HUME'S HUNDRED:

'TIN FOIL' QUOTES FROM GLOBAL EXPERTS

On the 7th of February 2020, **Liberal Senator Jane Hume** addressed Victorian State Liberal Party members. 95% of party members had previously voted in opposition to the Morrison governments' Currency (Restrictions on the Use of Cash) Bill 2019. Senator Hume dismissed widespread concerns about the economy-wide $10,000 cash ban, saying there is a 'tin foil hat' campaign to spread misinformation about cash restrictions and negative interest rates. Senator Hume dismissed any possible impacts on the small business community, and dismissed the phenomenon of 'debanking', suggesting it was a 'tin foil hat theory'.

We have compiled one hundred quotes from economists, central bankers, academics, researchers, Senator Hume's former employers and the Black Economy Taskforce Head himself, to refute Senator Hume's claims, in '**Hume's Hundred: 'Tin foil' Quotes from Global Experts**'. Senator Hume is an ex-banker. **Who is she speaking for- the Australian people, or the banks?**

1. The zero lower bound problem results from the availability of cash as a liquid investment alternative [making] it difficult, perhaps impossible, to push market rates very far into the negative territory. Erkkii Likanen, Governor of the Bank of Finland

2. So one of the underlying macro-strategies here is to shift from a cash-based economy into a non-cash economy by way of offering incentives and disincentives for people to operate in the cash system. Michael Andrew, Head of the Black Economy Taskforce

3. The existence of cash prevents central banks from cutting interest rates much below zero. Assenmacher & Krogstrup, International Monetary Fund

4. For removing the zero lower bound on nominal interest rates… Abolishing currency may seem drastic, but should present no significant logistical problems for advanced economies. Willem Buiter, Citigroup Global Chief Economist

5. Some economists, including Ken Rogoff (former Chief Economist of the IMF), argue that financial stability and the effectiveness of monetary policy may also benefit [from the move away from cash] Black Economy Taskforce Final Report

6. Once the nominal interest rate is at zero, no further downward adjustment in the rate can occur, since lenders generally will not accept a negative nominal interest rate when it is possible instead to hold cash. Ben Bernanke, Former Chairman of the Federal Reserve

7. [T]here is an incentive to switch to currency whenever interest rates on reserves turn negative. That hinders the effectiveness of monetary policy and is known as the Zero Lower Bound. Andrew Haldane, Chief Economist, Bank of England

8. Debanking: Chase Bank "says "moral character" a reason why they don't do business with "those types of people". Project Veritas

9. [T]he presence of physical cash makes it more difficult for central banks to impose negative interest rates. Peter Sands, Standard Chartered

10. [In a crisis] What measures can the resolution authority take? The bail-in tool (also referred to as creditor participation). Deutsche Bank (Senator Hume's former employer)

11. [P]hasing out paper currency is arguably the simplest and most elegant approach to clearing the path for central banks to invoke unfettered negative interest rate policies. Kenneth Rogoff, former Chief Economist of the IMF

12. An environment of low interest rates also brings fundamental monetary policy challenges. One of these arises from the fact that it is possible to hold money in the form of cash. Thomas Jordan, Swiss National Bank

13. [I]f banks were to charge significantly negative rates on deposits, then the higher return on cash could lead households and businesses to withdraw their deposits. Benoit Coeure, European Central Bank

14. [N]egative rates raise a fundamental question for bank business models: why should people hold cash in their bank account if they are charged for doing so? Herve Hannoun, Bank for International Settlements

15. If investors flee from bank accounts into paper money, the monetary policy objectives of the Swiss National Bank will be defeated. Alexander Trentin, Swiss financial journalist

16. Prohibiting the possession of currency would remove the "zero nominal bound" as a constraint on countercyclical monetary policy. Paul Romer, Nobel Prize winning economist

17. [A] moratorium on printing new high denomination notes would make the world a better place… a global agreement to stop issuing notes worth more than say $50 or $100. Larry Summers, World Bank, US Treasury

18. Monetary policy simply won't work if there is a liquidity trap and demand for cash is infinite. Deutsche Bank (Senator Hume's former employer)

19. [To facilitate bail-in], deposits held by natural persons, micro enterprises or small and medium size enterprises may also be used. UBS

