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#### **Author**

UC Irvine School of Social Sciences

#### **Publication Date**

2017-09-17

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## Cash is not a crime

September 7, 2017

New study by IMTFI postdoctoral scholar finds efforts to curtail cash use hurts poor and does little to stop terrorism financing

Because it can be used anonymously, and is generally thought to be untraceable, cash has long been linked to crime: think of the image of wads of unmarked bills in a suitcase being passed between disreputable conspirators plotting evil. And while it is also commonly thought that cash is one of the primary tools to finance terrorism, [recent news](#) on the use of online platforms to fund US terror shows otherwise. Recently, there have been calls to eliminate cash altogether in favor of electronic payments systems, or at least to eliminate high-denomination banknotes.

In a [new white paper](#) published online this week, however, [Ursula Dalinghaus](#), a postdoctoral scholar at the Institute for Money, Technology & Financial Inclusion (IMTFI) at the University of California, Irvine, demonstrates there is little to no evidence to support the claim that eliminating high-denomination banknotes or restricting cash payments will prevent terrorist attacks. The study finds that targeting cash as a terror financing mechanism misidentifies the problem.

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[2022](#)

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[2017](#)

[2016](#)

[2015](#)

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“Curtailling cash will do little when criminals already make use of a diverse portfolio of payment technologies and types,” she says. “Increasingly, electronic forms of transmitting and converting value are just as essential, if not more so, in supporting criminal as well as terrorist activities.”



In addition, she argues that legal tender – in the form of cash – is a public good that guarantees ease of use, accessibility, a certain level of privacy, and many other unique qualities.

“Restricting cash payments entails the criminalization of legitimate payment activities when reliable data on the full scope of cash usage of any kind is scarce,” she says. “More research on payments and cash usage is therefore essential.”

Key findings include the importance of the interplay between multiple payment tools and jurisdictions. People use diverse payment methods together, and the movement of value across jurisdictions is subject to different regulatory environments and payment cultures. Targeting cash in isolation does not take into account this interplay, and risks displacing criminal activities involving cash to other tools and jurisdictions. Multiple methods of interdiction are therefore needed to address money laundering and terrorist financing.

Drawing upon a range of institutional, legal, scholarly, policy, news media and other sources, in collaboration with experts drawn from criminology and terrorist financing, banking, industry, and the social sciences, the report documents how digital forms of payment are also subject to abuse and do not necessarily guarantee transparency in accounting that many believe could aid in the tracking of financial crime. In addition, the shift to digital away from cash exposes people to new risks. Researchers studying the impact of demonetization in India and capital controls in Greece are observing that cash restrictions entail new social and economic burdens and are shifting the costs of making payments onto small businesses and disadvantaged groups in society.

Findings from this study have been entered into a [EU-wide consultation](#) to be used by the European Commission in Brussels to determine the policy implications of cash restrictions.

Dalinghaus concludes that there is little to no evidence that limiting cash will effectively target the financing of crime and terrorism.

“IMTFI research around the world has consistently demonstrated the complex interplay of different forms of money and payment, so we shouldn’t be surprised that the bad guys also take advantage of diverse payment options. Criminalizing cash therefore won’t solve the problem,” says Bill Maurer, UCI anthropology and law professor and IMTFI director. “This new study also reminds us that criminalizing cash may criminalize the fact of being poor and living in a cash economy.”

Funding for this paper was supported by the International Currency Association ([ICA](#)) and its [Cash Matters](#) movement.

-courtesy of UCI IMTFI. headshot by Frank Cancian, UCI.

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**About the Institute for Money, Technology & Financial Inclusion (IMTFI):** Established in 2008 with funding from the Gates Foundation, IMTFI is a research institute based out of the University of California, Irvine. Its core activity has been supporting original research in the developing world on the impact of mobile and digital financial services, focusing on developing grounded, nuanced perspectives on people's everyday financial practices and the impact of new technologies. To date, IMTFI has supported 147 projects in 47 countries involving 186 different researchers. These researchers have produced 12 books and 100+ articles in scholarly and other venues, and have been mentioned in the media 170+ times, in venues ranging from Bloomberg Businessweek and the Guardian to Forbes, India.

**About the University of California, Irvine:** Founded in 1965, UCI is the youngest member of the prestigious Association of American Universities. The campus has produced three Nobel laureates and is known for its academic achievement, premier research, innovation and anteater mascot. Led by Chancellor Howard Gillman, UCI has more than 30,000 students and offers 192 degree programs. It's located in one of the world's safest and most economically vibrant communities and is Orange County's second-largest employer, contributing \$5 billion annually to the local economy. For more on UCI, visit [www.uci.edu](http://www.uci.edu).

**About the International Currency Association (ICA):** Founded in 2016 as a not-for-profit organisation, the ICA represents the currency industry across the whole spectrum. It currently has 23 members and 5 associate members; all members are suppliers of currency, or suppliers of products, technologies and equipment used in the design, production, handling and circulation of currency. The ICA is working to ensure that its members drive innovation and offer the best commercial and technical practices to their customers, promote the highest ethical standards, do everything in its members' power to ensure that cash is secure, efficient and effective and support and promote currencies worldwide as universal and inclusive means of payment. For more on the ICA visit [www.currencyorganisation.org](http://www.currencyorganisation.org).

**Cash Matters, an ICA movement:** **Cash Matters** is a pro-cash movement, funded by the ICA, which supports the existence and relevance of cash as an integral part of the payment landscape now and in future. Cash Matters will support and initiate campaigns on a global level, taking current issues and upcoming legislative changes into account. The Cash Matters website offers authoritative and to accessible facts, figures, and news for consumers, journalists and industry experts alike. For more on the Cash Matters visit [www.cashmatters.org](http://www.cashmatters.org).

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