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CLEANING UP DIRTY MONEY: THE ILLEGAL NARCOTICS TRADE AND MONEY LAUNDERING

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ABSTRACT. This paper will analyse the various global processes of money laundering in which drug dealers and criminal narcotics cartels are engaged and implicated. The scale of the processes involved will be outlined, and the diversity and variety of the different practices engaged in by the traffickers will also be adduced. This paper will outline the mechanisms and motivations of money laundering by narcotics dealers, and will break the process down into three distinct stages – placement, layering and integration – in order to explicate both the challenges faced by narcotics dealers and those which confront the law enforcement agencies that attempt to stop them. The implications and costs of drug trafficking will be analysed from the perspective of social outcomes, and the role of law enforcement agencies such as the Drug Enforcement Administration (DEA) in the context of the United States, and other federal and international bodies, will also be considered.

The implications of the laundering process will be considered from the perspective of financial institutions and banks that do not want to become involved in the laundering process, and the various methods which can be employed by such institutions will be cursorily examined. However, it will also be shown in this article that money laundering has potential spill-over benefits, as in the case of the growth and development of Miami real estate in the 1990s through the investments of the cocaine cowboys. This will be examined from both an ethical and a financial perspective, to evaluate the degree to which money laundering can be said to have knock-on benefits.

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Introduction

Money laundering is a technique as old as money itself, and its association with crime and criminality is long-standing (Clark and Tigue, 1975). The necessity to launder money derives from the evident need that criminals have to legitimise their ill-gotten currency; in other words, illegitimate money is laundered into the financial system so that it becomes legitimate. This process involves integrating money into financial systems and normal businesses, such that it is laundered and thereby non-traceable to the original crimes from which it constitutes the profits (Ehrenfeld, 1992). The association with narcotics and money laundering is particularly explicit, as often millions of dollars constitute the proceeds of a drug sale or number of sales, which then have to be integrated back into legitimate business ventures, investments, bank accounts, securities investments, gold, stocks and other legitimate capital. In particular, the majority of the money laundered in the world from narcotics is in the cocaine business, which thrives in particular in Colombia, Mexico and other parts of Central and Latin America (Alvarez, 1995; Grosse, 1999). This paper will analyse some of the main techniques used by drug dealers in these regions and elsewhere in order to launder their money, considering both the major challenges that these processes present to the dealers, and how these challenges can provide the point of entry for law enforcement seeking to identify the major drug smugglers and trace back laundered or improperly laundered money to its original narcotics source. As part of this analysis, improvements to the current regime will be considered in light of theories that have emerged over the years.

Historical Context and Development

Before the 1990's, money laundering was barely considered a crime, and was not even grounds for the confiscation of assets. However, since the 1990's, money laundering laws have become much more stringent, and is at the forefront of governments' attempts at curb illegal drugs, organised crime and terrorism (Alldridge, 2003). Until 1986, drug dealers were able to retain their profits, even after they had been imprisoned, and so could enjoy their proceeds after they had left jail. Now, however, their proceeds are confiscated on conviction, and money-laundering laws are allowing prosecutors to chase up proceeds that may have been 'cleaned' and moved into legitimate funds. According to Alldridge (2003), money-laundering trends are moving away from financial processes, towards use of non-financial institutions, due to increasing levels of regulation in the financial services. It seems as though regulation to improve the reporting of money laundering activities within financial organisations are not impeding money laundering, but are merely forcing money launderers to use different methods instead. Much of this renewed enthusiasm is arguably due to increased globalisation and the recognition that money laundering is potentially damaging not only to those directly involved in drugs but is also having a negative knock on effect on the world economies and may encourage other areas of criminal behaviour such as violence and prostitution in order to fund drug habits.