20. [Highlights] the gradual transition from bail-out to bail-in for the resolution of European banks… [preferably before] substantial erosion of the "bail-inable" base. World Bank

21. [I]n general tax evasion is rather explained by other factors than solely by the use of cash. It also does not capture larger tax evasion schemes, which do not depend on cash at all. Centre for European Policy Studies

22. [Stakeholders noted] the negative effect of cash restriction on high-value transactions on revenues. Some clients may be fully deterring from the sale or purchase by restrictions while others seek alternatives via the black market or they take their business [elsewhere]. Centre for European Policy Studies

23. [C]an we actually shift from a cash to a non-cash society where we can therefore monitor and measure people's activities, so we have to provide incentives and disincentives for people to operate a cash model. Michael Andrew, Head of the Black Economy Taskforce

24. The zero lower bound on nominal interest rates is due to the availability of cash that yields a zero nominal return. Assenmacher, Krogstrup, International Monetary Fund

25. The zero lower bound arises when a government issues pieces of paper (or coins) guaranteeing a zero nominal interest rate… This acts as an interest rate floor. Agarwal & Kimball, International Monetary Fund

26. The zero lower bound on nominal interest rates is due to the availability of cash… making cash depreciate relative to electronic currency… could solve this problem. Assenmacher & Krogstrup, International Monetary Fund

27. [A]bolishing currency, ensures that all money… consists of registered instruments on which the payment of positive or negative interest is trivially easy. Willem Buiter, Citigroup Global Chief Economist

28. [M]oving people into the banking system... [will] significantly improve both the quality and range of data at the disposal of agencies. (Note from us: and by default, banks) Black Economy Taskforce Final Report

29. [A] large proportion of tax evasion activities are not likely to be affected by a cash payment limit and consequently no reduction or prevention of such activities should be expected. Centre for European Policy Studies

30. [Debanking] as the effect of disconnecting high-risk jurisdictions from the global financial community and driving their economies underground. Duff & Phelps

31. A more radical proposal still would be to remove the ZLB constraint entirely by abolishing paper currency. Andrew Haldane, Chief Economist, Bank of England

32. If central banks can take control over the paper currency interest rate, then it is possible to get paper currency out of the way of targeting any real interest rate - even deep negative rates. Miles Kimball, Professor of Economics at the University of Colorado Boulder

33. An interest-bearing central bank digital currency… does not actually require cash to be abolished, but rather that it no longer acts as an effective competitor for large transactions. Benoit Coeure, European Central Bank

34. Whereas cash may play a role in tax crimes (in particular in "petty" cash evasion by businesses and private individuals), it is definitely not the only form of tax evasion, with larger tax evasion schemes often being cash-less making use of offshore jurisdictions. Centre for European Policy Studies

35. For some decades, people have been speculating that we might one day go cashless… it looks like a turning point has been reached. It is now easier than it has been to conceive of a world in which… cash becomes a niche payment instrument. Reserve Bank of Australia Governor Phillip Lowe

36. We may be approaching a tipping point, where cash is not only losing market share, but may be increasingly disappearing as an option… The question we must be prepared to answer is: what is the justification for cash as a means of payment on the face of such developments. Erkkii Likanen, Governor of the Bank of Finland

37. Banned from 30 different Australian banks and counting… I have a PTY/LTD company, pays tax registered with the OAIC and conduct all relevant KYC/AML/CTF checks. Michaela Juric, Bitcoin Babe Pty Ltd

38. [A bank resolution/bail-in would occur when] there is no prospect of averting the failure of the bank by alternative measures on the part of the private sector. Julius Baer

39. The lower bound on interest rates is due to the existence of cash, which by design yields a nominal interest rate of zero. Assenmacher & Krogstrup, International Monetary Fund

40. In a cashless world, there would be no lower bound on interest rates… Without cash, depositors would have to pay the negative interest rate to keep their money with the bank. Agarwal & Krogstrup, International Monetary Fund Blog

41. Should fiat currency be abolished, the loss of these retail transactions benefits could be compensated for by offering free accounts with the central bank to all legal residents… These accounts, being registered instruments, could, of course, pay a positive, zero or negative rate of interest, as required. Willem Buiter, Citigroup Global Chief Economist

42. At the vanguard of the information revolution are a select group of firms… [which] recognise the potential for data… to identify commercial opportunities (whether in finance or understanding consumer behaviour). Black Economy Taskforce Final Report

