The Treasury of Stories: Policy Narratives of Anti-Illlicit Finance

Paul Christopher Kemp
University of Denver

Follow this and additional works at: https://digitalcommons.du.edu/etd
Part of the American Politics Commons, Economic Policy Commons, and the International Relations Commons

Recommended Citation
https://digitalcommons.du.edu/etd/2296
The Treasury of Stories: Policy Narratives of Anti-Illlicit Finance

Abstract
This dissertation explores how the US government identifies and responds to the problem of illicit finance, specifically, why the US Treasury utilizes certain approaches over others. I employ a comparative case study of three relatively recent, non-traditional approaches in the Treasury's anti-illicit finance repertoire: targeted financial sanctions (a case of strong policy action), anti-money laundering in real estate (a case of tentative policy action), and the proposed demonetization of high denomination notes (a case of policy inaction). While considering a wide range of plausible explanations for this variation in policy action, I argue that the Treasury’s decision to either pursue, postpone or reject a given approach is largely a function of the policy narrative surrounding that approach.

I find that the Treasury is more likely to pursue an anti-illicit finance approach when the relevant policy entrepreneurs have successfully invoked the nationalist narrative canon of “American Exceptionalism,” “The American Dream,” and/or “American Civil Religion.” Methodologically, I rely on the recent Narrative Policy Framework (NPF) literature, which emphasizes the importance of narrative elements – setting, plot, characters (i.e., heroes and villains), and moral – in the marketing of policy ideas. The most attractive policy approaches are those that resonate with nationalistic metanarratives and, to the extent possible, cast the villain in the story as foreign and other.

Document Type
Dissertation

Degree Name
Ph.D.

First Advisor
Rachel Epstein

Second Advisor
Ilene Grabel

Third Advisor
Debbi Avant

Keywords
Illicit finance, United States Treasury, Sanctions, Money laundering, Demonetization, Narrative, Metanarrative

Subject Categories
American Politics | Economic Policy | International Relations | Political Science | Social and Behavioral Sciences

Publication Statement
Copyright is held by the author. User is responsible for all copyright compliance.
The Treasury of Stories:
Policy Narratives of Anti-Illlicit Finance

A Dissertation
Presented to
the Faculty of the Josef Korbel School of International Studies
University of Denver

In Partial Fulfillment
of the Requirements for the Degree
Doctor of Philosophy

by
Paul Christopher Kemp
August 2023
Advisor: Rachel Epstein
Abstract

This dissertation explores how the US government identifies and responds to the problem of illicit finance, specifically, why the US Treasury utilizes certain approaches over others. I employ a comparative case study of three relatively recent, non-traditional approaches in the Treasury’s anti-illicit finance repertoire: targeted financial sanctions (a case of strong policy action), anti-money laundering in real estate (a case of tentative policy action), and the proposed demonetization of high denomination notes (a case of policy inaction). While considering a wide range of plausible explanations for this variation in policy action, I argue that the Treasury’s decision to either pursue, postpone or reject a given approach is largely a function of the policy narrative surrounding that approach.

I find that the Treasury is more likely to pursue an anti-illicit finance approach when the relevant policy entrepreneurs have successfully invoked the nationalist narrative canon of “American Exceptionalism,” “The American Dream,” and/or “American Civil Religion.” Methodologically, I rely on the recent Narrative Policy Framework (NPF) literature, which emphasizes the importance of narrative elements – setting, plot, characters (i.e., heroes and villains), and moral – in the marketing of policy ideas. The most attractive policy approaches are those that resonate with nationalistic metanarratives and, to the extent possible, cast the villain in the story as foreign and other.
Acknowledgements

I am grateful to all my dear family and friends who encouraged and supported me in many different ways over the course of this project. I would especially like to thank my dissertation advisor, Rachel Epstein, and committee members, Ilene Grabel, Debbi Avant and Thomas Nail, for their generosity and guidance.

To all the interviewees who shared their time and insights: you also have my thanks!
# Table of Contents

Abstract ............................................................................................................................. ii  
Acknowledgements ........................................................................................................ iii  
Table of Contents ........................................................................................................... iv  

Chapter 1 – Introduction ............................................................................................... 1  
  General Overview of Research Question and Argument .............................................. 1  
  Historical and Theoretical Background ..................................................................... 4  
  The Cases (Briefly Described) .................................................................................... 10  
  Scope of Study and Case Selection .......................................................................... 17  
  A Background to Explanation: Policymaking as Performance .................................. 24  
  Narratives and the Managerial-Nationalist Interpretation ........................................ 25  
  Outline of Dissertation ............................................................................................... 31  

Chapter 2 – Puzzles and Alternative Interpretations ................................................... 34  
  Credulous vs. Critical interpretations .......................................................................... 35  
  The Limitations of a Credulous Interpretation ............................................................ 37  
  Treasury Nonaction on HDN Demonetization – a Preliminary Puzzle ....................... 38  
  HDN Demonetization and the “Possibility Principle” ............................................... 40  
  The Puzzle of Sanctions: Aggressive Policymaking Despite Political Costs .......... 45  
  Anti-MLRE: A Puzzle of Timing ................................................................................. 50  
  Critical Interpretations ............................................................................................... 52  
    The Critical-Libertarian Interpretation ................................................................... 55  
    Critical Geopolitical Interpretations ..................................................................... 57  
    Grand-Strategic Interpretations and the Treasury’s Primary Organizational Mission 65  
  The Managerial-Nationalist Interpretation ............................................................... 73  

Chapter 3 – Targeted Financial Sanctions ..................................................................... 77  
  Introduction .................................................................................................................. 77  
  Overview of the Argument ......................................................................................... 82  
  Historical Background ............................................................................................... 86  
  The 9/11 Policy Window and Public Opinion ............................................................ 91
President Bush and the Demand for Policy Innovation .................................................. 93
Expressive Policymaking and “Markers of Success” ................................................. 94
Treasury Officials as Policy Entrepreneurs ................................................................. 99
The Shift to Illicit State Actors ...................................................................................... 105
The Addiction to Sanctions ......................................................................................... 110

Chapter 4 – Anti-MLRE ............................................................................................... 119
Historical Background of Money Laundering in Real Estate (MLRE) ....................... 122
The Policy Entrepreneurs ............................................................................................. 124
   Elected Officials ........................................................................................................ 124
   The Media .................................................................................................................. 128
   The Panama Papers, the Pandora Papers, the FinCEN Files .................................. 129
   NGOs ......................................................................................................................... 132
The Housing Crisis and the Rise of Populism ............................................................. 133
Anti-MLRE and Nativism .............................................................................................. 142
Canada as Comparative Case Study ........................................................................... 151
National NIMBYism as Class Rapprochement .......................................................... 157

Chapter 5 – HDN Demonetization .............................................................................. 161
The Immortal C-Note .................................................................................................... 161
   Theorizing the Taboo ................................................................................................. 162
   The Varieties of Demonetization ............................................................................. 165
   The Treasury’s Authority .......................................................................................... 170
   The Post 9/11 Policy Window ................................................................................... 172
Policy Antipreneurs, Libertarians at the Treasury, and (Hypothetical) Domestic
   Opposition .................................................................................................................. 174
   The Shortcomings of Policy Entrepreneurs (or: Nobody likes Larry Summers) ..... 180
   The (Apparent Disinterest of the) NGO Community ................................................ 184
   A Non-Marketable Policy ......................................................................................... 184
   The Structural Obstacles .......................................................................................... 190
   The $100 Bill as Global Public Good ....................................................................... 193
   The Lure of Seigniorage ............................................................................................ 200
   “Other Reasons Could Be Given” - The 1969 Deliberations .................................... 205
“Jumbo Notes” – the 1998 Congressional Hearing ........................................... 209
An Alternative Reading of the Case ................................................................. 214
Leaving Well Enough Alone ............................................................................. 220

Chapter 6 – Narratives ......................................................................................... 223
The Treasury of Stories ...................................................................................... 223
From Homo Narrans to Agora Narrans ............................................................... 226
Securitization ...................................................................................................... 234
The Nationalist Narrative Canon ....................................................................... 237
American Civil Religion ...................................................................................... 241
Ontological Security and the “Need for Enemies” .............................................. 243
“Rebellion to Tyrants” – the Ambiguous “Illicit” .............................................. 251

Chapter 7 – Overcoming the Monster ................................................................. 254
Setting .................................................................................................................. 259
Characters .......................................................................................................... 261
The Perfect Villain: The Islamist Terrorist as Utterly Other ............................ 269
Secondary Characters ......................................................................................... 276
Plot ....................................................................................................................... 279
Overcoming the Monster and the “War Paradigm” ........................................... 281
Moral .................................................................................................................... 284
The Treasury’s Magic Weapons ......................................................................... 289
“Safer But Not Yet Safe” ................................................................................... 294

Chapter 8 – Expelling the Moneychangers ......................................................... 297
“The Economy” as Symbol ................................................................................ 300
The American Dream .......................................................................................... 304
The Small Business Owner .................................................................................. 307
The Post 9/11 Policy Window ............................................................................ 311
The Anti-MLRE Policy Narrative ....................................................................... 317
The Villainy of Foreign Real Estate Investors .................................................. 320
The Dark Tower .................................................................................................. 323
The Minions ........................................................................................................ 329
Anti-MLRE as Jeremiad ................................................................. 332

Chapter 9 – Defending the Brand ............................................... 336
  The Mystique of the Benjamin .................................................... 342
  Marketing the Benjamin Abroad ................................................. 362
  The Policy Narrative of HDN Demonetization ............................. 375
    Setting .................................................................................. 376
    Characters ............................................................................. 377
    Plot ...................................................................................... 378
    Moral ..................................................................................... 378
  The Counternarrative(s) ............................................................. 385
    The Discourse of Trivialization ................................................ 386
    The Discourse of Justification ................................................ 386
    The Discourse of Relativization .............................................. 387
    The Discourse of Inversion ..................................................... 388

Chapter 10 – Conclusion .............................................................. 391
  The Politics of Money and Politics of Anti-I illicit Finance .......... 391
  Summary of the Study ............................................................... 398
  Good Speculator / Bad Speculator ............................................. 405
    “The Russians…Have Become the Face.” ................................. 415

References ................................................................................. 423
Chapter 1 – Introduction

General Overview of Research Question and Argument

This dissertation explores how the US government identifies and responds to the problem of illicit finance, specifically, why the US Treasury utilizes certain approaches over others. While government action against money laundering and illicit finance has traditionally taken the forms of more rigorous due diligence or “know your customer” requirements\(^1\) imposed on domestic financial institutions, other policy approaches have emerged in recent decades. The demonetization of high denomination notes (HDNs), the expansion of regulations around the purchase of real estate, and the targeted sanctioning of foreign financial actors are three notable examples. In the United States, each of these approaches has received publicity, the support of policy advocates, and attention from policymakers. However, a survey of the contemporary situation indicates a wide variation in their endorsement. Financial sanctions have become a common policy tool of the US Treasury over the past two decades. Actions against money laundering in real estate (MLRE), while lagging behind sanctions, have also gained momentum in recent years. These policy approaches contrast with proposals to demonetize large denominations of

---

\(^1\) “The core of the Anti-Money Laundering/Countering Terrorist Finance (AML/CTF) process is Know Your Customer (KYC) requirements, which apply both to the physical identification of customers and the monitoring of the legality of their ongoing transactions” (Levi 2010: 652).
US currency, which appear to have fallen on deaf ears thus far. This variation in policy action presents certain puzzles for political scientists and scholars from related fields. For example, relevant literatures in public choice and IPE might lead us to believe that a gradual retirement of the $100 bill should be easier and less politically costly than either financial sanctions or actions against MLRE, yet the Treasury has implemented the two latter policies and not the former. Sanctions have been increasingly criticized as either ineffective or counterproductive in recent years, yet the Treasury has intensified and broadened their use. Finally, the Treasury was legally authorized to address MLRE as early as 2001, but postponed doing so for over a decade. With this interesting variation both across and within cases, the Treasury’s anti-illicit finance policymaking calls for more investigation. In what follows, I explore the permissive conditions that allow anti-illicit finance approaches to develop on the Treasury’s agenda.²

I ultimately advance what might be called a managerial-nationalist interpretation of Treasury policymaking on illicit finance. “Management” typically connotes the adequate handling of some ongoing duty or challenge, oftentimes the balancing of various antagonistic forces or contradictory demands. The Treasury’s anti-illicit finance (hereafter “AIF”³) policymaking is characterized by this sort of management: the

² Scholars of public policy have suggested multiple stages of the policy process, with various intermediate steps between problem identification and policy implementation (for overview, see Rushevsky 2008). Thus, a given policy approach might partially “develop” on the Treasury’s agenda before falling short of implementation. While this dissertation is ultimately concerned with the variation in policy implementation among the three cases investigated; the individual case chapters will also suggest earlier (and hopefully interesting) stages of development. These are also relevant to my argument in the relative sense that the permissive conditions I outline should allow some approaches to go further than others (a distinction which also applies to the difference between strong and tentative versions of implementation).

