What is this war on cash, is it about keeping us safe, about equity, equity for who and what are the unintended consequences?

In the 2018-19 Budget, the Government announced it would introduce an economy-wide cash payment limit of $10,000 for payments made or accepted by businesses for goods and services. Transactions equal to, or in excess of this amount would need to be made using the electronic payment system or by cheque. The Black Economy Taskforce recommended this action to tackle tax evasion and other criminal activities.

The Government has today released for public consultation exposure draft legislation and accompanying explanatory material to implement the economy-wide cash payment limit from 1 January 2020 and for certain AUSTRAC reporting entities from 1 January 2021.

I was invited to an ATO public meeting to discuss their side of the war on the black economy. They mentioned that the black economy is a significant economic issue that undermines the integrity of Australian society by reducing funds for essential community services. The Tax Office would help keep the system fair for everyone by stopping dishonest and criminal activities and the abuse of the tax and regulatory systems (John Howard promised that the introduction of GST would see the end of the black economy). There were a number of angry tax agents at the meeting because the Tax Office mentioned they would perform unannounced audits on their clients, of who they could not or would not identify. The ATO mentioned a number of businesses were selected for audit because they were not registered for GST or PAYG Withholding and therefore were suspicious or possibly dishonest. Others were selected because like with “ROBODEBT” they were statistically anomalous. The introduction of Single Touch Payroll has forced many small businesses with maybe one owner/employee that would normally use a ledger book to now buy or upgrade their computer system and software package increasing their business costs. All these new measures are helping the tax office but what about small business. The dream of Big Data is to make things fairer and faster but who does that really help and what are the unintended consequences.

The Currency (Restrictions on the Use of Cash) Bill 2019, like with the rational from the ATO on the face of it seems reasonable. If you look more broadly I see other possibly unintended consequences. The Liberal party won the last election but now they have to run a country and economy that is arguably in recession. The EU is forced to bail out Deutsche Bank. The German government bond is -ve. The British pound has fallen through the floor. The only thing keeping the US economy going is Quantitative Easing. We all heaved a sigh of relief as Australia missed the effects of the GFC . In its fear of the crisis the government of the day gave even more power to the Big 4 Australian banks. Recently we had the Hayne Royal Commission which the Liberal party were forced to enact. The public were outraged by the conduct of the banks. The public may have been more upset if they knew that this was caused by Philip Lowe and the Reserve Bank of Australia. These zealots are all of the same faith that inflation is bad. So to keep the party going especially after a historical mining boom, we will start a housing boom by encouraging and engineering record household debt. All our friends at the IMF, Mr Greenspan, Bernanke and Yellen at the Federal Reserve told us so. So now we have a poor economy and flagging housing market, record household debt and so we will disregard the recommendations of the Hayne Royal Commission because if we don’t we might have a recession in this country. The following link makes interesting reading  <https://www.imf.org/en/Publications/WP/Issues/2019/04/29/Enabling-Deep-Negative-Rates-A-Guide-46598> This April 2019 IMF working paper instructs Philip Lowe why we should get rid of cash. In order to kick the economic can down the road governments may need to enact negative interest rates. The problem is that if people hold cash then this won’t work because people would rationally rather hold cash than lose money on their savings and therefore this Ponzi Scheme will not work. The hope in this scheme is that businesses will then invest in productive assets rather than lose money in the financial economy. The other advantage of no cash is “Bank Buy Ins”. As we do not have a Glass Steagall act in Australia, if and when the banks fall over, deposit holders will be forced to convert their deposits into shares of these failed banks rather than get their cash out.  The details of the Bill will be controlled by regulation and so if the assistant treasurer wishes to drop the cash threshold from $10,000 to $500 they can or include Bitcoin as cash they can and do so without notifying anyone. How will the Currency (Restrictions on the Use of Cash) Bill 2019 be enforced or monitored? Only by increasing the powers of the Australian Signals Directorate. Remember the raids on Annika Smethurst and the ABC, yes I know they were to keep Australians safe, but what have we lost?

In China if you fall foul of the social credit system, the PLA can close your bank accounts and cut you off essential services and all Australians would say how terrible this was. What happens in Australia if there was a change of government and we had a Donald Trump or Mussolini running the country and you have no access to cash, what do you do?

The Liberal Party is a party of freedom, but where is the freedom here?

The Bill was snuck in late Friday evening and public consultation only runs from 26 July 2019 - 12 August 2019. This is an important Bill what is the government or treasury frightened of?

Kind regards

Leon