cash for transactions has never presented a problem and governments with their law enforcement arms have ample tools to deal with the “black economy”. The Black Economy Taskforce does not make any case backed by real empirical evidence. It is a puzzling situation.

If the real reason for this push is the ability to facilitate “negative interest rate policy” that issue has to be properly explained and debated. Negative interest rates are not to be considered flippantly and these types of policies have the potential to completely upend the Australia economy. Large capital flows outflows will potentially result causing significant economic costs. As a flow on, have taxation issues been considered of such policies, a negative interest rate will actually produce a tax credit and serious liability on the government ledger as it is would be classified as an income deduction. It works the reverse of the positive interest rate income. Would the government entertain provisional tax credit payments to citizens and business incurring this expense? The ramifications of this bill have not been thought out.

The government needs to spell out clearly how it intends to enforce this bill prior to its introduction, it appears this is unclear. The government has not clarified clearly how holding and transacting in “legal tender” is actually illegal. Is cash therefore not legal tender?

It is of great concern that this bill has been rushed literally under stealth with very little time provided for public consultation. There has been virtually no reporting in the media nor explanation by members of parliament, this bill needs to be more formally debated and given a public airing.

We look forward to your response addressing our concerns.

Kind Regards

Greg Jones

Secretary: Concerned Individuals of the Commonwealth of Australia.