³ When referring to policies against illicit finance in general terms, the Treasury often uses the combined acronym “AML/CFT” (anti-money laundering / countering [sometimes ‘combating’] the
Treasury’s AIF goals are inevitably complicated by (and must be balanced with) societal privacy concerns, the pressures and prerogatives of various influential political actors, and indeed the Treasury’s own “primary organizational mission”4 of managing the nation’s finances.5 In the context of these constraints, the decision to either pursue, postpone or reject a given AIF approach is largely a function of the policy narrative surrounding it.

I argue that the Treasury is more likely to pursue an AIF approach if and when it is supported by a coherently nationalist policy narrative. Methodologically, I rely on the recent Narrative Policy Framework (NPF) literature, which develops and fleshes out earlier scholarship on the symbolic aspects of policymaking (e.g., Stone 2012; Roe 1994; Kertzer 1988; Edelman 1964; Lasswell 1958). The NPF emphasizes the importance of narrative elements – setting, plot, characters (i.e., heroes and villains), and a moral – in the marketing of policy ideas. Narratives are key part of the “problem definition” in the policymaking process and are necessary for “crafting the story in order to attribute cause, blame, and responsibility” (Jones et al. 2014: 72). As we shall see, the NPF helps illuminate the variation in the Treasury’s AIF policymaking in terms of the implicit or financing of terrorism). I prefer AIF (anti-illicit finance) for both brevity and greater inclusivity, as will become clear momentarily.

I borrow this term from Maor (2010), who theorizes how bureaucracies’ multiple functions are prioritized.

According to the Treasury’s own description from its official website: “The management of the money resources of the United States has always been the primary function of the Department of the Treasury. Whether it is regulating national banks, determining international economic policy, collecting income and excise taxes, issuing securities, reporting the government's daily financial transactions, or manufacturing coins or bills for circulation, the one concern that still ties together the activities of the Department of the Treasury is money” (U.S. Department of the Treasury, “History Overview”).
explicit *stories* associated with each of my three cases. The most attractive policy approaches are those that resonate with nationalistic narratives and, to the extent possible, cast the villain as foreign and *other*.

**Historical and Theoretical Background**

The cases I investigate each fall under the broad category of governmental options for combating “illicit finance,” a term related to the more well-known concept of “money laundering.” While “money laundering” refers specifically to the placement, layering, and integration of illegally-obtained funds into the formal banking system (i.e., so as to obscure the illicit origins of such funds), “illicit finance” is a more general term, encompassing *all* financial movements associated with criminal activity. In addition to money laundering, this includes the financing of terrorism, transactions associated with illicit trades and smuggling (e.g., narcotrafficking), corruption, tax evasion and counterfeiting. Conceptually, this category accommodates a much broader range of activity than “money laundering,” which only refers to one direction – illicit to licit – in the constant movement between these two modalities of money. “Terrorist finance,” in contrast, involves the *opposite* movement (what some have called “reverse money laundering” or “money dirtying”): that is, the deployment of legally-obtained funds for illegal and nefarious purposes (Zarate 2013: 21; de Goede 2009: 114). “Illicit finance” (also sometimes referred to as “illicit financial flows”) encompasses both of these movements.
This broad understanding of illicit finance reflects the crime-fighting mission of the US government today, as expressed by the Treasury Department. The official Treasury website states that,

The Office of Terrorism and Financial Intelligence marshals the department's intelligence and enforcement functions with the twin aims of safeguarding the financial system against illicit use and combating rogue nations, terrorist facilitators, weapons of mass destruction (WMD) proliferators, money launderers, drug kingpins, and other national security threats (U.S. Department of the Treasury, “Policy Issues: Terrorism and Illicit Finance”).

The homepage of the Financial Crimes Enforcement Network (FinCEN, the branch of the Treasury Dept. specifically tasked with combating illicit finance) reiterates this mission “to safeguard the financial system from illicit use, combat money laundering, and promote national security” (Financial Crimes Enforcement Network, “Mission”).

The contemporary governmental concern with illicit finance grew out of a pre-existing anti-money laundering (AML) regime (Zarate 2013: 8; Levi 2010: 652-3). As explained by Helleiner (1999: 60), this regime originated in the 1980s when the US began to define its war on drugs as a national security issue and led a series of international efforts to address the problem of money laundering by powerful drug cartels. The regime’s raison d’être increased in the 1990s with the proliferation of new organized crime groups in the context of post-Soviet transition, weak states and corrupt forms of privatization (Shelley 1999; Friman and Andreas 1999). However, it was the terrorist attacks of September 11, 2001 that provided the main impetus for the recent expansion of both the domestic and international campaign against illicit finance. As described by Juan Zarate, “the tools the United States applied to tracking and disrupting illicit financial flows – in particular, terrorist financing – were given greater muscle and
reach after 9/11” (2013: 9). Many of these new powers were codified in Section 3 of the Patriot Act, which Zarate describes as the “most sweeping expansion of the US anti-money laundering regime since the inception of the 1970 Bank Secrecy Act” (30). In addition, US policymakers seized this moment of opportunity to redouble US leadership in the international AML regime and to define the obligations of its participants (Zarate 2013: 31; de Goede 2009: 111).

Paul O’Neill, the Treasury Secretary at the time, recalls how 9/11 forced a reappraisal of the status quo and the stagnant AML mechanisms that criminals had long learned to circumvent. For example, referring to the well-known requirement for Suspicious Activity Reports (SARs) on bank deposits exceeding $10,000 (and money launderers’ common workaround of $9,999 deposits), O’Neill observed that, “We’ve invested a lot in this technique, but it doesn’t mean it works. I knew that 9/11 would change that – that we were going to have to rethink the way we did things” (quoted in Suskind 2004: 181).

Yet despite the innovations of the past two decades, illicit finance remains an ongoing challenge for policymakers and law enforcement in the US and elsewhere. Whether taking the form of money laundering, terrorist finance, tax evasion, corruption, or transactions associated with illegal commodities, illicit finance can impose significant

---

6 Levi (2010: 653) argues that this incorporation of anti-terrorist finance within the broader anti-money laundering regime was somewhat contrived, but convenient given the latter’s preexisting governance infrastructure: “Measures against terrorism finance did not fit easily with Anti-Money Laundering (AML) legislation and enforcement, which hitherto concentrated exclusively on proceeds of crimes, whereas it was universally acknowledged that crime was only a modest (though variable) proportion of terrorist finances…However, AML was the best fit available and AML had a policy-making and global evaluation/enforcement mechanism already in place, in the form of the OECD-hosted Financial Action Task Force (FATF)—first established in 1989—and FATF-Style Regional Bodies (FSRBs).”
costs on society. Unfortunately, the available evidence suggests that illicit finance goes largely unimpeded in the modern global economy. According to a 2011 research report from the United Nations Office on Drugs and Crime,

Global financial crime flows are estimated to amount to over US$2tr per year. Corruption amounts to another US$1tr…. Yet despite huge investments in transaction surveillance systems, intelligence and interdiction, less than 1% of illicit financial flows are seized” (Sands 2016: 1).

In a testimony to Congress on November 28, 2017, former US Treasury official John Cassara reiterated the dramatic assessment of Raymond Baker (from the NGO Global Financial Integrity) that “Total failure is just a decimal point away” (Senate Judiciary Committee, 2017). Indeed, as argued by a leading scholar in a recent analysis,

the anti-money laundering experiment remains a viable candidate for the title of least effective policy initiative, ever, anywhere…Anti-money laundering policy intervention has less than 0.1 percent impact on criminal finances, compliance costs exceed recovered criminal funds more than a hundred times over, and banks, taxpayers and ordinary citizens are penalized more than criminal enterprises” (Pol 2020: 89, 73).

Put simply, the magnitude of illicit finance on a global scale dwarfs the evidence of law enforcement success (Sharman 2017: 81). Such discouraging results suggest some hard questions for policymakers. What are we getting wrong? And why not use all the tools at our disposal? Perhaps, as Global Financial Integrity (the preeminent NGO focusing on illicit finance) argues, “It is long overdue to fundamentally re-think the entire US anti-money laundering strategy” (Cassara 2020). Per its recent communications, the US Treasury would appear receptive to such criticisms and interested in exploring new policy approaches. As stated in its 2020 National Strategy for Combating Terrorist and other Illicit Financing,
the United States must continue to stay ahead of emerging illicit finance challenges and position itself to be a model for AML/CFT for years to come. To do this, the U.S. government must holistically approach strengthening the U.S. AML/CFT regime to make it more effective, efficient, and responsive to an evolving threat environment (5)...remaining gaps...must be closed (U.S. Department of the Treasury, “National Strategy for Combating Terrorist and Other Illicit Financing” 2020: 52).

The 2022 edition of the same report reiterates the need for a more comprehensive strategy:

The U.S. government must continue to employ an ‘all-tools’ approach to combating illicit finance activity. Using the full complement of authorities and tools, from criminal and civil enforcement and asset forfeiture to regulatory changes to educational and awareness-raising efforts, magnifies the impact of the U.S. government’s efforts to disrupt illicit finance activity (U.S. Department of the Treasury, “National Strategy for Combating Terrorist and Other Illicit Financing” 2022: 16).

On the other hand, the foregoing frame – as expressed in both critics’ imputation of failure and the Treasury’s optimistic commitment to “closing the gaps” – may be founded on somewhat unreasonable expectations. All policy approaches for reducing illicit finance are vulnerable to the baseline criticism that criminals will inevitably innovate and find ways to circumvent obstacles posed by the state. As acknowledged elsewhere in the Treasury’s 2022 National Money Laundering Risk Assessment,

Money launderers attempt to identify and exploit money laundering vulnerabilities, given the nature, location, and form of their illicit proceeds. Money laundering methods shift and evolve in response to opportunities and changes in financial services, regulation, and enforcement (U.S. Department of the Treasury, “National Money Laundering Risk Assessment”).

This tendency for illicit finance to evolve and transform means that there will always be a “residual risk” of “money laundering vulnerability.” Put more bluntly, state actions to reduce crime constitute a sort of “whack-a-mole” game. Indeed, from this perspective,
apparently “successful” state interventions may not reduce crime so much as channel it in new directions.\(^7\)

Yet even in situations where crime-fighting approaches are unlikely to “succeed” in the sense of measurably reducing the targeted crime, the state typically retains an incentive to do something (Andreas 2001; Levi 2010). The state has a symbolic need to project its authority, although simply managing illicit finance may be the best it can do in practical terms. All three of the approaches I investigate generate skepticism, yet are also capable of satisfying the governmental need for symbolic expression of authority. I therefore largely bracket the measurement of policy success\(^8\) and concentrate on the question of why the Treasury chooses certain policies as opposed to others.

The Cases (Briefly Described)

Rushefsky (2008: 3) observes that “Public policy is a course of action made up of a series of decisions, discrete choices (including the choice not to act), over a period of

---

\(^7\) Andreas’ (2013) book Smuggler Nation describes various instances of such adaptation. To give one commonly cited (and dramatized) example, the Columbian drug cartels rerouted the bulk of the inter-American cocaine trade through Mexico following aggressive US actions to disrupt the Caribbean-Miami route in the 1980s. For a wide-ranging conversation among professionals addressing criminal adaptation and the limitations of existing AIF regulations, see SibosTV (2017).

\(^8\) Measuring the “success” of specific crime-fighting measures is itself often highly problematic from a methodological point of view (Forstater 2018). For example, a decline in seizures of contraband may suggest that a given policy is working (i.e., that less smuggling is occurring), or it might suggest that traffickers have simply innovated better practices for avoiding seizure (Andreas 2001). On the other hand, as indicated by the case studies herein, the ability to project an image of success is clearly relevant to calculations of policy selection and maintenance.
time.” My investigation is temporally situated in the past two decades, following the post 9/11 expansion of the Treasury’s mandate for combatting illicit finance. The Treasury’s experimentation with targeted financial sanctions constitutes the most developed case of policy action in my analysis. The general principle of targeted financial sanctions is the “use of financial tools, pressure, and market forces to leverage the banking sector, private-sector interests, and foreign partners in order to isolate rogue actors from the international financial and commercial systems and eliminate their funding sources” (Zarate 2013: xi). Targeted financial sanctions often involve freezing the assets of illicit private actors and/or preventing US citizens or companies from doing business with their associated banks. But the approach comprises a fairly wide spectrum of action, from simply “naming and shaming” illicit financial actors to wholesale attempts to exclude such actors from the world’s financial system.