43. Wider digital access to the central bank may strengthen the pass-through of the policy rate to money and lending markets. Bank of International Settlements

44. [W]e're coming across a number of situations where banks are actually removing people from their books. We call it 'debanking' … not offering services. This could be point-of-sale equipment, but it could also be holding an account with the bank. Dr Craig Latham, Deputy Small Business Ombudsman

45. The most straightforward way to unencumber interest rate policy completely at the zero bound is to abolish paper currency. Marvin Goodfriend, US Federal Reserve, Professor of Economics at Carnegie Mellon University

46. [To remove] the effective lower bound on short-term rates – perhaps the most prominent proposal is to either to tax currency holding… or abolish it altogether, and hence to remove the arbitrage between bonds and cash… Benoit Coeure, European Central bank

47. [In] an outright ban on high-value cash payments… the impact on revenues is expected to be significant for the casino industry, [stakeholders concerned] customers would move towards online or underground banking… Legitimate customers would be hit. Centre for European Policy Studies

48. A successful and smooth open bank bail-in… ensured private loss absorption and prepared the ground for a transfer of the restored bank to private acquirer while ensuring uninterrupted access to banking functions. World Bank

49. Several macroeconomists believe that once the negative interest rate environment becomes commonplace that more and more sectors of the economy would become physically cash based. Deutsche Bank (Senator Hume's former employer)

50. Another interesting hypothetical question is what should be the role of the central bank in a such an hypothetical economy where physical cash would no longer exist. Should the concept of legal tender be redefined, and should the retail customers have access to central bank money in such an economy? Erkkii Likanen, Governor of the Bank of Finland

51. An alternative to phasing out cash is to make holding cash as costly as electronic money when interest rates are negative… to let banknotes expire at certain dates, forcing their holder to pay a conversion fee for changing them into new, valid banknotes Assenmacher & Krogstrup, quoting Thomas Seltmann

52. The right answer is to abolish currency and move completely to electronic cash… Because electronic cash can have any yield, interest rates would be able go as far into negative territory as the market required. Narayana Kocherlakota, former President of Minneapolis Reserve Bank

53. I have tried to figure out how to free up the paper currency interest rate… in an effort to minimise the political cost to a central bank of getting paper currency out of the way of interest rate policy. Miles Kimball, Professor of Economics at the University of Colorado Boulder

54. Europe's private banks and asset managers are facing a crisis as business models are hollowed out by negative interest rates, the chief executive of Edmond de Rothschild has warned. New Zealand Herald. (Rothschild Australia Asset Management is Senator Hume's former employer)

55. [I]f a bank refuses to deal with a particular business and the business needs to make transactions of over $10,000, requiring that business to deal with an entity that won't deal with them puts that business in an impossible position. Alexandra Hordern, Director, Advocacy, Small Business Ombudsman

56. Australia's ASX Ltd. is testing its systems for the trading of negative interest rate products. Bloomberg

57. It's possible we end up at the zero lower bound. I think it's unlikely but it is possible. We are prepared to do unconventional things if circumstances warranted. Reserve Bank of Australia Governor Phillip Lowe

58. We've done some initial testing in both New Zealand and Australia to assure ourselves that, if we ended up having to offer negative interest rates on deposits… our systems would cope. Shayne Elliot, ANZ Chief Executive

59. We may impose limits on the amount, or the amount of each denomination, of cash deposits that may be made over the counter at any ANZ branch. ANZ, Terms & Conditions updated September 2019

60. [A] policy that targets cash alone is not only shortsighted; it also misidentifies the problem. Dr Ursula Dalinghaus, Keeping Cash Whitepaper

61. This risk of substitution from deposits and reserves into cash is at the core of the existence of a lower bound on interest rates… there is no doubt that substitution would eventually occur if interest rates were to become sufficiently negative. Substitution into cash on a large scale would erode banks' funding base. Assenmacher & Krogstrup, International Monetary Fund

62. [A]ll that is needed to empower monetary policy to cut interest rates as much as needed for economic stimulus now is to change from a paper standard to an electronic money standard, and to be willing to have paper currency go away from par. Agarwal & Kimball, International Monetary Fund

