

WEST BLOOMFIELD, MICHIGAN 48322

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March 2, 1990

Editor
The Detroit News
615 Lafayette Boulevard
Detroit, Mi 48226

Dear Sir:

At long last a law enforcement officer has suggested a weapon in the drug war that can work--attack the paper money in circulation.

Mr. Ward has made two suggestions, changing the appearance of all large bills or eliminate the printing and circulation of all large bills. I make a third suggestion, work towards eliminating all currency from our economy.

The gradual elimination of all paper money from our economy is becoming practical considering the advances in computers, point of sale terminals and the wide spread acceptance of credit cards. Just think of the impact of totally eliminating all currency from our economy.

Not only would this stop the drug trade in its tracks but it would frustrate all illegal activities. Why would one steal a car if all he could receive from a chop shop is a check. Why burglarize a house when all you could receive from a local fence is a charge credit. What could a robber demand from a victim if there were no cash in circulation.

Interestingly, the cost of conversion to a cashless society would be more than recouped by the increase in income tax collection. The Treasury has always known that there is a substantial underground economy that avoids taxation by transacting business in cash. The change to a cashless society would easily balance our budget in a few short years.

Representative Charles Rangle has asked the Treasury to study the implications of withdrawing certain currency from circulation. Isn't it time that others started to seriously consider the transition to a cashless society?

Sincerely,

P.S. If this letter is not printed could it be forwarded to Mr. Ward?

Cash Recall Would Rattle Rogues

By George E. Ward

It's no coincidence that big stacks of "greenbacks" are the dominant image of almost every drug-bust news report you see on television.

From the drug lords' point of view, hauling in cash is what it's all about. Drugs are their pretext for "stealing" paper money from the streets and neighborhoods of our major urban centers. And the quantities they glean are amazing. In 1989, for example, the wholesale revenue of the cocaine industry from the United States is estimated at \$28 billion.

Both logic and experience suggest the "war" to get control of our government's own currency supply must be re-oriented.

CASH "IS NOT the preferred method of payment by Americans for legitimate transactions," Treasury official Jonathan Rusch has written. "In contrast, cash is virtually indispensable for a wide range of illegal activities, including drug trafficking, illegal gambling, prostitution, loan sharking, bribery, extortion, tax evasion and other financial offenses."

Considering who needs cash, it is surprising our government puts so much currency in circulation — almost \$1,000 per man, woman and child, about half of it in \$100 bills. Once issued, most of it quickly disappears from the legitimate economy. U.S. officials cannot locate 80 percent of all the bills printed by the Treasury. Vice markets thus receive a huge favor from the U.S. government's great liberality in providing their medium of exchange.

Congress has enacted anti-money-laundering laws to discourage this diversion of cash to the underworld. In effect, these laws make sentences of our banks in hopes of nabbing the money thieves when they or their surrogates drop in to trade dirty assets for clean ones.

How are they working? About like

■ **George E. Ward is chief assistant prosecuting attorney for Wayne County.**



Another View

you'd expect when the juggernaut is permitted to develop and the good guys are relegated to reacting to a massive onslaught. Individual skirmishes have been won, but we're talking war.

LAST DECEMBER, Time magazine explained how money laundering is a thriving trillion-dollar global industry, serving customers from cocaine cartels to tax-dodging corporations, because of the "impenetrable secrecy laws" of many foreign banks as well as the exemptions and well-practiced schemes for violating or escaping the cash-transaction reporting duty of U.S. banks.

What is needed are means that prevent the outflow of clean cash in the first place. Toward this end, two worthwhile, but little publicized, ideas have been proposed.

One, advocated by ex-Treasury Secretary Donald Regan, among others, would augment our anti-laundering tactic with a pre-emptive strike in the form of a surprise, big-cash recall. We could impoverish many drug millionaires by replacing, with only a few weeks' notice, all \$50 and \$100 bills with different-looking ones.

"Imagine the panic," economist **James Henry** says, "that would strike our criminal community if, all at once, it had to liquidate its enormous hoards of big bills or else explain where they came from Meanwhile, the vast majority of Americans, who hardly ever touch a big bill and certainly don't keep any of them lying around, would not be inconvenienced in the slightest."

Recall guidelines could readily be drafted to protect those individuals who may have kept big denominations of currency for legal and proper reasons.

THE SECOND IDEA is to eliminate permanently big denominations of U.S. currency. Henry describes how removing big bills gradually from circulation during a period of years would undercut the drug kingpin:

"(I)ntead of being paid with a small valise of \$100 bills, he (would have) to take a check, or a steamer trunk of \$5s and \$10s, or gems or rare stamps. . . ."

Indeed, economist **Burham Beckwith** believes our government will wake up to this cheap and effective method of crime prevention and detection, noting the long, continuing trend toward greater use of "cashless" alternatives such as checks and credit cards.

A law to deny illicit marketers access to financing by government IOUs is as sound in principle as installing a dead-bolt lock to stop burglars. Demonetization of this kind is a way for economic power to assist law enforcement in the anti-drug fight without causing explosive growth in the misery of addiction and related evils, as decriminalization of drugs would. Although banks would doubtless feel the inconvenience of change, that inconvenience would be relatively minor, especially when compared with the huge and mounting expense of crime, addiction and lost productivity.

And as Henry points out, there are precedents for a cash recall. "Successful currency reforms were undertaken in West Germany in 1948, France in 1959, China in 1956, and the Soviet Union in 1947 and 1961. The United States itself organized several currency recalls in South Vietnam . . . without chaos or financial panic."

In the meantime, the carnage goes on. So why delay? Let's move these ideas to the top of Congress' agenda and start a serious debate. Those of us in the drug war at the county level are constantly being told "there's no magic bullet." But I'm not so sure. Maybe we're just not using it.

DOWN

• FAIRLANE T.
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