Given the centrality of the dollar and US financial markets in the global economy, the US is uniquely positioned to ostracize rogue financial actors (Zarate 2013: 9, 25). The Treasury in particular enjoys a privileged position in the international community of financial technocrats; as Zarate observes, it is “the primary interlocutor with finance ministries, central banks, financial regulators, the IMF, the World Bank, regional development banks, and the CEOs and compliance offices of the major banks in the

9 The case chapter on targeted financial sanctions describes how their application expanded from terrorist finance to state-based illicit finance of various kinds. Noting the gradual institutionalization of sanctions under Bush, followed by the Obama administration’s reappointment of key figures therein, De Goede (2012: xxv) suggests that “the effects of measures enacted in the name of pursuing terrorist monies far exceed the time frame as well as the policy domain of what has come to be called the war on terror.”
United States and around the world” (137). Thus, by simply blacklisting suspect foreign banks, the Treasury can impose reputational costs potentially rivaling or exceeding whatever financial benefits banks might gain by catering to illicit clients. Such reputational considerations also extend to the foreign governments that are pressured to cooperate with enforcement efforts. At the other end of the scale, the Treasury can actively exclude illicit actors from access to essential parts of the international financial infrastructure, such as the bank settlement services provided by the Society for Worldwide Interbank Financial Telecommunication (SWIFT)\(^\text{10}\) and the Clearing House Interbank Payments System (CHIPS).\(^\text{11}\)

Contrasted with targeted financial sanctions, anti-MLRE regulation is a more recent and underdeveloped action in the Treasury’s policy repertoire. (It therefore constitutes the intermediate case for my comparative analysis.) New requirements for due diligence in real estate transactions were included in the Patriot Act,\(^\text{12}\) but, as reported by

\(^{10}\) This measure was recently applied to the Russian banking sector, along with the freezing of the Russian Central Bank’s overseas assets. As argued by Farrell and Newman (2019) – two recent, influential theorists of financial sanctions (to whose work we will later return) – the Treasury’s access to SWIFT gives it a “chokepoint” over the international financial system.

\(^{11}\) As McDowell (2020a: 7) observes: “About 95 percent of all cross-border dollar-based payments are cleared through “Chips”…Chips relies on fewer than 50 financial institutions that function as correspondent banks…In order to participate in Chips, a bank must have a branch office in the United States, thereby making the institution subject to US law (US Treasury, 2006, 62).” With respect to the interaction of SWIFT and CHIPS, McDowell (2020a: 22) goes on to explain that, “Chips banks operate as the ‘pipes’ through which digital dollars flow. Swift operates as the messaging network through which payments requests are delivered from the initiator’s bank, to the correspondent (Chips) bank, to the beneficiary’s bank.”

\(^{12}\) The Federal Register (Vol. 68, No. 69 / Thursday, April 10, 2003 / Proposed Rules) provides a summary: “Section 352(a) of the Act, which became effective on April 24, 2002, amended section 5318(h) of the BSA. As amended, section 5318(h)(1) requires every financial institution including persons involved in real estate settlements and closings under section 5312(a)(1)(U) to establish an anti-money laundering program that includes, at a minimum: (i) The development of internal policies, procedures, and controls;
a series of 2015 articles in the *New York Times*, “The real estate and legal professions sprang into action, arguing that background checks were impractical and would hurt the economy” (Story and Saul 2015). This lobbying succeeded in taking anti-MLRE off the Treasury’s agenda until the middle of the last decade, when increasing concerns over the illicit purchase of luxury real estate in US cities led to more aggressive, if still somewhat incremental, regulation. The first step occurred in March 2016, when FinCEN began to “require certain title companies…to disclose to the government the names of buyers who pay all cash for properties over $1 million in Miami and over $3 million in Manhattan” (Carlyle 2016). This pilot program proved effective at reducing the number of all-cash purchases, leading FinCEN to expand its severity and scope in November 2018. The new version of the “Geographic Targeting Order” lowered the reporting requirements to $300,000 for all-cash purchases intermediated by foreign shell companies. It also extended the regulations to twelve major metropolitan areas (Financial Crimes Enforcement Network, “FinCEN Reissues Real Estate Geographic Targeting Orders and Expands Coverage to 12 Metropolitan Areas”).

Compared to the probable scope of the problem, the Treasury’s current anti-MLRE regulation may appear to fall short. To begin, as noted by Shelley (2013: 135), money laundering in real estate is not limited to respectable properties in major urban

________________________

(ii) the designation of a compliance officer; (iii) an ongoing employee training program; and (iv) an independent audit function to test programs.”

13 For clarification: “all-cash purchase” in the real estate context does not necessarily (or even typically) imply that a property is purchased with physical currency, only that the buyer pays for the property outright (i.e., without mortgage financing).
markets (such as would be flagged with the new reporting requirements) but also occurs in poorer neighborhoods – oftentimes as a means of expanding criminal groups’ “turf” or physical base of operations. Second, given that new regulations only apply to all-cash purchases over $300,000, money launderers may still resort to the common practice of mortgage financing, using tainted funds to make down payments, and potentially, later payments on the mortgage. Perhaps most importantly, while the new regulations have extended Know Your Customer requirements to title companies (i.e., to reduce the problem of concealed beneficial ownership described above), realtors (and real estate lawyers) remain exempt from these obligations. Nonetheless, according to Forbes magazine, “the regulations are widely viewed as simply the first step as Treasury attempts to crack down on criminals stashing illegally-gained cash in American real estate” (Carlyle 2016), and realtors anticipate they will soon be forced, like title insurance companies, to comply with expanded requirements (Amrock 2018). Indeed, in December 2021, FinCEN announced an “Advance Notice of Proposed Rulemaking” to solicit public comment on the prospect of extending the existing reporting requirements from title companies to the broader category of all “persons involved in real estate settlements and

---

14 “Money laundering into apartments can be used to facilitate the work of drug traffickers who can use these venues for production of drugs and as warehouses for drug distribution. These buildings can also be used to house illegal workers who are sometimes exploited in the criminal businesses of apartment owners” (Shelley 2013: 135). By way of qualifying the criticisms of Shelly and others, we should note that the dramatic appreciation of US real estate in recent years has effectively extended the reach of the Treasury’s anti-MLRE regulation into the medium/low end of the housing market in the jurisdictions targeted. For the most recent renewal of the GTO at the $300,000 threshold, see Financial Crimes Enforcement Network, “FinCEN Renews and Expands Real Estate Geographic Targeting Orders” 2022.

The recent Russian invasion of Ukraine may have indirectly opened a new window of opportunity for the expansion of anti-MLRE regulation. The sanctioning of the Russian oligarchs has brought more scrutiny (and perhaps resentment) of their many properties in jurisdictions under the Geographic Targeting Order (e.g., New York, Miami) and elsewhere (e.g., Aspen, CO) (Frank 2022). Elected officials from New York have called for the seizure of oligarchs’ luxury apartments and hotels. The Borough President of Manhattan, Mark Levine, tweeted “let’s do it NOW” (Goldiner 2022). NY state senator Brad Hoylman has proposed new legislation, stating, “Those who are using New York City real estate to launder money, hide assets, prop up foreign governments like Russia — well, this is our moment to take them on” (Glorioso 2022). But whether or not the current Geographic Targeting Order develops into a larger program of anti-MLRE regulation, it evidently constitutes a positive case of US Treasury action to reduce illicit finance.

The same cannot be said for the HDN demonetization approach, which has generated no visible action from the Treasury in the period under investigation. As suggested earlier (and elaborated in the next chapter), the Treasury’s non-action with respect to this approach is puzzling at first glance – it would seem relatively easy to

---

15 In 1969, The Treasury and The Federal Reserve announced the retirement of the several larger denominations ($500, $1,000, $5,000, and $10,000). As confirmed by internal documents I obtained through FOIA request and later analyze in depth, this decision was at least partially motivated by concerns with illicit finance (though not indicated in the official announcement).
implement and unlikely to threaten the vital interests of legitimate economic actors.

(However, as explored in Chapter 9, the Treasury’s calculations will appear differently when viewed through the lens of policy narratives.) The following provides a brief description of the arguments for HDN demonetization as a means for reducing illicit finance, with specific attention to the “soft” version most publicly proposed in the United States (i.e., the discontinued production of the $100 bill).16

In 2016, Harvard economist Kenneth Rogoff published The Curse of Cash, presenting a comprehensive case for moving towards a “less-cash” society. Rogoff argued that paper currency is disproportionately used in the underground economy and creates significant costs for governments by facilitating corruption, tax evasion, and the traffic of illicit goods. In particular, large bills – or as they are often referred to in recent literature, high denomination notes (HDNs) – provide criminals with a convenient and anonymous means of smuggling funds across borders, making bribes, and storing ill-gotten wealth. There is currently no other monetary medium or store of wealth that possesses the unique combination of anonymity, liquidity, high ratio of value to mass, and (in the case of internationally accepted currencies) universal acceptability (Sands 2016). Rogoff and a small but influential handful of other economists, policymakers and financial professionals have argued that governments should demonetize the large denominations of their respective currencies. For example, the former CEO of Standard

---

16 In Chapter 5, I provide a taxonomy of the variants of HDN demonetization to provide some comparative (historical and cross-country) context for the most recent proposals. In brief, a soft HDN demonetization simply ceases the new production/ reissuance of HDNs, whereas the medium version also instructs the commercial banking system to remove said HDNs from circulation upon deposit. A hard HDN demonetization constitutes an active and complete removal of an HDN (for example, by forcing currency holders to exchange their HDNs for smaller denominations within a given timeframe).
Chartered Bank, Peter Sands (2016: 6), observes that gradually withdrawing HDNs from circulation is a relatively easy and costless policy to implement, compared to other initiatives for fighting crime. Others (e.g., Hummel 2017) have challenged arguments for HDN demonetization on both practical and normative grounds.

Calls to discontinue production of the $100 bill have generally recognized that the vast supply of C-notes in global circulation would make a hard demonetization completely impractical (and a medium demonetization perhaps somewhat so). On February 16, 2016, former Treasury Secretary Lawrence Summers penned a *Washington Times* op-ed entitled “It’s Time to Kill the $100 bill,” arguing that,

> technology is obviating whatever need there may ever have been for high denomination notes in legal commerce. What should happen next? I’d guess the idea of removing existing notes is a step too far. But a moratorium on printing new high denomination notes would make the world a better place (Summers 2016).

Peter Sands’ working paper on the topic (cited in Summers’ op-ed) goes a bit farther (into the territory of a *medium* demonetization), proposing a gradual “withdrawal” of the $100 bill and other HDNs. But, like Summers, he agrees that “the first step is to stop printing” (Sands 2016: 6). HDN demonetization can be defined as the “negative case” for my comparative analysis, insofar as the Treasury has not pursued even this most passive (soft) version of the approach. Indeed, the Treasury’s production of *new* $100 bills has

---

17 Summers’ op-ed was written before the demonetization in the Eurozone, and, along with other high-profile demonetization advocacy, may have had some influence in getting the proposal on the ECB’s agenda: “In terms of unilateral steps, the most important actor by far is the European Union. The €500 is almost six times as valuable as the $100.”
accelerated significantly in recent years, drawing critical commentary from a variety of media outlets.¹⁸

**Scope of Study and Case Selection**

This dissertation is oriented around two key “policy windows” (Kingdon 2010), or moments of political opportunity, with regard to Treasury AIF policymaking. The first, more acute (and beginning the era studied), was the period directly after the 9/11 attacks. It was then that the Treasury became a major player in the US Security establishment through its contributions to the financial front of the “war on terror.” The second, somewhat more diffuse but also arguably a policy window, was the resurgence of populism in the mid 2010s (with 2016 often identified as a high point).¹⁹

One key criterion for my case selection is that the approaches examined had to have been relevant/available to Treasury policymakers at both of these moments. This would disqualify otherwise interesting cases such as the Treasury’s regulation of cryptocurrencies (which followed after the appearance of bitcoin in 2009) as well as more recent moves to address money laundering in art, antiquities, and collectibles (Perez 2022; Baranello 2021). Another criterion is that the approaches had to have been relatively novel or non-traditional at the moment of the first policy window. “Relatively”

¹⁸ See Chapter 5 for summary.

¹⁹ See, for example, Taylor (2016). As Niall Ferguson (2016) opined in a similar analysis, “We may as well face it: 2016 has been the global elite’s *annus horribilis*.”
is the operative word here, insofar as each of my case approaches had earlier precedents when 9/11 occurred, but represented something more than the quantitative ‘beefing up’ of existing AML requirements originating in the Bank Secrecy Act of 1970. Whereas much of the post 9/11 enhancement of AIF capability (via Section III of the Patriot Act) involved the strengthening of preexisting AML requirements on domestic financial institutions, the three cases I investigate focused on other actors, making them qualitatively different from traditional AML approaches.  

The post 9/11 policy window, understandably focused on counterterrorism, was intimately bound up with the Treasury’s innovation of modern targeted financial sanctions. The Treasury was also poised to begin with the anti-MLRE agenda at that moment, per the provisions in the Patriot Act, before pushback from real estate professionals succeeded in gaining the temporary exemptions that endured for the following decade. While this study has found no evidence that the Treasury formally deliberated over the possible demonetization of HDNs at that moment, the historical record strongly suggests that at least some officials within the Treasury would have been familiar with the idea.