Current Problems in Money Laundering

It is important to acknowledge the vast scale of the money laundering process within the vast trade in narcotics across the world. Given that some of these drug deals involve hundreds of millions of dollars, and that some of the major drug cartels are involved in billions of dollars of illicit deals over the course of a single year, the scale of the money laundering operation is considerable. Although there is clearly a degree of secrecy surrounding such activities there are also some very well renowned drug cartels such as the Zetas cartel, based in Mexico. This presents both challenges to the drug dealers themselves, who are faced with the logistical challenge of laundering such a large amount of money without being detected, and also constitutes the best chance that the police have of identifying the source of the drug cartels. The need to do this is a pressing and paramount one for the protection of the public and the elimination of large scale criminal behaviour (Walter, 1989; Welling, 1989). Criminal activity of this scale is not only damaging to those directly involved in the criminal groups themselves but can also have a knock on effect on the stability of financial markets as well as encouraging a widespread use of narcotics. Although this paper will investigate and analyse some of the putative benefits which can be said to derive from the money laundering process in terms of spill-over benefits from the narcotics money invested in certain legitimate business practices, the focus throughout must be on the real and tangible costs of these processes both at the macroeconomic level and at the level of communities and smaller organisations affected by money laundering practices. At the most fundamental level, these practices are highly controversial and worrying because they effectively fund the narcotics trade and the cartels engaged in it. Dirty money is not effective currency or capital in any real sense because it is not legitimately integrated into the financial system. This means that money made from drug deals *per se* is not valuable to the dealers; this money is only valuable and actionable if it can be converted into legitimate capital. Therefore, every dollar successfully laundered is funding the activities of drug dealers; this means that often the drug money, when laundered, goes towards funding new criminal enterprises and finances the expansion of the narcotics trade and operation:

By recognising the balancing agendas that the various different entities have when it comes to drug activities it becomes easier to identify how the authorities can work to combat the negative effects. Essentially criminals will be looking to 'clean' the drugs money in an undetected manner so that the drugs activities can remain undercover yet the authorities will be looking not only to prevent the money laundering that is taking place but also to identify the roots of these funds. Simply preventing one instance of money laundering, whilst desirable is unlikely to be the ultimate aim of the regulators.

This has been summarised by Doyle in 2002:

Primarily, money laundering aids in the criminal enterprise; it helps criminals to do what they do best – commit crimes – with greater resources at their disposal and with less chance of detection. More broadly, money laundering destabilizes the global economy. Banks having ties to criminal activities (or the proceeds thereof) are likely to undermine public confidence in the safety and security of the financial sector. Additionally, substantial amounts of laundered funds are misappropriated from the scant resources of developing or financially troubled nations (Doyle, 2002, p. 281).

Money Laundering Techniques

What emerges in these practices is a wide variety of laundering techniques; the cartels wish to avoid detection in their money laundering processes by spreading them out as widely as they can and making the practices they engage in as diverse and unpredictable as possible. Moreover, effective money laundering is successful by not being traceable to the original illicit gains and the individuals who made them. This means that even if the police or federal law enforcement is able to detect money laundering in the case of a certain amount of currency, it is not able to then link this individual case to the wider money laundering practices of the cartel as a whole. In order to achieve this unpredictability and to make the processes difficult to trace, the drug dealers engage in varied and creative practices of money laundering, often involving multiple currencies, processes and countries, in order to remain difficult to predict and hard to trace. As Grosse has noted, these processes are highly creative and most effective in that they involve a wide range of practices and considerable diversity in terms of methods chosen and how the laundering process is actually carried out:

These ventures are almost unimaginably creative and extensive. From shipping suitcases of dollars to Mexico to buying gold with drug cash in California to faking the export of clothing from Colombia to Panama, the clandestine activities of the

> *launderers are truly fascinating. The amounts of money involved are often staggering – hundreds of millions of dollars in [some] cases (Grosse, 2001, ix).*

This emphasis on creative methods is one means through which narcotics dealers are able to effectively remain one step ahead of the police and law enforcement agencies, putting dirty money into areas and institutions where it has not previously been invested or laundered, and thereby bypassing the institutional and preventative framework established by both financial organisations and law enforcement as a means of ensuring that such practices do not take place. An awareness of the extent of the creativity involved in narcotics money laundering, as well as the contingent potential areas where the law enforcement can focus their efforts and thereby hope to prevent the process from happening, can be gained by way of reference to the Financial Crimes Enforcement Network (FinCEN) schema which divides the process up into three stages. The initial stage in any money laundering process is the placement stage. This involves the placement of the narcotics money into a financial system of one sort or another. The problem here concerns the ways in which narcotics dealers can place large quantities of money in financial systems without being detected and without the influx of a large amount of capital – delivered in cash – flagging up concerns and leading to the identification of the placement:

> *Because checks, credit cards, and other non-cash means are commonly accepted in legitimate financial transactions in today's society, carrying out a large cash transaction may draw undesired attention to the criminal desiring to use his or her illegally acquired money. Accordingly, the drug trafficker will employ a money launderer to place the funds into the financial system unnoticed, or to physically transport the cash outside of the United States (for example, to Mexico or to Panama) (Grosse, 2001, p. 3).*

The Interaction of Money Laundering with the Wider Financial Markets

In other words, because drug deals almost always use cash as their medium of payment, and because most legitimate financial transactions in today's computerised world of global financial systems do not, there is an inherent disjunction between the form the drug dealer's money takes and the form it would need to take to be seen as legitimate, or at least to not be flagged up immediately as very likely illegitimate. Because of this problem, and because this stage marks the moment in time during which the drug dealer and the money are most closely linked and most readily connectable, placement constitutes the money laundering stage which is by far the most vulnerable to detection by financial institutions and, subsequently, by law enforcement agencies and organisations.