63. There is a notable asymmetry in the design and implementation of monetary policy: nominal interest rates cannot be negative… [since] currency, has other attractive properties [and is] perfectly liquid, a Treasury Bill with a negative nominal interest rate would be dominated by currency as a store of value. . Willem Buiter, Citigroup Global Chief Economist

64. [If cash was eliminated as a competitor for large transactions] the central bank could gain greater control over the transmission of interest rates to households and businesses. In a deep recession, it could reduce interest rates by more than is currently possible. Benoit Coeure, European Central Bank

65. [T]he zero interest bound should be removed— much as the gold standard and fixed foreign exchange rate encumbrances were removed in the 20th century. Marvin Goodfriend, US Federal Reserve, Professor of Economics at Carnegie Mellon University

66. [Cash] has important drawbacks… its existence creates the artifact of the zero bound on the nominal interest rate. Kenneth Rogoff, former Chief Economist of the IMF

67. Cash is definitely not the root cause of money laundering or terrorist finance, nor is it even one of the main culprits… while cash may be used in money laundering… so too are other means of payment, assets, and other modes of transforming and storing value. Dr Ursula Dalinghaus, Keeping Cash Whitepaper

68. [T]en years after the crisis, it is clear that the zero lower bound on interest rates has proved to be a serious obstacle for monetary policy… the prohibition approaches places quantity restrictions on cash. Agarwal & Kimball, International Monetary Fund

69. When cash is available, however, cutting rates significantly into negative territory becomes impossible… Cash is a free option on zero interest, and acts as an interest rate floor. Assenmacher & Krogstrup, International Monetary Fund

70. [T]he government can discourage paper currency storage in essentially three ways, corresponding to the three steps needed to earn an interest rate of zero minus storage costs from paper currency: it can attack withdrawal of paper currency, storage of paper currency, or redeposit of paper currency. Agarwal & Kimball, International Monetary Fund

71. By abolishing currency and introducing a close substitute on which interest, positive or negative can be paid, the authorities can remove the lower bound on the short nominal interest rate. Willem Buiter, Citigroup Global Chief Economist

72. [N]egative rates on central bank liabilities could provide the monetary stimulus needed in extreme circumstances…issuance of CBDC [central bank digital currency] could serve to alleviate the zero lower bound if it came along with a reduced desire for cash holdings. Bank of International Settlements

73. While a CBDC [central bank digital currency] could carry a negative rate, this may not address effectively the zero lower bound if higher denomination banknotes were not simultaneously abolished. Bank for International Settlements

74. [I]n a negative interest environment, the value of paper currency can be caused to depreciate over time relative to electronic money. The objective is a policy at minimum distance from the current monetary system consistent with eliminating the zero lower bound. Agarwal & Kimball, International Monetary Fund

75. It may indeed be the case that no amount of quantitative easing or credit easing can make up for the inability of the monetary authorities to set negative nominal interest rates. Willem Buiter, Citigroup Global Chief Economist

76. Paper currency has two very distinct properties that should draw our attention. First, it is precisely the existence of paper currency that makes it difficult for central banks to take policy interest rates much below zero. Kenneth Rogoff, former Chief Economist of the IMF

77. While the European experience suggests that interest rates can be pushed somewhat below zero, the existence of physical currency likely still limits how deeply interest rates can be pushed into negative territory. Stanley Fischer, Federal Reserve System

78. [C]entral banks are applying negative rates to the majority of accounts on their books with a view to limiting the potential for arbitrage between accounts… [aiming] to prevent account holders from substituting cash for sight deposits. Bank for International Settlements

79. If the interest rate level declines further, at some point cash will become more attractive than sight deposits bearing negative interest… this results in an effective lower bound for interest rates, which limits the scope for monetary policy action. Thomas Jordan, Swiss National Bank

80. Restricting cash and cash payments: Displaces the issue onto other modes of moving value and instruments for making payments; Displaces the issue of illicit or criminal use from one jurisdiction onto other jurisdictions. Dr Ursula Dalinghaus, Keeping Cash Whitepaper

81. The zero lower bound is a serious obstacle for monetary policy… this paper shows how subordinating paper currency to electronic money can end recessions and end inflation. Agarwal & Kimball, International Monetary Fund

82. [T]he "physical lower bound" of nominal interest rates, at which disintermediation risk will materialise, is imposed by the opportunity cost of holding cash. Benoit Coeure, European Central bank