---

By way of contrast, I would regard the many Patriot Act provisions extending AML regulations to foreign correspondent bank accounts as falling on the traditional banking sector, albeit on a more globalized level. (See USA Patriot Act [U.S. H.R. 3162, Public Law 107-56], Title III, Subtitle A, especially sections 311-327.) This push to internationalize American AML norms had begun at least a decade earlier, as described by Naylor (2003). The various investment companies and money service businesses (MSBs) likewise brought under the Treasury’s regulatory authority (sections 356, 359) were also essentially “financial institutions,” specializing in narrow services also performed by the banking sector (U.S. Government Printing Office, “United and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism [USA Patriot Act] Act of 2001).  

I allude here to the aforementioned 1969 demonetization, as well as multiple other pieces of evidence presented in Chapter 5. (These include a 1998 Congressional hearing where the association of HDNs with illicit finance was openly discussed by officials from the Treasury and the Fed.)
Regarding the second policy window, 2016 was a year in which HDN demonetization advocates published multiple books, reports and op-eds and received attention on major media outlets.\textsuperscript{22} It was also in 2016 that the Treasury began its pilot GTOs in Manhattan and Miami, which followed from the growing attention to MLRE by investigative journalists and NGOs. As I will illustrate in later chapters, the advocacy for both of these approaches reflected the growing populist sentiment at the time. Although anti-MLRE advocates enjoyed more success than HDN demonetization advocates,\textsuperscript{23} the arguments of both drew rhetorical power from policy narratives pitting the masses against a corrupt, hyper-wealthy, and oftentimes foreign elite.

Unlike the other two approaches, targeted financial sanctions were already a well-established approach by the mid 2010s. However, as evident from the public commentaries of various academics and former Treasury officials (e.g., Drezner 2015; Arnold 2016; Zarate 2013; Lew 2016), this general timeframe was also something of a policy window for re-evaluating targeted financial sanctions and for questioning whether they were being misused or overused. While somewhat more of an internal discourse among policymakers and experts, this sanctions soul-searching was also a reflection of the times, with elite worries about the growing influence of America’s geopolitical

\textsuperscript{22} Rogoff promoted his book widely, appearing everywhere from NPR’s \textit{Planet Money} to Fox News’ \textit{Tucker Carlson Show}.

\textsuperscript{23} That is, within the United States. 2016 was also the year in which the Eurozone announced the gradual retirement (soft demonetization) of the 500 euro note, and (perhaps less favorably for the HDN demonetization approach in America), India performed its dramatic and costly hard demonetization (discussed in the next chapter).
rivals\textsuperscript{24} partially echoing the more nationalistic expressions of the contemporaneous populist malaise.

Finally, my case selection is informed by a judgment of what areas (“vulnerabilities”) of illicit finance are most constitutive of the “financial system” the Treasury aims to protect.\textsuperscript{25} This criterion is perhaps most obviously satisfied in the case of sanctions, where preventing illicit actors from accessing the formal banking system is the very essence of the approach. At the same time, US currency must also be considered a key pillar of the international financial system; while the currency outstanding represents a small proportion of the total money supply,\textsuperscript{26} it remains an important – and sometimes the only – means by which foreign and/or underbanked individuals access the dollar network. Cash dollars also perform an essential function for formal financial institutions (e.g., central banks, commercial banks) as the reserves available for immediate liquidity needs.

The inclusion of real estate within this context is perhaps less obvious at first glance, but should become clear with a bit more explanation. Reflecting on the past few decades, we see that the domestic real estate market has a special relationship to the US financial system; indeed, US real estate operates much like a \textit{de facto} commodity

\textsuperscript{24} Drezner (2015: 760-1) captured the general concern, asking “whether the US use of financial sanctions will trigger a systemic reaction against the preeminent role of the United States dollar in global capital markets.” The outgoing Treasury Secretary, Jack Lew, expressed similar worries in multiple publications and speeches (to be addressed in subsequent chapters).

\textsuperscript{25} I refer again to FinCEN’s official mission: “to safeguard the financial system from illicit use, combat money laundering, and promote national security.”

\textsuperscript{26} Currency in circulation, plus that held in banks’ accounts at the Federal Reserve, is referred to as the “monetary base” or M0. In 2018, this accounted for roughly 11% of the total money supply (M2). See Desjardins (2018).
standard for the dollar in the post-Bretton Woods era. A fairly large literature\(^{27}\) has
explored the correlation between the total US money supply and the valuation of the real
estate market: such a correlation is unsurprising given that some 80% of bank loans in the
US are made to finance purchases of real estate,\(^{28}\) and this “commercial seigniorage”\(^{29}\) of
private banks issuing mortgages creates demands for additional reserves, leading to new
money creation. Culturally (in the US as well as other OECD countries), the home has
become the primary store of wealth for average families, and a financial asset to be
liquidated in times of need.\(^{30}\) Real estate thus takes on the characteristics of “a perpetual
ATM or cashpoint machine” for many Americans (Schwartz and Seabrooke 2009: 225).
At the same time, real estate remains a go-to asset for investors, increasingly corporate
and institutional, seeking long-term returns.\(^{31}\) For international investors/dollar-holders,
as well, US real estate offers an attractive real asset with less long-term risk than
investment in many channels of capital formation. This integrality to the US financial

\(^{27}\) See, for example, the “introduction” and “literature review” sections of Qiang et al. (2021)

\(^{28}\) See, for example, the recent interview with economist Michael Hudson in Savage Minds (2021).

\(^{29}\) This refers to the *de facto* creation of new money by the commercial banking sector, through the
process of making new loans that are unbacked by existing deposits yet ultimately guaranteed by the
central bank (i.e., as the “lender of last resort” with the *de jure* power of fiat money creation.) For in-depth
analyses, see Bossone (2021) and Ingham (2004, especially chapter 7, “The production of capitalist credit-
money”). This public-private partnership model of money creation originated with the Bank of England in
the early industrial era and gradually spread around the world (Desan 2014). As Ingham (2004: 137)
explains, “by the late 20th Century, it had become clear to the monetary authorities of all major capitalist
economies that central banks have very little choice, in the short term, but to supply funds to enable
commercial banks to balance their books and to augment their reserves after they have met the demand for
loans.”

\(^{30}\) This may be done completely, through sale, or partially, through mechanisms such as reverse
mortgages or home equity loans.

\(^{31}\) See, for examples, Harvey (2012), Madden and Marcuse (2016), and Glantz (2019).
system distinguishes real estate from a few other, relatively niche, vulnerabilities that were addressed several years after 9/11.\textsuperscript{32}

Of course, one might still question if my three cases for analysis satisfy the criterion of homogeneity associated with comparative case study methodology. Here it may be useful to consult Della Porta’s (2008: 208-9) observations on the difference between “variable-oriented” and “case-oriented” research:

In variable-oriented research, the homogeneity of the units of analysis is stated at the very beginning, when defining the population of cases, considered as empirically given (Ragin 2000). In case-oriented research, cases tend not to be determined at the beginning of a research project – instead, ‘they often coalesce in the course of the research though a systematic dialogue of ideas and evidence’ (Ragin 2004: 127)…In variable-oriented approaches, statistical procedures decompose the original cases into values on variables, while in case-oriented approaches they maintain their unitary character; that is, even when variables are mentioned, the single cases are still approached as complex units.

Della Porta’s reminder of the “unitary character” of each case in case-oriented research precludes a rigid framing of the research according to Mill’s famous “method of difference.” As Levy (2008: 10) defines it, “The method of difference selects cases with different values on the dependent variable and similar values on all but one of the possible causal variables” (italics mine). Such a rigid framing is incompatible with case-oriented research for at least two reasons. First, to acknowledge that the individual case is a unique and “complex unit” (Della Porta 2008: 209) is to accept that it may possess important features unknown to the researcher in advance. These unknown features may

\textsuperscript{32} Examples would include alternative stores of value such as gift cards and precious metals, stones and jewels (PMSJ). See Financial Crimes Enforcement Network, “Dealers in Precious Metals, Stones or Jewels Required to Establish Anti-Money Laundering Programs”; U.S. Department of the Treasury, “U.S. Money Laundering Threat Assessment.”
constitute possible causal variables in their own right, thereby vitiating the original case selection per the method of difference. Second, for case comparisons where the method of difference is strictly satisfied, “research” (defined as in-depth study of the cases themselves) is not really necessary for making causal inferences. That scenario would imply a “natural experiment” in which all potential causal variables, save one, were controlled for in advance, allowing us to infer the causal significance of the “treatment” (i.e., the sole independent variable present). Case-oriented research, in contrast, begins with an understanding that multiple causal variables may be responsible for a variation in outcomes – indeed, it is this a priori plurality of potential explanations that calls for further research on a subject.

Nevertheless, as the minimization of competing causal variables confers greater analytical leverage, my case selection is intended to loosely approximate a “most-similar system design” (Teune and Przeworski 1970). This approach applies the basic reasoning behind Mill’s method of difference, while abandoning the pretense of selecting cases that are comparable or homogenous in all respects except for one. In other words, cases “as similar as possible with respect to as many features as possible constitute the optimal samples for comparative inquiry” (32, italics mine). But here we should stress that the “as similar as possible” rule for case selection is relative to that population of potential cases that also vary on the outcome of interest. I suggest my three cases are indeed “as similar

---

33 And even here, the isolation of a single causal variable ultimately comes down to rhetorical argument rather than true experimental method. Along these lines, Gerring (2009: 107-8) observes that while “the logic of cross-case analysis is premised on some degree of cross-unit comparability… …researchers' judgements about case comparability are not, strictly speaking, matters that can be empirically verified.”
as possible” within the limited population of potential cases that would conform to my 
aforementioned time window and criteria, while simultaneously providing a full spectrum 
on the dependent variable (i.e. strong, weak/partial, and non-existent policymaking).

A Background to Explanation: Policymaking as Performance

The earlier quoted passages from the Treasury’s official statements suggested a 
highly “instrumental” approach to AIF policymaking: that is, the Treasury simply 
observes “illicit finance activity” and responds “using the full complement of authorities 
and tools.” While not denying this instrumental dimension of AIF policies, this 
dissertation argues that the variation in the Treasury’s AIF policymaking cannot be 
understood without also accounting for policies’ symbolic or “expressive” characteristics. 
Peter Andreas (2000: 11), whose analysis of the escalation of border control along the 
US-Mexico frontier has much in common with my findings here, explains such a 
distinction as follows:

The border as a political stage is based as much on the expressive role of law 
enforcement (reaffirming moral boundaries) as it is on the instrumental goal of law enforcement (effective defense of physical boundaries)... The seizure of drugs 
and arrest of smugglers takes the form of a ritualistic performance, with the 
responsible officials keenly aware of the wider audience.

I argue that the Treasury’s protection of the US financial system involves similar 
elements of audience-directed “ritualistic performance” – and that this insight applies 
both to what the Treasury does and what it does not do. As the case studies will illustrate, 
both the Treasury’s post 9/11 development of targeted sanctions and its later (2016)
implementation of anti-MLRE regulation were calculated in response to a perceived audience demanding policy action. But the same performativity applies to the examples of nonaction examined here: the Treasury’s earlier (post 9/11) forbearance with respect to anti-MLRE regulation, and its consistent non-engagement with proposals for HDN demonetization. Non-policymaking, like its positive counterpart, often has an expressive dimension and a corresponding narrative.

Narratives and the Managerial-Nationalist Interpretation

Part of the explanation for the variation in the Treasury’s policy action has to do with the positions and the efforts of relevant policy entrepreneurs, as I trace in each of the case chapters. Thus, the Treasury’s strong embrace of sanctions is largely explained by the presence of dedicated internal policy entrepreneurs in that case. The Treasury’s belated action on the anti-MLRE front responded to a growing advocacy coalition of external policy entrepreneurs, whose combined efforts countervailed the powerful influence of the real estate industry, eventually tipping the balance in favor of expanded anti-MLRE regulation. The Treasury’s nonaction with respect to HDN demonetization is at least partially explicable for the opposite reason(s): an apparent lack of either committed advocates within the Treasury or a sufficiently large and dedicated advocacy coalition pressuring the Treasury from the outside.

34 The precise composition of the audience (and the relative influence of the different actors within it) varies according to the case, as will be explored more fully in each of the case chapters.
Such explanations are necessary and worthwhile, as far as they go, but this dissertation also accounts for the variation in policy action from the more generalizable perspective of permissive conditions. In particular, the evidence suggests that the Treasury’s AIF policymaking is rooted in certain deep-rooted nationalistic symbols and narratives. The ideological phenomena I’m referring to here – “American Exceptionalism,” “the American Dream,” “American Civic Religion” – represent a distinctly nationalistic narrative canon from which more specific policy narratives tend to derive their legitimacy. The spectrum of variation in AIF policymaking represented by my three cases – from strong to partial to apparently non-existent – reflects the relative compatibility of each AIF approach with that narrative canon.