Of vital importance to the detection regime is a detailed understanding of the methods being used. It has already been noted that the drug dealers are viewed as being one step ahead of the regulator and therefore it is contended that the regulators will need to become much more aware of the operations of the drug dealers so that they can intercept with greater efficiencies.

Subsequent to placement, two processes are involved which are complementary and which both have the purpose of – having placed the money – first, making it undetectable and second, usable in legitimate revenues. To reiterate, the goal of money laundering for narcotics dealers is to arrive at a point where their money can be used as if it came from a legitimate source, such as currency trading or investment payouts. In this manner 'the launderer further separates the illicit proceeds from his or her illegal source' by this process of layering, a process which occurs 'through a series of financial transactions which, in their frequency, volume, and/or complexity, resemble legitimate financial transactions' (Grosse, 2001, p. 3). This process then establishes the conditions through which the narcotics dealer can then integrate these layered funds into the legitimate economy.

The process of integrating funds into the legal economy 'moves away from the financial transfers and into the realm of real or financial assets or purchases' and 'is accomplished in such a way that the funds appear to be derived from a legitimate source, such as earnings from an ongoing export-import business or the purchase of stocks and bonds by foreign investors.' Integration constitutes the final stage in the three-stage model of money laundering, and by this time it can be noted that tracing the funds back to their narcotic sale sources is a task which is highly difficult for the law enforcement agencies. By this stage the money has gone through too many legitimate processes, been layered and moved around in different places, to be traced back to its original source. Moreover, even if some of the money can be identified as laundered, it is unlikely either that it will be at all possible to identify all the money collectively, or that the original individuals involved in the placement process will be identifiable. Major narcotics dealers and cartels further protect themselves by ensuring that the individuals involved in the placement process are not directly connected to and traceable back to them.

Combating Money Laundering

Because of the creativity and intelligence of the narcotics cartels and launderers, the law enforcement agencies are fighting something of an uphill battle in trying to prevent and regulate the money laundering processes. Moreover, there are logistical challenges involved in the process, with financial institutions working not always in line with law enforcement, nor observing the degree of financial discipline to which the law enforcement would necessarily wish to regulate them. Moreover, there are competing forces and institutions which, although not advocating the narcotic practices which are being controlled, nevertheless see anti-money laundering measures as overly impinging on the rights of individuals and the functioning of organisations. The war on drugs is one, these theorists (Powis, 1992) argue, which needs to be fought not through more intensive regulatory and intrusive measures at the level of financial institutions but which, by contrast, is best achieved through a refocusing process which addresses the dealing processes and the narcotics practices which result in the large amounts of money which are then laundered. In other words, the focus on the part of the DEA should be the activities prior to the actual money laundering process, and should therefore take place in a framework wherein it is considered that, by the placement stage, the law enforcement intervention is already too late. An approach to combating narcotics trading at the holistic level, therefore, from the ground up, is seen as a preferable alternative to overly strong regulation at the level of financial institutions (Intriago, 1999).

One of the problems which emerges here concerns the international nature of narcotics money laundering and the sovereign rights of states according to the realist tenets of international relations. The world of money laundering today is highly complex and globalised, and narcotics dealers are able to engage in practices which traverse national borders. The financial capital which can be moved around the world instantly and in real time in the twenty-first century is one where the possibilities for global and expansive money laundering on the part of narcotics dealers are considerable and unprecedented. It is not the case, unfortunately, that law enforcement within one state can deploy the kinds of international regulations and controls which would effectively prevent these processes from taking place. The United States has, in this regard, been rightly accused of waging its war on drugs and narcotics in an international context which impinges on the rights of other states and on their sovereign autonomy. This is a product of the globalised and computerised nature of money laundering today, which has opened up new and unprecedented possibilities and options for the narcotics cartels. Measures taken by the United States, such as the Trading with the Enemy Act (TWEA) give the President the right to exercise 'broad authority to impose comprehensive embargoes on foreign countries as one means of dealing with times of war', but the executive decisions flowing from these rights have been conflated with other practices aimed at combating money laundering by narcotics dealers, something which represents a pressing issue but which cannot, it must be noted, be legitimately presented as a war:

> *Similar to its U.N. Counterpart, the Trading with the Enemy Act premises any imposition of sanctions upon a time of war. (134) While the United States has, no doubt very consciously, characterized its charge against narcotics and money laundering as part of a comprehensive War on Drugs, the culpability of foreign governments for failing to act as the G-7 nations direct them hardly rises to the level of war, emergency, or even illegality (Doyle, 2002, p. 281).*

Since the early 1990's, there has been a quiet revolution in law enforcement efforts against criminal gangs involved in the narcotics trade (Taylor, 2003). The emphasis of law enforcement has switched from targeting gangs' illegal activities, to trying to attack criminal profits after they have been earned, thereby removing the profit motive of engaging in illegal acts, and scuttling the ability to continue their illegal activities. This means that law enforcement agencies have been targeting money laundering as a way of reducing the trade in illegal narcotics, as without successful money laundering techniques, the narcotics trade is *pari passu* not profitable. These efforts have not been universally welcomed, as they breach the assumed privacy of financial matters, as bank accounts are no longer considered private. Taylor (2003, p. 256) also claims that, "the laws have been accused of reversing the burden of proof, smearing citizens with the taint of criminality without benefit of trial, and converting police forces into self-financing bounty-hunting organisations". The laws that permit the confiscation of criminally derived capital fall under two main categories. The first type involves *in personam* procedures, whereby an individual must be charged with a crime, and only when that individual's guilt has been proven beyond reasonable doubt can his assets be seized. In this sense, the standard safeguards, such as the assumption of innocence and the right to counsel, all apply, as it is the individual who is under suspicion. The second type involves *rem* procedures, whereby assets can be seized if the agencies can prove by civil criteria that they are the proceeds of illegal activities. Occasionally, these two types can be blurred, such as when property that is believed to be the proceeds of illegal activities can be frozen before a trial, during the course of which the guilt of the individual will be proven.

The first country to experiment with asset seizure as a preventative method was Italy, in its Pio La Torre law, named after the assassinated head of the Sicilian Communist Party, who had campaigned for financial action of this sort before his death. The law was brought into force after a series of prominent Mafia assassinations, in an effort to curb their power in Italy. The law created a new crime, 'mafia conspiracy', and also removed the privacy of bank accounts, thereby allowing Italian police to investigate the bank accounts of individuals suspected of 'mafia conspiracy'. Apart from investigating their bank accounts, the police now had the power to seize the assets of anyone suspected of 'mafia conspiracy', as well as those of friends or family believed to be fronting for them (Taylor, 2003, p. 259). The new law meant that an individual need only suspected of conspiring with the mafia and not be suspected of any specific crime, for them to lose their right to financial privacy, which was a sufficiently nebulous idea to cover a wide section of the population. The law was sparked by a change in the make-up of the mafia; prior to the 1970's it had been seen as problem restricted to Sicily, as a result of the geographical isolation, social introversion and economic problems of the island. However, during the 1970's, the group became increasingly entrepreneurial, moving their activities into a number of other Italian cities, until they became such a large problem that the authorities felt they needed to take action.

One motivation behind the widespread adoption of money-laundering restrictions was a change in the attitude towards the causes of crime. Prior to the 1980's, much sociological study into the causes of crime focused on the socioeconomic backgrounds of criminals, to understand the factors that may drive an individual towards a life of crime. However, in the 1980's, in correlation with a rise in free-market theory in economics, sociology began to consider criminals engaged in a cost-benefit analysis situation, whereby they judged that there was more profit to be made in illegal activities than in legal ones. Thus, the focus on crime prevention switched from analysing socioeconomic conditions, and aiming to help individuals who came from backgrounds that would predispose them to a life of crime, towards removing the profit motive for crime, so that individuals would no longer see it as an attractive option. The understanding of an individual criminal changed from "a complex product of psycho-socio-economic conditions" to a "simple cost-benefit calculator" (Taylor, 2003, p. 264). This means that money-laundering restrictions were most widely adopted in countries that also adopted free market economic principles, such as the United States and the United Kingdom.

