

Would a cashless society have less crime essay sample

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Like gasoline in a getaway car, cash fuels all kinds of black market activities. Drugs, blood diamonds, sex work—these and other illegal goods and services are often purchased with paper money, because it changes hands without leaving a trace. Would crime rates plummet if cash were banned? Not very much. One of the key crimes associated with cash is tax evasion; whenever you peel off a wad of bills for the babysitter, there's a decent chance she's not reporting that income, or paying taxes on it.

And some fraction of cash-only businesses—including restaurants, laundromats, and other institutions—succumb to the temptation to fudge their income records. In a 2011 study, University of Wisconsin-Madison professors Edgar L. Feige and Richard Cebula wrote that 18 to 19 percent of total reportable income is hidden from the IRS, which means that the country misses out on nearly \$500 billion in tax revenues.

The Justice Department estimated in 2008 that secret offshore bank accounts were responsible for about one-fifth of the tax gap, suggesting that the remaining 80 percent is attributable to unreported cash. But how much cash goes unreported because it's been used to purchase illegal goods and services? A study forthcoming in *Crime Law and Social Change* estimates that, given the amount of paper currency the country has issued, there is about \$2,950 in cash circulating for every U. S. citizen.

But the government can't pinpoint the whereabouts of 85 percent of those bills. Not only does the Federal Reserve keep track of how much cash it's printed, but it also receives reports from the nation's banks on how much they're storing at a given time. Subtract the second number from the first,

and you see all the cash American households and businesses have on hand.) That's a lot of green to potentially fuel the black market, even if you factor in the 30-37 percent that may be innocently circulating abroad (and the untold percentage stashed under mattresses across the country).

Advertisement What happens when you convert all that cash to something more traceable? " The hypothesis that a cashless economy would make crime and under-the-table dealing more difficult is almost certainly true," said Harvard economics professor Raj Chetty. After all, the black market runs on greenbacks for a reason: Unlike digital ones, cash transactions don't leave a paper trail. But Ray Fisman, a professor at the Columbia Business School (and a Slate contributor) is less optimistic.

He contends that black market mavens would simply develop alternatives to paper money, keeping crime rates more or less constant. For instance, traders might resort to using diamonds, opals, or gold pieces. The law's best hope, Fisman added, would be if the substitute mechanism became costly enough to constitute a tax on participants, such as when anti-smuggling laws in Hong Kong and China forced smugglers to dig holes to transport their goods instead of using cheap shipping containers.

Latin America already offers a glimpse of one such substitute mechanism in action. As its economy grows ever more fluid (most South and Central Americans bank on their phones, using mobile apps that offer accounting and brokerage services), people have turned to " stored value cards," which hold a fixed amount of money and can be bought or sold like any other good.

Since they don't draw from a bank account—funds and data are maintained by the card issuers and accessed by scanning a magnetic stripe—these cards are much harder to track.

In a cashless world, SVCs might join precious metals and gems as currencies favored for illegal transactions. Ellen Zimiles, a lawyer and expert on fraud and money laundering, has a different hypothesis. She suspects that financial crime would increase in a cashless society, since it's easier to move electronic currency fast. Paper bills can be unwieldy, she pointed out: Because withdrawing reams of Benjamins might raise a red flag, most illegal sales involve tens and twenties.

A suitcase containing large amounts of money thus tends to weigh a lot—plus, it's far more vulnerable to interception than an instantaneous wire transfer. And we shouldn't forget about the hackers who would be delighted by a world in which all financial dealings took place online, she said. At the same time, Zimiles allows that crime in a fully electronic economy would prove easier to police. Unlike dollars, credit card sales and wire transfers leave a footprint; the inevitable audit trail could help law enforcement officials track down illegal actors.

So while a cashless society might in fact promote black market business, that business would be more visible and more stoppable. Which means that the end of cash could augur a drop in crime, and especially tax evasion, as more occasional scofflaws avoided the new, less trustworthy underground

currency. It seems that hardened crooks, though, might need more than a ban on bills to steer them toward the straight and narrow.