Methodologically, my interpretation follows the basic premises of the Narrative Policy Framework (NPF), a recent school of public policy research that seeks to examine political narratives in a systematic fashion. Simply summarized, the NPF holds that “Variation in policy narrative elements helps explain policy learning, policy change, and policy outcomes,” and that “a new policy narrative may be so powerful in and of itself as to precipitate policy change” (Shanahan et al. 2011, p. 549). Successful policy narratives contain the same elements that make any narrative (for example, fiction or narrative history) compelling: setting, characters, plot, and a ‘moral.’ At the same time, “in order for policy narratives to have this persuasive power, it must be grounded in

35 Emery Roe’s (1994: 2) earlier work on “narrative policy analysis” shared this focus on narrative as an explanans or independent variable: “Stories commonly used in describing and analyzing policy issues are a force in themselves, and must be considered explicitly in assessing policy options.”

36 To reiterate, “successful” here refers to a policy being successfully adopted – not whether the policy itself is ultimately “successful” in achieving its stated goal.
generalized content or belief system” (McBeth et al. 2014: 52). That is, a successful new policy narrative is rarely woven from materials created de novo, but rather from the reappropriation and repurposing of existing cultural materials – i.e., of the broader narrative canon I refer to above. As Frederick Mayer (2014: 4, 9) puts it,

> Stories are not merely the surface of politics; they are its heart...But stories that work are also those that resonate with the stories a community already holds in mind, the religious, historical, political, and popular mythologies of culture. The shared narratives of culture constitute the initial stock of plot forms, character types, and meanings available to those who would weave new narratives and persuade a community of its common interest in a collective good.

If narratives are as politically important as such scholars claim, the George W. Bush administration could scarcely have found a better one for implementing its post 9/11 foreign policy agenda. All of the core narrative elements highlighted by the NPF were clearly visible in the war on terror narrative (articulated by Bush soon after the attacks and developed in subsequent speeches and communications) – itself a version of the ancient “overcoming the monster” story so ubiquitous in world mythology. The Treasury’s development of targeted financial sanctions directly responded to Bush’s post 9/11 call to fight the war on terror by “all available means,” and the distinctive characteristics of the approach (e.g., preemptive targeting, ascription of guilt by association, coercive diplomacy compelling other nations to ‘take sides’) followed from the war on terror’s decidedly Manichean framing. The emergency narrative (or “state of exception”) engendered a “technocratic exceptionalism” (Best 2018) at the Treasury, which proceeded to explore new ways of “weaponizing interdependence” (Farrell and Newman 2019) to thwart the machinations of terrorists and rogues.
This same “war on terror” narrative spurring the development of sanctions also facilitated the original inclusion of anti-MLRE regulations in the Patriot Act. However, as revealed by their lobbying efforts from the time, the real estate industry was able to successfully exploit certain contradictions in the war on terror narrative – chiefly, the tension between protecting the homeland (through increased regulation) and promoting the post 9/11 economic recovery – to secure temporary exemptions from the Title III requirements. The Treasury periodically renewed these exemptions until 2016, when it began its pilot anti-MLRE program of geographic targeting orders in Manhattan and Miami (subsequently extended to other areas). In announcing this change of policy, the Department cited the influence of investigative journalists and NGOs who had established a new policy narrative. As I will elaborate, this informal advocacy coalition successfully reappropriated the nationalistic narrative canon from the real estate lobby, effectively making anti-MLRE regulation a “policy surrogate” for addressing the growing housing affordability crisis.

The case study of anti-MLRE is thus particularly illuminating for its within-case variation, which would be inexplicable without tracing the relative influence of competing policy narratives. Here, the NPF highlights the importance of the “angel/devil shift” in the struggle between interest groups or advocacy coalitions – the “angel shift” being the exaggeration of one’s good qualities, and the “devil shift” being the exaggeration of an opponent’s bad qualities. Put in these terms, the anti-MLRE case

---

37 The policy surrogate is a “strategy wherein simple policy debates are presented as a surrogate to larger, more controversial issues,” and is used to “attract the attention of people who would otherwise not care about the more particular issue that is being debated” (Gupta et al. 2014: 92-3).
might be summarized in three moments. The anti-MLRE regulation first appeared on the Treasury’s agenda via the war on terror narrative, was taken off the agenda with the real estate industry’s successful “angel shift” (i.e. as “stabilizer” of the economy and broker of the “American Dream”), and then eventually put back on the agenda with an anti-MLRE advocacy coalition’s “devil shift” directed at the “enablers” of real or suspected money laundering in American real estate. (As will be seen from a close reading of the relevant texts, the anti-MLRE narrative also conveyed a noticeably nativist-populist subtext, implicitly conflating MLRE with foreign real estate investment [FREI] itself.)

The case of HDN demonetization also demonstrates the importance of narratives, albeit in ways that differ from the other, positive cases. Compared to the policy narratives supporting sanctions and anti-MLRE, the pro-demonetization narrative was politically problematic in key respects. To begin from the abstract standpoint of the NPF, the pro-demonetization narrative suffered from an intrinsically weak plot – a deficiency related to its overly broad characterization of villains. Whereas the functional villains in both the original sanctions narrative and the later successful anti-MLRE narrative were easily to isolate and despise; the villains in the pro-demonetization narrative were plural and highly diverse. This ‘kitchen sink’ approach to villainization likely served to weaken the policy narrative by diluting whatever interest its individual villains might have inspired. Likewise, whereas the sanctions and anti-MLRE approaches were capable of producing interesting (and politically motivating) stories or “markers,” a potential HDN demonetization could offer little more than the promise of some small (perhaps
insignificant) aggregate reduction in illicit finance – a result that would be instrumental to the Treasury’s stated goals, but hardly expressive of a compelling policy narrative.

Perhaps even more damaging for the pro-demonetization narrative was its implicit villainization of the Treasury itself as a de facto facilitator of illicit finance. But while this criticism was couched in technocratic terms and directed primarily at the Treasury (and the Fed), it also effectively accused the nation itself, violating the American nationalism that the other two case-approaches were able to harness and exploit. Faced with such an affront – yet not exactly capable of refuting the HDN demonetization logic on its own terms – the Treasury has unsurprisingly tended towards a policy of non-comment, or, as others might call it, “strategic silence.” In the absence of a dedicated advocacy coalition in favor of HDN demonetization – the formation of which would be unlikely for the same reasons described above – the Treasury can afford to be silent. Avoiding public engagement with the topic is also likely prudent: it both deflects

38 For example, as Kenneth Rogoff (1998: 280) quipped in his first paper advocating HDN demonetization (reportedly discussed by then Treasury Secretary Robert Rubin and his staff), “If a Colombian drug lord offered a medium-term, zero-interest loan to the US Treasury in return for access to a superior smuggling and hoarding technology, presumably the offer would be refused. Yet such an agreement is implicitly entered when criminals are offered the convenience and anonymity of large-denomination bills.”

39 Here I refer to the simple, ceteris paribus insight that larger denominations are relatively more convenient for smuggling, bribery, tax evasion, and other acts of illicit finance employing cash. None of the subjects I interviewed for this dissertation (including multiple former Treasury officials) disputed the logic of this argument, although some offered countervailing explanations for the Treasury’s nonaction with respect to HDNs (to be examined in later chapters).

40 See, inter alia, Brummet (1980), Maor et al., (2013), Dimitrov (2019). While the use of “strategic” or “performative” silence has been more extensively theorized with respect to the Federal Reserve (e.g., Dimitrov 2019; Moschella and Pinto 2018), I suggest that the Treasury employs similar tactics – especially where its primary mission and its AIF mission do not neatly overlap.
questions as to the Treasury’s commitment to fighting illicit finance and accommodates the Treasury’s primary organizational mission of national financial management.

To the extent that the Treasury has engaged with the HDN demonetization policy narrative (whether in rare public statements or in confidential interviews such as marshalled in this study) it has relied on various counternarratives to counter the “devil shift” of HND demonetization advocates. In perhaps the most intriguing of these narratives, the moral significance of the $100 bill is inverted, whereby the high value-to-mass ratio is no longer primarily a boon to smugglers or tax evaders, but a public good provided to legitimate economic actors struggling under oppressive foreign governments. Or rather, such a discourse redefines what activities are “illicit” in the first place, making the label contingent on the Treasury’s reading of other countries’ political circumstances. Where the foreign government is deemed to be excessively inflationary, confiscatory, or left-leaning, “tax evasion” becomes “justified dissent”…and all the better if it takes the form of stashed $100 bills. Such inversions underscore the very elasticity of the “illicit” as a political-criminological concept, socially constructed, in large part, through the power of dominant narratives.41

Outline of Dissertation

In the following chapter, I contrast my “managerial-nationalist” interpretation with potential alternative explanations and elaborate on the puzzles motivating my study.

41 See Kemp and Galemba (2020) for literature review and summary.
The primary puzzle refers to the variation noted at the outset: what explains the Treasury’s preference for certain types of policy action, as opposed to others, in its mission to reduce illicit finance. I argue that, at first glance, HDN demonetization would appear to be a less politically costly policy than either targeted financial sanctions or anti-MLRE regulations, both of which potentially threaten the interests or sensibilities of actors whose assistance is needed to carry out the policies. At the same time, I suggest that a different puzzle appears when broadening the focus from the Treasury’s anti-illicit finance mission to its larger role as the nation’s financial manager. From that perspective, the variation in the Treasury’s policy action is perhaps less surprising than the fact that Treasury has aggressively addressed illicit finance at all (as exemplified by the case of targeted financial sanctions), given the risk such action poses to one of the key pillars of American geopolitical power, the status of the dollar as the world’s reserve currency.

The following three chapters (3, 4, and 5) are dedicated to each of my three cases, respectively, and largely focus on the actions of policy entrepreneurs in each case. For targeted financial sanctions, this is primarily a story of bureaucratic advancement within the context of post 9/11 “securitization.” For anti-MLRE regulation, the process tracing suggests a greater influence of NGO and journalistic pressure (combined with some pressure from key elected officials) in gradually pushing the approach back on the Treasury’s agenda (i.e., after the real estate industry’s earlier successful resistance). For the HDN demonetization approach, I evaluate the extent to which such policy catalysts were either absent or less powerful. The chapter also makes considerable use of historical records that predate the time period of comparative study but reveal earlier Treasury
deliberations and attitudes about HDNs. (Such triangulation helps overcome the methodological challenge inherent in this negative case, that is, the Treasury’s institutional reluctance to comment openly and officially on the HDN demonetization approach.)

Chapter 6 provides an introduction to the Narrative Policy Framework (NPF) in the context of a broader, and increasingly cross-disciplinary, literature on narratives. I then apply this framework to each of my cases in turn (chapters 7, 8, and 9). My concluding chapter (10) summarizes and synthesizes the findings of the study in light of my managerial-nationalist interpretation.
Chapter 2 – Puzzles and Alternative Interpretations

In the introductory chapter, we read the Treasury’s own description of its AIF mission from its recent *National Strategies for Combating Terrorist and other Illicit Financing*. Both the 2020 and 2022 versions of this report emphasized the importance of a “holistic” approach to reducing remaining vulnerabilities: “The U.S. government must continue to employ an ‘all-tools’ approach to combating illicit finance activity.”

But this official pronouncement is belied by the variation in the Treasury’s AIF policymaking examined here – both its non-action with respect to HDN demonetization as well as its belated (and still very partial) implementation of its anti-MLRE authority. The Treasury’s AIF approach is never perfectly comprehensive. Not all its tools are created equal – some are used aggressively, others tentatively, while others remain locked up in the proverbial toolbox. The question, then, is what explains the Treasury’s preferences. Is one tool simply better than another? Or is the Treasury’s selection of AIF tools influenced by other intervening considerations?

I maintain that variation in AIF policymaking is best explained by the managerial-nationalistic interpretation I outlined in the introduction. AIF policymaking involves the

42 Similar language has been used by former Treasury officials to describe the Treasury’s AIF policymaking directly after 9/11. For example, “After September 11, 2001…the Treasury Department waged an all-out offensive, using every tool in its toolbox, to disrupt, dismantle, and deter the flows of illicit financing around the world” (Zarate 2013: 7).
management of external constraints and audience perceptions – a context in which nationalistic policy narratives typically win the day. In this chapter I consider potential alternative interpretations, which I classify as either “credulous,” “critical,” or “grand-strategic.” While these alternatives may contain elements of truth with respect to individual cases, they ultimately leave aspects of the variation puzzling and insufficiently explained.

Credulous vs. Critical interpretations

My argument in this dissertation attempts to steer a middle path between two opposed, and perhaps equally tendentious, lines of interpretation. On the one hand, we might simply take the Treasury’s official pronouncements at face value, that is: the Treasury recognizes certain objective problems of illicit finance and then attempts to “close the gaps,” “using the full complement of authorities and tools.” In this reading (what we might call the credulous interpretation), the Treasury’s post 9/11 embrace of targeted financial sanctions would be considered a technical innovation to combat an obvious terrorist finance threat – nothing more nor less. The variation between the Treasury’s 2003 decision on anti-MLRE (to exempt the real estate industry from the Patriot Act Section 3 provisions) and its 2016 decision (to resurrect those provisions with the first Geographic Targeting Orders) could be explained in similarly straightforward terms: money laundering in real estate was not a significant problem in 2001-3, but by 2016 had become more serious or widespread. With respect to proposals for HDN demonetization, the absence of official statements or deliberations by the Treasury could
be taken as sufficient evidence that HDNs pose no illicit finance vulnerability and therefore merit no policy attention or discussion.