Taylor (2003) aims to quantify if this new approach has had the desired result of reducing criminal activity. To do so, it is necessary to distinguish between criminal income and criminal wealth; criminal income is the money generated through criminal activity, whereas criminal wealth is the accumulation over time of all profits generated through crime. To eliminate criminal income, it is necessary to eliminate the activity whereby criminal income is generated, i.e., to prevent the crime itself, which is no different to crime prevention efforts in the past. Criminal wealth, on the other hand, is the accumulation of profits generated through past criminal activities, targeting which constitutes the new approach here. Thus, to establish the success of anti-money laundering tactics, it is necessary to quantify the proportion of total criminal wealth seized at the beginning of any given period, compared to at the end of the given period. This in itself is not enough to prove whether the tactics are succeeding in reducing levels of crime, only to establish whether the tactics are succeeding in seizing more criminal wealth than previously. To gauge the success of the tactics, it is necessary to compare the rate of growth of criminal income relative to legal income, which will show whether the fall in criminal wealth is hindering the illegal community's activities. If criminal income is falling in comparison to legal income, this suggests that the anti-money laundering tactics are working successfully. Both these calculations are required to establish whether these tactics are working. However, it is debatable whether it would be possible to calculate these figures; the criminal community are not exactly transparent in their financial dealings. It is not even simple to establish a figure for the value of assets seized; the value of assets seized is often deflated to take into account debts accumulated by the individual, so that the actual value of assets seized is far below the amount announced by police. As for the rest of the values needed to undertake the necessary calculations, it is highly unlikely anyone would be able to find an accurate figure for the value of criminal assets not seized by police, and it would also be highly difficult to reach an accurate estimation of changes in illegal income. Thus, it is not possible to establish how effective these anti-money laundering tactics have been in deterring criminal activity, and so it can never be proven one way or another if these tactics have had an impact on the narcotics trade.

Indeed, Taylor (2003) argues that zealous pursuit of anti-money laundering tactics can have more negative impacts than positive. The argument is that anti-money laundering laws shift the onus from deterring the actual crimes, which actually place the public in danger and cause real loss, to chasing money launderers, who pose no real threat to the public in general.

It can be argued that this pursuit of money launderers taints the entire criminal prosecution process, "by announcing that laws are there not to address crimes but to cater to the convenience of the prosecution". The penalties for money laundering have also become hugely disproportionate, with money launderers often facing heavier penalties than those found guilty of the original crimes. Another effect has been to place banks and other financial organisations under burdensome reporting requirements, whose merits are yet to be proven. Gerritsen (2000, p. 234) on the other hand, argues that anti-money laundering tactics have had the unforeseen consequence of:

> *increasing the mutual dependency, harmonization and coordination between individual countries. For it is not only the financial transactions of the illegal drug industry that have been affected by this new, relatively harsher, global financial regime. Extrapolating the current line, the fight against the laundering of drug money will eventually lead to something that was never intended: a uniform global regulatory regime.*

Part of the fight against money laundering has been the argument that dirty money can 'taint' legal businesses should the two interact. However, this argument is ignorant of the different ways illegal proceeds and legal businesses can function together. Obviously governments would want to avoid a situation whereby large sectors of private industry are funded by illegal proceeds, but it is highly unlikely that situation would ever arise. Beare and Schneider (2007, p. 32) suggest five different categories of legal businesses owned by illegal entities:

1. legal holdings, legally operated
2. business activity supportive of illicit enterprise and reciprocally supported by it
3. predatory or parasitic exploitations
4. monopoly
5. unfair advantage

It is clear from these different categories that it is possible for a business to be funded by illegal proceeds without actually breaking the law itself. Indeed, part of the problem of business being funded by illegal proceeds could be that businesses would then take on the sort of business practices used by the illegal community, such as exploitation, bribes, or intimidation. Indeed, Beare and Schneider cite a variety of studies (such as Ianni, 1972), which show that illegal groups may slowly move into legitimate activities over a period of years, which then lead to them renouncing their illegal activities. Restricting this movement could inadvertently lead to illegal groups becoming stuck in a situation whereby they can only resort to illegal activity, being effectively disbarred from owning a legal business. There is also the possibility that illegal groups will rely on legal businesses as a front for their illegal activities, and so they would strive to ensure that their legal business remains legitimate, as their security relies on its legality. Beare and Schneider (2007) also highlight the generational aspect of this issue: some criminals may aspire for their children to move into legitimate businesses, and so may use their illegal proceeds to allow them to set up in a legitimate, and entirely separate, business.

