

OPINION POLITICS FEDERAL CASH

Measures to tackle black economy are suspiciously totalitarian

By Matthew Lesh
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The Turnbull government’s proposed ban on cash payments above \$10,000 is a disturbing breach of our right to privacy, an attack on the basic liberty of free exchange, and will worsen Australia’s red tape crisis.

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Dodgy?

The aim of the ban, which was announced in the budget with other measures to tackle the "black economy", is to prevent money laundering and tax cheats. These are genuine goals.

However, there is nothing inherently immoral or harmful about cash. The government is punishing the vast majority who do nothing wrong in an ill-fated attempt to prevent a small number of people acting illegally.

In practice, the ban will be ineffective and unenforceable. A transaction limit will not make criminals suddenly law-abiding citizens – they will flout the rules by using multiple smaller transactions and illegal bank accounts with stolen identities.

The ban will, however, prevent the many genuine uses of cash, including keeping transactions private from prying eyes, avoiding credit card transaction fees, and the preference for physical cash over non-material digital currency.

In 1984, George Orwell explored how Big Brother uses surveillance to control citizens. "Always the eyes watching you and the voice enveloping you. Asleep or awake, working or eating, indoors or out of doors, in the bath or in bed – no escape," Orwell wrote.

The intention of the cash ban is to create an accessible digital record of transactions that government can monitor. This establishes a creepy precedent, foreshadowing a future in which you are only allowed to make purchases that Big Brother can watch. If the government should be able to track our transactions why stop at \$10,000? Why not \$5000? Why not, as some commentators have proposed, \$0?

In the long-run, a cashless society would immensely empower the state, which could use our spending habits to reward and punish certain behaviour, or introduce taxes on savings. Imagine a future in which because you spend "too much" on unhealthy food, the government charges you higher taxes; or because you don't have a gym membership you have to pay a higher Medicare surcharge.

Cash is not only an important protection from state power, it also provides privacy from partners and families, and financial institutions and businesses.

ASIC has warned that a sign of financial abuse is being compelled to tell your partner or family how your money is being spent. A common method to avoid abuse is to use cash to hide your transactions from electronic records that the abuser can see.

Imagine you've just escaped a financially abusive relationship. It's taken months of planning, carefully siphoning your savings into cash to hide from your controlling partner. You plan to use the money to buy a car, and the freedom that would bring.

The car salesperson, however, informs you that thanks to new regulations it is illegal to accept a payment over \$10,000, because the federal government assumes that the only reason to keep money out of a bank is to scrimp on tax.

Cash also allows customers to protect their privacy from businesses. A credit card is a unique identifier which, when combined with big data and machine learning, allows

companies to track your spending habits.

Australian Conservatives Senator Cory Bernardi has pointed out the myriad privacy risks. “If everything you spend is traceable then so too is what you eat, drink and enjoy. Big data becomes even bigger and it won’t be just advertising you are susceptible to. Imagine the alcohol consumer identified as drinking too often and has their health premiums raised accordingly. Or the book buyer who is blocked from purchasing ‘unauthorised content’.”

In addition to the cash ban, the government will also require reporting of payments in cleaning and courier industries, building and construction, trucking, security and computer systems. This creates substantial new red tape that will harm small business and contractors, destroying jobs and lowering incomes. The Institute of Public Affairs has calculated that red tape is already costing our economy \$176 billion a year.

The best way to combat illegal activity is to cut red tape and reduce taxation.

Countries with higher taxes and more regulation are plagued by a larger black economy and corruption. Tamás K. Papp and Előd Takáts of the IMF have found evidence that reducing tax rates increases revenues because of more compliance – when taxes are lower there is less incentive to avoid paying. Academics Randall Holcombe and Christopher Boudreaux found that countries with more regulation and higher expenditures are associated with more corruption because it invites opportunities for government officials to be paid for favours, subsidies, and government contracts.

The solution to Australia’s black economy is to cut taxes and red tape, not to adopt the techniques of a totalitarian surveillance state.

Matthew Lesh is a research fellow at the Institute of Public Affairs.



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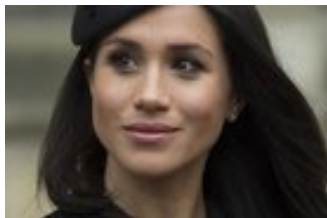
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