At the opposite end of the explanatory spectrum, one might consider various critical interpretations of Treasury policymaking towards illicit finance. While differing in their particulars, such interpretations could be classed together on account of what we might call their mutual hermeneutic of suspicion\textsuperscript{43} – that is, their assumption that AIF policymaking is fundamentally driven by some ulterior motive, purpose, or agenda. Critical interpretations assume that AIF policies will only be pursued to the extent that they serve US government and/or business interests, and rejected where and when they do not. AIF policymaking is really about maximizing financial surveillance, and/or bureaucratic advancement, and/or US geopolitical realpolitik, and/or benefits for some sector of the American capitalist class.

From the perspective of this study, neither a credulous nor a critical interpretation is sustainable in pure form, although both contain elements of truth. Yes, the Treasury attempts to close certain gaps in the evolving environment of illicit finance, but its AIF policymaking is ultimately more selective and multi-faceted than the Treasury might suggest. The cases examined here draw a picture of Treasury AIF policymaking as a combination of what it purports to be and a vehicle for other purposes. However, it is by engaging with the various versions of the credulous and critical interpretations that we can appreciate the initially puzzling aspects of variation in AIF policymaking.

\textsuperscript{43} This term, originally employed by Paul Ricoeur in literary analysis, has also been used by public policy and international relations scholars. For a review, see Akrivoulis (2017).
The Limitations of a Credulous Interpretation

Perhaps the first problem with a credulous interpretation of AIF policymaking is that it would necessarily neglect the broader political and institutional context in which the Treasury is embedded: the influence of public opinion and interest groups, the Treasury’s accountability to Congress and the Executive branch, interagency competition with other bureaucracies, the influence of international AML/CFT norms and US allies, etc. These diverse actors and audiences exist outside of the Treasury’s control, and represent potential external constraints on its AIF mission. In selecting AIF policies, the Treasury must consider the potential costs (or “collateral damage”) to legitimate actors, who, if sufficiently aggrieved, may push back in various ways and render the Treasury’s AIF mission more difficult. As a former Treasury official reflected on the interest group pressure preventing the Treasury from implementing anti-MLRE policies after 9/11, “There are always costs and benefits behind what we do.”

44 In contrast to the language found in the Treasury’s official reports, the more personal/informal sources of evidence I will deploy here – from my own interviews with former Treasury agents to their published memoirs, speeches, articles, and conversations – drive home the complexity of the cost-benefit analyses surrounding new AIF approaches.45

44 Author interview, winter 2023

45 Former FinCEN director Jennifer Shasky Calvery expressed the general principle in a public interview at an international conference on AML: “it’s about getting the balance between providing security and having privacy right…that balance changes over time in reaction to world events, it’s a little bit of a pendulum that you can watch swing back and forth” (ACAMS 2016: 8:27).
Marx famously remarked that “Men make their own history, but they do not make it as they please.” The same, it seems, could be said about the Treasury’s AIF policymaking: political circumstances delimit the tools it can use, *even if we are to assume an otherwise sincere and thoroughgoing dedication to a holistic AIF approach.* Let us briefly entertain such a *qualified* (and perhaps more realistic) version of the credulous interpretation, where an “all-tools” approach is *aspirational,* but never realizable, for the Treasury. In other words, let us assume that the Treasury will use whatever AIF tools it can, while taking into account that real or anticipated political costs exacted by external actors will render certain tools impractical.

**Treasury Nonaction on HDN Demonetization – a Preliminary Puzzle**

It is from this perspective (a ‘*qualified* credulous interpretation’) that the Treasury’s nonaction on HDN demonetization appears puzzling at first glance. If $100 bills are disproportionately used for illicit finance (yet rarely used by average Americans) a moratorium on the production of new $100 bills would seem to follow from a limited, merely *Hippocratic* approach to AIF: “first do no harm.”

The Treasury is itself the issuer the HDN; to simply cease its production would seem the epitome of low-hanging fruit for AIF policymaking. As argued by one advocate of the demonetization approach, to espouse an AIF mission while issuing more HDNs is not only un-Hippocratic, but

---

46 For discussions of the relevance of the Hippocratic principle to public policy, see DeMartino (2009, 2011). DeMartino (2016) proposes the concept of “econogenic harm” for the negative consequences of economists’ public policy influence. Patten (2021: 405) employs the similar concept of “criminogenic” for public policies that “create the conditions conducive for crime.”
hypocritical: “It’s a bit like gun manufacturers: should the gun manufacturers have any sense of accountability? My view is, actually, you should have some sense of accountability for what your product is being used for. You hold banks accountable for the use of the products and services they provide – if a bank provides a transaction account, you hold them accountable for insuring that that isn’t being misused for illicit or money laundering purposes. But on the other hand, you produce this nice note which is actually a really efficient way of doing these things, and you don’t hold yourself accountable at all for that, and nobody else does either…In the medical world there’s a starting proposition of ‘do no harm’ and I just think the central bankers and treasury officials have not held themselves to that enough.”

If the Treasury is serious about combating illicit finance (this argument goes), why doesn’t it use the most immediate ‘tool’ at its disposal and reduce its own contribution to the problem? A credulous interpretation of Treasury policymaking – even when qualified by the general recognition of external constraints – might logically expect HDN demonetization to be the first item on a comprehensive AIF agenda.

Of course, the skeptically inclined might immediately counterargue that HDN demonetization in not really a legitimate AIF “tool.” To address that position, a brief digression is in order. The following section provides some methodological, historical and comparative context to establish the “possibility principle” for a soft version of HDN demonetization in the Treasury’s AIF repertoire.

---

47 Author interview, fall 2020
HDN Demonetization and the “Possibility Principle”

My attention to HDN demonetization as an interesting case of policy inaction falls within a somewhat marginalized, but longstanding, perspective in political science: i.e., that rejected policy proposals often merit attempts at explanation no less than accepted ones (e.g., Bachrach and Baratz 1963; Carpenter 2010; Bob 2010; McConnell and ‘t Hart 2019). Contemporary public policy scholars have reiterated this methodological insight. For example, Petridou and Mintrom (2020) argue that the research agenda on policy entrepreneurship should encompass “the full range of logical relationships between policy entrepreneurs and policy change.” Investigating instances of failed policy entrepreneurship – particularly within a comparative case study format – helps rectify the “potential selection bias of [only] choosing successful entrepreneurs because their actions resulted in observable change” (19).

At the same time, one might reasonably argue that not every instance of policy inaction is worthy of investigation. To comprise a fruitful case study, the failed policy proposal should be one that had a chance, on some basic level. That is to say: there should be evidence that a proposal was at least considered by policymakers somewhere within the relevant policymaking stream. Mahoney and Goertz, two widely cited methodologists in qualitative research, refer to this simply as the “possibility principle.” When designing comparative case studies, “only cases where the outcome of interest is possible should be included in the set of negative cases” (Mahoney and Goertz 2004: 653).
In the introduction, I alluded to historical evidence indicating that the HDN
demonetization approach would have been known to some Treasury officials prior to the
post 9/11 policy window.\(^48\) Indeed, given policymakers’ attention to bulk cash smuggling
at the time, a complete obliviousness to the role of HDNs would have been highly
implausible. Section 371 (a,3) of the Patriot Act explicitly stated that:

> The transportation and smuggling of cash in bulk form may now be the most
common form of money laundering, and the movement of large sums of cash is
one of the most reliable warning signs of drug trafficking, terrorism, money
laundering, racketeering, tax evasion and similar crimes (U.S. Government

The legislation therefore contained a provision to criminalize (and confiscate) all
undeclared movements of currency, in or out of the country, in quantities of $10,000 or
more.\(^49\) In the accompanying justification for the new measure, the possible role of the
US government in \textit{facilitating} bulk cash smuggling (through continued HDN issuance)
was conspicuously absent from the relevant discussion in Section 371:

> The couriers who attempt to smuggle the cash out of the United States are
typically low-level employees of large criminal organizations, and thus are easily
replaced. Accordingly, \textit{only the confiscation of the smuggled bulk cash} can
effectively break the cycle of criminal activity of which the laundering of the bulk

\(^{48}\) For example, in a 1998 Congressional hearing, the Assistant Secretary of the Treasury for Financial
Markets, Gary Gensler, alluded to the “law enforcement considerations” arguing against the reissuance of
larger currency denominations. (I examine this hearing in great depth in the case chapter on HDN
demonetization). A former ambassador likewise confirmed that proposals to retire the $100 bill were
known in Washington circles many years before the idea received widespread publicity in 2016 (Author
interview, summer 2021).

\(^{49}\) This provision (The Patriot Act, Section 371c) essentially applied the traditional $10,000 threshold
(for AML reporting requirements on bank deposits) to cross-border movements.
This singular focus on confiscation as the only tool for reducing bulk cash smuggling suggests a certain tunnel vision with respect to that vulnerability. Memoirs of Treasury AIF policymakers have similarly highlighted the illicit potential of cash without explicitly considering the issue of denomination and value-to-mass ratio. Zarate (2013: 102) remarks that,

Terrorists, not surprisingly, turned out to be much like drug traffickers and organized crime figures, at least in one respect: in response to greater scrutiny from banks and formal financial institutions, they resorted to the most basic forms of money movement, including men and women carrying satchels and briefcases full of cash as they travelled.

In a 2008 retrospective, the former Under Secretary of the Treasury for Terrorism and Financial Intelligence, Jimmy Gurulé, likewise observed that “the jihadists often resort to physically smuggling currency into and out of the United States to fund their deadly operations.” He then went on to note that, in spite of the Patriot Act’s attention to bulk cash smuggling, “The currency smuggling statute is rarely charged by prosecutors in international terrorist financing cases. There are no reported court decisions involving convictions under the bulk cash smuggling statute” (298-9). Such passages could be taken to confirm that HDN demonetization might have served as a complementary/compensatory approach for limiting the efficacy of cash smuggling as a means of financing terrorism and circumventing targeted financial sanctions.

Whatever the case, it was not until the second policy window of this study that the HDN demonetization approach became widely known through mass media publicity and international example. By the end of 2016, demonetizations in the name of combatting illicit finance had become a practical issue affecting a significant number of the world’s people. The 2016 demonetizations in India and Venezuela reportedly caused hardships...
for large numbers of citizens who were compelled to exchange their cash holdings within very limited time periods. But elsewhere – e.g., in Canada, Sweden, Singapore and the Eurozone – HDN demonetizations have been much more mild and/or gradual in their implementation. The HDN demonetization most publicly proposed in the US context represents a soft version of the approach, somewhat comparable to the actions taken by the European Central Bank in 2016.

Whatever one’s position on the approach, HDN demonetization cannot be regarded as merely the fringe idea of a few academics, but has been implemented, in one form or another, by monetary authorities governing billions of people. Indeed, the Treasury itself once used the same tool. As we will discuss at length in a subsequent chapter, the US Treasury (in conjunction with the Federal Reserve) itself performed a medium demonetization of the $500, $1,000, $5,000, and $10,000 notes in 1969.

---

50 See, for example, Mansharamani (2016). In India, the demonetization of 1,000 and 500 rupee notes was implemented in extreme fashion (Agarwala 2017): a surprise announcement demonetized denominations of fairly common usage, while providing only a very limited timeframe for citizens to return/exchange notes before they lost their legal tender status. The Indian government carried out this action in the context of an insufficient financial infrastructure and a large “unbanked” population without viable alternatives to cash. The government also failed to print a sufficient quantity of small bills to replace the demonetized rupees, leading to widespread chaos and long lines at banks and currency exchange offices. These issues resulted in some highly inconsistent policies, as the Reserve Bank of India temporarily resorted to printing an even larger denomination (a 2,000 rupee note) to compensate. However, the government ceased production of these notes within a few years, per the arguments of HDN demonetization advocates (Nair 2019).

In an afterward to the 2017 paperback edition of The Curse of Cash, Rogoff (2017: 224-5) emphasizes that, while motivated by similar AIF concerns, the “settings and tactics” of the hard demonetization in the Indian case were “vastly different” from demonetizations proposed in the Global North. The logic of the Indian demonetization was primarily to force illicit actors to either expose themselves to the authorities via the process of currency exchange or lose their accumulated cash store of value.

51 I develop a taxonomy of these examples of demonetization in chapter 5; my point here is to establish the aforementioned possibility principle with respect to the HDN demonetization approach in the United States.
(following the earlier soft demonetization, or discontinued production, of those same notes in 1946).