Indeed, before the 1980's, there was not any general antipathy towards criminally owned businesses, such as those owned by the mob in the USA, because they tended to have a reputation for good service and for operating within the law. Another issue to be considered within the concept of illegal groups using legitimate businesses as fronts to launder their money is that they might present unfair competition to legitimately run businesses. If their main motivation is not to turn a profit, they may provide their services at an unfairly low cost, which would then undercut legitimate businesses within the area. This process may also allow an illegal group to maintain a monopoly within a certain sector, as they can undercut local businesses due to the large amounts of funds at their disposal. Monopoly in this case could result in inflated prices, labour displacement and affect product quality (Beare & Schneider, 2007, p. 34).

Giddens and Griffiths (2006) note that in recent years, organised crime groups have become more globalised, operating across borders instead of remaining within their native territorial areas. Even groups that are not large enough to engage in globalisation practices have been able to forge links with groups in other countries, in order to allow them to evade detection in their home countries. These practices make it much easier for organised crime groups to base their operations in the lowest risk countries, where there is less chance of detection. Globalisation allows organised crime groups to be more flexible, allowing them to move their centre of operations to wherever there may be the lowest risk at any given point of time. If one country's law enforcement agencies increase their attempts at ensnaring the group, it is much easier for them to shift their "organizational geometry" (Giddens & Griffiths, 2006, p. 827). For example, the Russian banks are largely unregulated, and so provide a safe haven for groups trying to launder dirty money. This has allowed the Russian criminal groups to grow to become some of the largest in the world. The worry for the international community is that these Russian organised crime groups could grow so large that they would be able to engage in the nuclear weapons trade, endangering civilian safety around the world. Gerritsen (2000) argues that it is the internationalisation of the narcotics trade that has caused increased demand for money laundering activities.

Conclusions and Recommendations

To conclude, therefore, the practice of money laundering by narcotics dealers and drug traffickers is something which is becoming always more diverse, more creative, more integrated, more globalised and more complex. The challenges to law enforcement posed by such practices are considerable and always changing. The responses which governments and law enforcement agencies have devised to deal with the problem have not always been proportionate or appropriate. It is evident that more must be done to address the issue at its root cause, not simply rely on identifying dirty money once it has entered the laundering process, but rather to identify and intercept it before the placement stage.

There are potential knock-on or spill-over benefits of money laundering at the economic and development level. This was seen in Miami during the 1990's, wherein the growth of the city and the development of the real estate in the area was largely attributable to real estate investment on the part of the drug traffickers and so-called cocaine cowboys who were laundering their money through the city. However, the contingent costs are more considerable and outweigh any indirect benefits. At the most basic level, effective money laundering increases the capital and capabilities of the narcotics dealers. This means that they are able to redirect legitimate money into further criminal enterprises, increasing the power of the cartels and enlarging the scope of the problem. This has been seen most problematically in Mexico, where drugs cartels in the north of the country have acquired such capital, power and influence that they operate with impunity in certain regions, and have effectively intimidated or corrupted journalists, the police, judges and other important officials in the region. Law enforcement agencies must address money laundering as a potent means of preventing narcotics cartels acquiring such disturbing levels of power. However, at the same time, this must not be contingent with a sweeping set of international laws and policies. The rhetoric of the war on drugs must be replaced with a calmer and more rational approach. It is necessary to recognise the close and problematic association between narcotics and money laundering, and to address it at its root cause level. By the time narcotics money has been placed in the financial systems, it should be acknowledged, the task of the law enforcement agencies has perhaps already become an insurmountable one.

Since the 1980's, partly due to changes in the sociological conception of the criminal, there has been growing emphasis on anti-money laundering laws in the attempt to hinder organised crime and the narcotics trade. It is believed that if you can remove the financial incentive for organised crime, as well as the funds for future activities, you can successfully remove the incentive to engage in crime, which will inevitably lead to a falling crime rate. However, the efficacy of this approach is impossible to quantify, due to the impossibility of collecting the necessary data. Indeed, some commentators argue that money-laundering laws actually taint the criminal prosecution service, and that the social penalties for money laundering far outweigh the actual harm caused. It is necessary to acknowledge that there are a variety of ways that illegitimate funds and legitimate businesses can interact, and that not all of these forms of interaction can be harmful for society in general. Indeed, it could be argued that stricter penalties for using illegitimate funds in legitimate businesses could prevent criminals from moving into the legitimate world, thus trapping them in a cycle of criminality. Whatever your opinion of money laundering laws, it is likely that levels of money laundering activity will increase over the coming years, as the internationalisation of organised crime both increases demand for money laundering activities, and makes it easier for criminals to base their centre of operations in countries where money laundering is easy to get away with.

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