83. [O]nce policy rates fall too far into the negative zone… people will start to hoard money instead of holding the negative yielding deposits. At this point, cash will be held by people merely as a store of value. John Iannis Mourmouras, Deputy Governor of the Bank of Greece

84. [I]t is virtually impossible to think about drastically phasing out paper currency without recognising that it opens a door to negative rates that central banks may someday be tempted to walk through. Kenneth Rogoff, former Chief Economist of the IMF

85. Financial flows which are moved with (non-restricted) non-cash payment instruments and are used for tax evasion cannot, however, be directly captured by a cash payment limit. A significant part of the tax evasion would therefore not be affected. Centre for European Policy Studies

86. [I]f the persons involved in a transaction are aware of an illegal execution of the transaction, as it should be the case with illicit work, it seems unlikely that these persons refrain from using cash due to a cash payment limit. Centre for European Policy Studies

87. While positive impact in terms of reducing tax evasion might exist, the overall impacts of a prohibition remain limited. In general, tax evasion can only (very) partially be explained by the availability of cash. Centre for European Policy Studies

88. We show here how the combination of (a) using electronic money as the unit of account and (b) a time-varying paper currency deposit fee can be used to eliminate the option to circumvent the negative rates by withdrawing, storing and, later, redepositing paper currency. Agarwal & Kimball, International Monetary Fund

89. With many central banks now near or at the zero interest rate bound, there are increasingly strong arguments for exploring how [cash] might be phased out of use. Kenneth Rogoff, former Chief Economist of the IMF

90. Cash is an important safeguard against network failures, lack of electricity, or political turmoil on the one hand, and a potential limit upon governmental as well as market overreach into people's financial lives on the other. Dr Ursula Dalinghaus, Keeping Cash Whitepaper

91. Our current thinking is that QE becomes an option to be considered at a cash rate of 0.25 per cent, [where] the interest rate paid on surplus balances at the Reserve Bank would already be at zero… we would, at that point, be dealing with zero interest rates. Reserve Bank of Australia Governor Phillip Lowe

92. [I]f banks were to charge significantly negative rates on deposits, then the higher return on cash could lead households and businesses to withdraw their deposits. Benoit Coeure, European Central Bank

93. [A] phase of low interest rates, especially a prolonged one, can have undesirable sideeffects, including the possibility of cash hoarding, which limits the scope for monetary policy action. Thomas Jordan, Swiss National Bank

94. [Proposes a 'solution' of] a government-backed currency, but have it issued in an electronic rather than paper form… [allowing] negative interest rates to be levied on currency easily and speedily, so relaxing the ZLB constraint. Andrew Haldane, Chief Economist, Bank of England

95. [N]egative nominal rates must be acceptable to the public if they are to be a useful tool for central banks… The hoarding of cash itself is an unproductive investment that drains resources from the financial sector of the economy. James McAndrews, Federal Reserve Bank of New York

96. Having a nonzero 'paper currency interest rate' that can commode closely when desired with the central bank's target rate is the new feature in an electronic money system. Miles Kimball, Professor of Economics at the University of Colorado Boulder

97. It has been observed that customers prefer to shop in another country, which does not have cash payment restrictions or implements less stringent restrictions… these categories of tourists have the habit of paying in cash, mention shopping as a key element of their stay. Centre for European Policy Studies

98. [On 'debanking'] If Jamie Dimon can't absolutely guarantee that Chase Bank won't ever discriminate against conservatives, conservatives should consider banking elsewhere. David Almasi, of the conservative-leaning National Center for Public Policy Research

99. [U]nfortunately Australian banks have been so far unwilling to work with the digital currency industry which leads to frequent account closures and strict limits on accounts whilst they remain operational, in effect debanking our industry. Coinspot

100. A possible effect of cash payment restrictions is that buyers will simply cancel the transaction… A cash payment ban could have an impact on sales of high-value goods and lead to revenue losses. Centre for European Policy Studies

Bonus: 101. Concerns about the handling of personal data from payment services providers are also based on allegations that misuses are being observed. Centre for European Policy Studies

Bonus: 102. [I]n France, a recent study show that 62% of the respondents consider that measures to limit the use of cash are an infringement of personal freedoms. . Centre for European Policy Studies