Of course, the qualifying threshold for the “possibility principle” might be debatable according to the particular case and policymaking context, thus frustrating attempts at a general demarcation criterion. But, by any reasonable standard, the policy proposal for discontinuing production of the $100 bill would fall within the realm of possibility as described by Mahoney and Goertz. That the proposal was in fact considered by the Treasury in 2016, at the height of the publicity surrounding it, has been acknowledged by at least one former Treasury official.\(^{52}\) Given the earlier history of the idea\(^{53}\) and the elite credentials of its contemporary exponents,\(^{54}\) the Treasury would be forced to consider the HDN demonetization approach, though it might prefer to maintain

---

\(^{52}\) Author interview, summer 2021. “It was certainly something we considered – there was public debate about it – but I think it’s important to put it into context,” the source explained, adding that the Treasury had not made “a decision once and for all time.”

\(^{53}\) Though the policy entrepreneurship and publicity around HDN demonetization perhaps peaked in 2016 with the works by Rogoff, Summers, and Sands, the proposal to discontinue the $100 bill goes back at least several decades. Apparently the first to publicize it was the economics graduate student James S. Henry, who wrote a cover story on the connection between HDNs and crime for the May 1976 edition of the *Washington Monthly* (Henry 2014). A more direct example of policy advocacy occurred in 1986, when Mayor Ed Koch personally wrote to Ronald Reagan and asked him to demonetize the $100 bill to reduce drug trafficking in New York City.

\(^{54}\) Kenneth Rogoff was formerly Chief Economist at the IMF and well connected to the global epistemic community of Central Bankers. (His book, *The Curse of Cash*, bears the endorsement of former Fed Chairman Ben Bernanke, among other elites.) Larry Summers was formerly Secretary of the Treasury under the Clinton administration, later President of Harvard University, and – despite his fairly long history of generating controversy – remains influential in Washington (see, for example, Smialek 2021). Peter Sands was the former head of Standard Chartered Bank in London, collaborated with Summers at the Harvard Kennedy School, and is now the executive director at the Global Fund. James S. Henry was formerly the Chief Economist at Mckinsey & Co. These are policy entrepreneurs with relatively privileged access to gatekeepers, to use Carpenter’s (2010) terminology.
a PR posture of “strategic silence” or non-comment for reasons we will explore in later chapters.

The Puzzle of Sanctions: Aggressive Policymaking Despite Political Costs

A review of the literature (Sands 2016; Rogoff 2016; Friedman 2012; Arnold 2016) suggests that many of the theoretical criticisms of HDN demonetization have also applied to financial sanctions: in both cases, naysayers have suggested that the policy imposes too much “collateral damage” on licit actors, or that the policy is likely to be ineffective in reducing illicit finance (e.g., by spurring criminals to innovate). But sanctions have been an empirically costly approach for the Treasury, as measured in active resistance and resentment from other political actors. It is therefore puzzling that, among my three cases, sanctions have been pursued the most aggressively – or at least if we regard them from the qualified credulous interpretation outlined above. The following section gives an overview of the significant political costs associated with sanctions.

In her critique of post 9/11 financial surveillance, De Goede (2012: xviii) explores how “‘association’ becomes criminalized on the basis of notions of a new, networked terrorist threat.” Islamic charities in particular suffered the collateral damage of targeted financial sanctions during the beginning of the post-9/11 campaign against terrorist

---

The official Treasury website on denominations states simply that “Neither the Department of the Treasury nor the Federal Reserve System has any plans to change the denominations in use today” (U.S. Department of the Treasury, “Resource Center: Denominations”). According to a Wall Street Journal reporter (who inquired about denominations in the context of recent HDN demonetization proposals), “A spokesman for Treasury confirmed that this information is still accurate” (Carney 2016).
finance. Zarate (2013: 70) concedes that, “Despite our attempts to be surgical in our financial strikes, sometimes our actions and tools proved blunt and imprecise against charities.” By shutting down what may have been largely legitimate charities, businesses and banks, the Treasury invited reputational damage and allegations of institutional islamophobia.56 But targeted financial sanctions were shown to carry significant additional risks, including the alienation of US allies and foreign banks needed to help enforce the sanctions (Leoffler 2009; Levi 2010; Drezner 2015; de Goede 2009; Arnold 2016; Zarate 2013). To cite a well-known example: the re-imposition of financial sanctions on banks doing business with Iran (following The United States’ defection from the Joint Comprehensive Plan of Action) coincided with a general sense among US allies that the US had “weaponized” its hegemonic position in the world financial system under the guise of anti-money laundering and counterterrorism (Farrell and Newman 2019).

From the beginning, US policymakers understood the need for international cooperation to make targeted financial sanctions work: “There would be an effort internationally to leverage all the tools of the international financial system – including among the central banks and finance ministries – to amplify attempts to purge the financial system of tainted terrorist capital. There would also be alliance and capacity building around the world” (Zarate 2013: 30). At the same time, the new US-led approach drew concerns from US allies about the likelihood of overreach and the violation of civil liberties in their own countries (e.g., through asset freezes or forfeitures enabled by relaxed standards of evidence). “The Swedish – and other Europeans – were

56 Chapter 7 considers how the Bush administration’s “war on terror” narrative inevitably contributed to popular and institutional islamophobia (despite official messaging to the contrary).
very uncomfortable with a noncriminal standard when people’s reputations and livelihoods were on the line” (38). While US policymakers managed to finesse these objections in the first few years after 9/11, later Treasury actions against illicit finance in North Korea and Iran would more dramatically demonstrate the international political costs of targeted financial sanctions.

In Zarate’s account, the tendency for targeted financial sanctions to end up alienating US allies was related to inter-bureaucratic conflicts within the US government. For example, following the Treasury’s designation of Banco Delta Asia as a primary money laundering concern (and the subsequent market ostracization of the bank), the State Department’s negotiators with North Korea undermined the credibility of the targeted financial sanction by treating it as a diplomatic bargaining chip. Zarate describes how “this pernicious misunderstanding became a major source of tension between the Treasury and State departments” (256), as Ambassador Christopher Hill’s delegation to North Korea employed backdoor diplomacy with Chinese bankers to restore frozen assets to BDA:

As a result of this episode, many around the world began to perceive that our efforts to ‘protect the financial system’ with our ‘conduct-based’ financial pressure were just a Trojan horse for political and diplomatic interests…allies who had supported our actions felt betrayed, as if they had had the rug pulled out from under them (266).

While the internecine conflict between the Treasury and State departments was resolved before the subsequent campaign against Iranian banks, targeted financial sanctions continued to lose credibility and allied support as the tactics and geopolitical motives of the US were called into question. This time, the sanctions often involved direct pressure on foreign financial institutions to divest from the designated Iranian
banks, and, as Zarate (2013: 302) notes, “Foreign government officials often did not like the fact that an American official was meeting with private institutions without their approval.” The softening of diplomatic approach by the incoming Obama administration (vis-à-vis Iran) created further difficulties, hearkening back to the earlier miscommunications between the Treasury and State Departments. Once again,

This diplomatic respite also undermined the credibility of the stated reason for the financial isolation – to protect the international financial system against Iran’s illicit financial activities. Suspension of financial pressure appeared to be an admission by the US government that the financial measures against Iran were really just driven by geopolitics (325-6).

Zarate thus highlights the inconsistent application of sanctions against Iranian banks (given changes in the executive branch) as damaging to the Treasury’s reputation and eroding the cooperation of foreign financial institutions. Other evidence, however, suggests that it was the sanctions themselves that European banks found most objectionable. A British criminologist who interviewed European bankers in the position of sanction enforcement reported that,

Some senior bankers have expressed resentment against what they see as the enforcement of US foreign policy interests via the financial sector (author interviews, 2009). Indeed, such attitudes may have been a stimulus to the actions of some bank units in stripping out Iranian and other identifiers from wire transfers, violating OFAC rules and other anti-money-laundering laws. The UK branches or subsidiaries of Iranian banks would send electronic messages via the SWIFT electronic banking payments system to Lloyds and other banks. Employees at Lloyds would then re-key the data into a new SWIFT message, carefully removing any reference to Iran or its banks. The sophisticated screening software at American banks would have raised red flags if the true source of the funds had been revealed, but coming from respected European financial institutions, they were not questioned (Levi 2010: 665).

Zarate (2013: 309) notes that Lloyds was subsequently forced to pay $350 million in fines in order to maintain access to the New York banks, a fact illustrating his basic
premise about US power to impose policy prerogatives on the rest of the world. Nonetheless, the clandestine actions of European banks to undermine US sanctions against Iranian banks highlighted the basic principle-agent problems inherent in the policy approach.57

In sum, targeted financial sanctions have antagonized various actors whose cooperation is often needed to make sanctions effective, from other US government agencies to the foreign allies and banks expected to conform to the Treasury’s dictates (e.g., by refusing to do business with sanctioned parties). If only vaguely understood at the beginning, these liabilities were clear after several years of experimentation with the policy (Passas 2006). The benefits of sanctions have likewise been ambiguous at best, with recent scholarship marshaling further evidence of sanction’s ineffectiveness or even counterproductivity (e.g., DeMarais 2022; Mulder 2022; McDowell 2023).58 Once again, my purpose here need not require taking a position in the ongoing controversy over the targeted financial sanctions; rather, it is to draw attention to an apparent puzzle in the Treasury’s AIF policymaking variation. The Treasury’s embrace of sanctions suggests a

57 As Levi (2010: 651) observes, “the support of corporate actors is needed for ‘government at a distance’ to succeed. The state cannot hope to monitor and control financial transfers directly. This monitoring must be ‘entrusted’ (under threat of penal and/or regulatory sanctions) to the financial services firms and professionals.”

58 Such criticisms have emerged not only from outside commentators, but from the architects of the approach. Zarate (2013: 323) laments how state actors like the North Koreans and Iranians learned how to evade targeted sanctions by diversifying their financial channels: “in the face of pressure, the enemy has adapted, and illicit capital still moves” (357). Here, Zarate’s insider reflections on the limitations of targeted financial sanctions tend to confirm the skepticism of academics who have addressed the issue from a more theoretical perspective. For example, Levi (2010: 653) has argued that, “The difficulty for a practical harm reduction policy (as opposed to a rhetorical device) is that the sources from which terrorism is financed have been (and remain) various and not mutually exclusive; and, in principle, they may be readily substituted for each other.”
high tolerance for political costs; if it can afford this tool, perhaps it truly can afford an “all-tool” approach, such as the original credulous interpretation would expect. But why hasn’t the HDN demonetization tool been used in that case? And what, moreover, would explain the Treasury’s long hesitation in pursuing the anti-MLRE approach?

**Anti-MLRE: A Puzzle of Timing**

The real estate industry’s original success in eluding the government’s anti-illicit finance agenda was perhaps unsurprising when viewed in light of a dominant strand of the public policy literature. According to this perspective, the power of organized minorities typically trumps the implementation of policies that might yield diffuse public goods. Though commonly associated with 20th Century scholars like Robert Michels (1911), Mancur Olson (1971), or Charles Lindblom (1977), the tradition really refers to “an enduring political reality stressed by analysts from Machiavelli to Dahl: the forces of the status quo enjoy a systemic advantage over the forces of change” (Galston 2008: 554). In concrete terms, the popular interest in the public good of anti-MLRE regulations was vague and diffuse, whereas the minority interest (uniting those who stood to lose business from the regulations) was highly concentrated. The prospect of new anti-MLRE obligations directly threatened the financial interests of well-organized lobbies of realtors, title insurance companies and lawyers (Sharman 2017: 82-84). It was also problematic from the standpoint of principle-agent relations (since the approach would largely depend on those same real estate industry professionals for its implementation). And so, understanding that it would have to choose its battles, the Treasury balked. Such
an explanation would be compatible with our qualified version of the credulous interpretation: while anti-MLRE was an aspiration in the holistic post 9/11 AIF agenda, the Treasury’s implementation of the tool was thwarted by the external constraint of a powerful domestic interest group.

On the other hand, this theoretical framework would fail to explain the Treasury’s move forward with the anti-MLRE approach over a decade later, despite the continued opposition of the real estate lobby. There is little evidence to suggest that the real estate industry had become any less organized or powerful in the interim – or at least not in material terms. As in 2002-3, the real estate industry has generally resisted the expansion of anti-MLRE regulations since 2016, employing much the same lobbying tactics and arguments as during the earlier policy window.59 “We absolutely didn’t ask for it,” said an escrow officer for a prominent title insurance company, “It was just forced on us.”60

Contrasting the Treasury’s 2016 anti-MLRE action with its contemporaneous non-action on HDN demonetization presents another prima facie puzzle, since a gradual retirement of the $100 bill would not appear to harm the interests of any specific, well-organized lobby of licit economic actors. That the Treasury should pursue the anti-MLRE approach in 2016 suggests some intervening, perhaps ideational, factor unaccounted for in the public policy perspective outlined above.

59 For example, industry representatives have met with officials from FinCEN, submitted letters and public comments, etc., stressing the importance of the industry to the American economy and the likely harm to homebuyers in the form of increased closing costs. These efforts are examined in Chapter 8.

