

# Turn In Your Bin Ladens

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THE 500-euro note is sometimes called the “Bin Laden” — after all, Europeans may never see the 500 euro, but they know it is out there somewhere. Unfortunately, Al Qaeda’s leader and the 500-euro bill are connected in another way: high-denomination bills make it a lot easier for terrorists to operate.

Organized crime has always been a cash industry. In 1969, the Treasury stopped issuing \$500, \$1,000, \$5,000 and \$10,000 bills specifically to impede crime syndicates — the only entities that were still using such large bills after the introduction of electronic money transfers.

Nowadays, terrorist networks have become important users of cash. No organization understands this better than the United States military. During the early years of coalition operations in Afghanistan and Iraq, American forces distributed cash liberally. From 2003 and 2008, about \$19 billion in physical money was handed out to Iraqi suppliers and contractors.

But the military has gradually realized that the anonymity of cash makes it easy for terrorists and insurgents to smuggle in money and make purchases without a trace. That’s why for the past few years the military has been striving to replace its cash transactions with electronic fund transfers and debit card payments in the hopes of achieving a [“cashless battlefield.”](#) in the words of Peter Kunkel, a former assistant secretary of the Army.

Of course, in an era of global terrorism and international crime syndicates, the whole world is a battlefield. Raids on drug traffickers in Mexico often turn up tens of millions of dollars in cash. [One raid netted over \\$200 million](#), mostly in \$100 bills. So, why not eliminate the use of physical cash worldwide — not just a “cashless battlefield” but a “cashless economy”?

From a technical point of view, such an initiative is entirely feasible. The trick is to lower the cost of making transactions to the point where even the smallest payments can be executed efficiently. For example, a Twitter application known as TwitPay allows you to use your cellphone and a PayPal account to transfer money. In Kenya, a mobile banking system known as M-Pesa allows six million people to execute small payments using SMS messages.

Unfortunately, cellular-based systems are unsuitable as a complete replacement for physical money, particularly in the developing world. Cellphone coverage doesn’t yet extend to many rural

regions or small urban centers; in addition, such systems remain too vulnerable to cybercrime and power grid or mobile service disruptions.

A better approach would be to use smart cards with biometric security features, like the Universal Electronic Payments System. In South Africa, the technology company Net1 now distributes social welfare grants to almost four million people. It's simple: with a battery-operated, point-of-sale device akin to a credit-card terminal, money is transferred from one person's card to another; during the process, the cards download and record each other's transaction records.

Every few days, employees from the payments system head out to the villages and make their own money transfers, downloading the transaction histories of the cards they come into contact with, which contain the histories of the cards they interacted with, and so on. That data is then downloaded into the company's mainframe, as a way of monitoring the flow of funds across the cards.

Best of all, the system can function offline and off the power grid, providing a secure means of payment under all conditions and without any geographic limitations. And the incremental cost of executing a transaction via this system is essentially zero. It is a promising model for the global economy.

In a cashless economy, insurgents' and terrorists' electronic payments would generate audit trails that could be screened by data mining software; every payment and transfer would yield a treasure trove of information about their agents, their locations and their intentions. This would pose similar challenges for criminals.

To help move to a global cashless economy, the Obama administration should push for an international agreement to eliminate the largest-denomination bills. Additionally, the United States Agency for International Development could make the promotion of electronic payments systems in developing countries one of its strategic objectives, much as the American military has done in Iraq and Afghanistan.

"Money's destiny is to become digital," [announced a 2002 study by the Organization for Economic Cooperation and Development](#). In terms of public safety and national security, the sooner the world moves to a digital cashless economy, the better.

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