60 Author interview, fall 2020.
Critical Interpretations

The first half of this chapter illustrated the shortcomings of a credulous interpretation (in either pure or qualified form) for explaining the observed variation in the Treasury’s AIF policymaking. Let us now consider the various critical interpretations, which view AIF policymaking as motivated by one ulterior agenda or another. A 2003 volume edited by Margaret Beare, *Critical Reflections on Transnational Organized Crime, Money Laundering, and Corruption*, provides a useful introduction to this theoretical perspective. In her introductory chapter, Beare expresses skepticism of “industries that have grown up to 'combat' organized crime and corruption – and whose livelihood therefore depends on our assigning a high priority to combating these forms of criminality” (xviii). Politically, this tends to result in the escalation of crime control and the erosion of civil liberties:

Specific to organized transnational crime, countries are bringing into force legislation that authorizes extra police investigative powers and longer sentences. In the case of money laundering, seizing the proceeds of crime, both criminally and civilly, has become a main enforcement strategy (Beare 2003: xi-xii).

---

61 Beare’s remarks here reflect a deeper ontological assumption, common to critical interpretations, about a partial harmony of interests between states and the criminals they pursue. Only the sovereign state can define the laws and borders that make the criminal a “criminal” (and, in some cases, the criminalized activity exceptionally lucrative). At the same time, only the continued existence of criminals/enemies can provide the state with its *raison d’être* as protector and monopolist on the “legitimate” use of force. As Friman and Andreas put it (1999: 10), “an ironic symbiosis thus emerges between state control efforts and the proliferation of actors such as crime syndicates willing to circumvent them.” Reiman (2004: 4-5) applies the same sociological insight with his theory of *Pyrrhic defeat*: “The system must actually fight crime—or at least some crime—but only enough to keep it from getting out of hand and to keep the struggle against crime vividly and dramatically in the public's view—never enough to substantially reduce or eliminate crime. I call this outrageous way of looking at criminal justice policy the *Pyrrhic defeat* theory. A ‘Pyrrhic victory’ is a military victory purchased at such a cost in troops and treasure that it amounts to a defeat. The Pyrrhic defeat theory argues that the failure of the criminal justice system yields such benefits to those in positions of power that it amounts to success.”
Beare proceeds to comment critically on the significance of the 9/11 terrorist attacks as an opportunity window exploited by self-interested actors in government and adjacent security industries. Indeed, Beare regards the very ontological conflation of terrorism with other forms of crime and illicit finance as an opportunistic strategy for maximizing power – both by governments in general (vis-à-vis their own citizens), and by the US government in particular (vis-à-vis less powerful states):

Post 11 September 2001, money laundering is seen to be closely linked to terrorism. Likewise, organized crime and drug trafficking are linked to terrorism. Also since 11 September, terrorism has become another major 'umbrella' concept that now subsumes a wide array of real threats, ordinary crimes, and societal annoyances. What we are experiencing is a hijacking of criminal justice, as well as of wider governmental and financial institutions, to meet political and strategic ends. Aid, foreign trade, immigration, the operation of financial institutions, criminal laws and policies, policing agreements and policies, privacy and civil rights, traditional notions of due process, and sovereignty rights - all have been affected and significantly altered by the responses from governments to the attacks on the United States. There may be nothing new about imperialism and the self-interest of powerful states; but what is new is the 'alliance' that has been demanded around this anti-terrorism response (Beare 2003: xii).

From this critical perspective, then, 9/11 did arguably “change everything,” though not in the sense suggested by political figures inclined to repeat that claim. That is, rather than representing an objectively novel and dangerous assemblage of security threats, 9/11 provided the basis for the implementation of a preexisting securitization agenda. As concluded by Beare (2003: xiii-xiv),

---

62 For example, critical interpretations often cite the efforts of Michael Chertoff, the United States Secretary of Homeland Security from 2005-2009. During his tenure, Chertoff “pushed the purchase of the heavily criticised (and little tested) full-body scanners used in airports. When Chertoff was giving dozens of interviews to convince the public that the machines were needed to hold back the terror threat, many people were unaware that the manufacturer of the machine is a client of the Chertoff Group, his highly profitable security consulting agency” (Turley 2014).

63 In an early civil-libertarian critique of the Patriot Act, Gouvin (2003: 960-1) observes that, “Precursors of the various components of the Patriot Act, including the money laundering provisions, had been floating around Congress for years prior to September 11, 2001. Concerned about reports that the
Perhaps the developments since the 11 September attacks serve better than other examples to highlight the various agendas that can be advanced by using the fear generated by specific forms of criminal conduct. In the aftermath, many groups are benefiting from the terrorist attacks.

By way of example, she mentions the post 9/11 coordinated activities of FATF, Interpol, the Egmont Group, and the US Treasury’s FinCEN. Pol (2018: 298) reiterates and amplifies this cynic’s view in a more recent article likening the whole international AML/CFT regime to self-serving “bullshit” (as defined by Henri Frankfort’s famous philosophical essay). Regulators do not care about the effectiveness of AIF policies, Pol alleges, so much as feeding at the trough of what amounts to a massive regulatory-industrial complex:

An extensive system to deal with the perceived threat of money laundering is globally ubiquitous…seldom is a contrary word expressed in the vast industry spawned by the AML/CFT complex….The dominant narrative supports the sale of an ever-expanding array of software, training and advisory services, and a burgeoning policy, regulatory and enforcement apparatus (Pol 2018, 298).

The above formulations paint the beneficiaries of AIF policies with a broad-brush, lumping together state and private actors in a single self-interested and self-perpetuating system. But when regarded in more specific terms, critical interpretations vary according to their ideological flavor, the emphasis given to either the government or US businesses (as the primary beneficiary of AIF action or nonaction), and the relative attention to the domestic vs. the international sphere. As critical interpretations becomes more concrete, they also become more falsifiable vis-a-vis particular empirical cases. While I find

---

federal approach to terrorism was fragmented across several agencies with little coordination, and that intelligence and law enforcement agencies had inadequate resources, Congress held hearings on enhanced money laundering rules prior to 2001. Proponents of the legislation did not make the case for its passage. Largely due to civil liberties concerns, Congress did not pass legislation to resolve the problems that would ultimately be addressed in the Patriot Act. The events of September 11, however, provided a convenient justification for the passage of the law.”
support for certain aspects of the critical perspective, I ultimately conclude that the more specified critical interpretations cannot really accommodate all the variations in my outcome of interest. Let us consider some different examples.

**The Critical-Libertarian Interpretation**

One line of critical interpretation (we might refer to it as the “libertarian” variant) posits a relatively strong and autonomous state, preoccupied with maximizing its resources and power over its own citizens. The post 9/11 erosion of legal protections for individuals and financial entities suspected of connections to terrorist finance was, in this reading, a means of increasing financial surveillance over entire populations and boosting government revenue through cash seizures and asset forfeitures. While the justification was the prevention of terrorism, the real goal was “power to set up a domestic surveillance system to spy on our citizens and intimidate political enemies” (Lakoff 2008: 126).\(^{64}\)

A more recent incarnation of this reasoning (arising in reaction to the HDN demonetization proposals publicized in 2016) accused the US government and allies of waging a surreptitious “war on cash” meant to deprive law-abiding citizens of one of the few remaining vestiges of financial privacy (Quijones 2016; Hummel 2017; White 2018; McRee 2020). As explained by CATO institute and George Mason University economist Lawrence White (2018),

> The ‘war on cash’ refers to a set of policies, in the United States and around the world, deploying the power of government agencies to suppress the use of paper

---

\(^{64}\) Countless works expressing this general interpretation of post 9/11 securitization could be cited here. For a recent, representative summary, see Ackerman (2021).
currency. The principal aim is to shift transactions to credit card and bank account media that leave an electronic data trail for law enforcement and tax authorities.\textsuperscript{65}

McRee (2020: 10) makes the case somewhat more dramatically:

Governments hate cash. Let me qualify that statement: governments hate cash when it’s in your hands. Government officials love cash when it’s in their hands. And so they are adding yet another war to their endless string of wars: a war on cash. Your cash.

As we shall see, a critical-libertarian interpretation may have some purchase with respect to the case of targeted financial sanctions,\textsuperscript{66} but it apparently fails with respect to explaining the Treasury’s non-action on the HDN demonetization front. If the US government has indeed been actively waging a “war on cash” (to increase the legibility/taxability of citizens’ assets), why has the Treasury ignored public proposals to retire the $100 bill (and indeed accelerated their production)? The critical-libertarian interpretation appears unsatisfactory as well when considering the case of Treasury action on anti-MLRE. Superficially, the recent movement on anti-MLRE might confirm the perception of a strong state increasing financial surveillance, but such an interpretation would need significant qualification, given the relatively cautious and incremental nature of the Treasury’s approach. Moreover, the critical-libertarian interpretation would scarcely explain the Treasury’s earlier (2001-2012) forbearance in implementing the

\textsuperscript{65} More recently, this interpretation has appeared in critical commentaries of proposed central bank digital currencies (CBDCs). See, for examples, Rickards (2022) and Beganski (2023).

\textsuperscript{66} To the extent that the Treasury’s development of targeted financial sanctions \textit{was} motivated by an ulterior motive of power, a more granular version of the critical-libertarian interpretation will be required. The “public choice” perspective will be useful in this regard, by drawing more attention to \textit{bureaucratic} survival and advancement. That is, there is not so much a monolithic “big government” attempting to maximize its power over its citizens, but rather competing bureaucratic agencies, each vying for resources and influence in a general context of securitization. Such an interpretation is supported by certain candid statements of ex-Treasury officials themselves (to be examined in the case chapter).
Patriot Act’s anti-MLRE provisions, which, according to this interpretation’s own logic, should have been easier to enforce in the immediate post 9/11 context of securitization with general public acquiescence.67

Critical Geopolitical Interpretations

Other critical interpretations are more geopolitical in nature, invoking an international level of analysis and suggesting that AIF policy is an expression (to recall Beare’s words) of “imperialism and the self-interest of powerful states.” These interpretations generally cluster around two poles, what we might call the “realist” and the “Marxian” versions. Per the general distinction in those perspectives’ respective conceptions of the state and the “national interest,” the realist version (as I define it here) downplays internal class (or sectoral/industry) politics and assumes a more-or-less unitary national interest of American hegemony, shared by the US state and society. The Marxian version, in contrast, is more likely to regard the US state as a “committee of the bourgeoisie,” with its foreign policy shaped accordingly (i.e., to the benefit of powerful business interests).

A recent op-ed by a contemporary Italian economist captures the more realist version of the critical geopolitical interpretation described above:

The United States of America takes advantage of its financial hegemony and technological power and engages in economic coercion in the name of protecting national security…Sanctions and long-arm jurisdiction are also a severe infringement of international law and the fundamental rules of international

67 Here, the bipartisan (and largely popular) consensus on the need for stronger state action to combat terrorism in the wake of 9/11, as exemplified by the near unanimous passage of the Patriot Act, bears emphasizing. The counterterrorist prerogatives of the federal government appeared to momentarily overcome any popular, libertarian concerns about the risks or drawbacks of increasing state surveillance.
relations…The ‘rules-based international order’ advocated by the United States of America is, in fact, another version of power politics. This is an attempt to impose its will and standards on others and to replace commonly accepted international laws and rules with its own internal rules (Valori 2022).

In the more Marxian variant of the critical geopolitical interpretation, powerful domestic business interests pressure the US government to pursue AIF policies congenial to their own interests. For example, the domestic banking sector might influence the US government to pressure other countries to adopt American AML regulations, effectively giving American financial institutions a competitive advantage in attracting transnational capital. Naylor (2003) interprets the 1990s diffusion of AML norms from such a perspective; his description of the domestic political dynamics is worth quoting at length (italics mine):

The biggest growth sector in financial services has been 'private banking/managing the portfolios of what are euphemistically called 'high-net-worth individuals. Traditionally dominated by Swiss and British banks, by the 1980s this was a field major U.S. banks were eager to exploit. Standing in the way were those pesky anti-money-laundering rules, which made the United States the least attractive of the major jurisdictions to foreign clients seeking confidentiality. Therefore, the United States faced a dilemma. The U.S.-dollar was supreme, meaning that the world's super-rich wanted to hold the bulk of their assets in U.S.-dollar-denominated form. But banks of virtually any other major Western country could offer more discreet service while still providing clients with a wide variety of dollar instruments. To the rescue rode Senator John Kerry with an amendment to a 1988 money-laundering law that required the U.S. Treasury to negotiate with other countries the imposition of rules similar to those in force in the United States. Senator Kerry was clear about the danger: 'If our banks are required to adhere to a standard, including offshore, and other banks do not and rush for

---

68 According to the article author bio, “Giancarlo Elia Valori is an eminent Italian economist and businessman…he is also the honorary president of Huawei Italy, economic adviser to the Chinese giant HNA Group.”

69 Sharman (2011) demonstrates that the costs of complying with global AML standards are relatively greater for developing countries and their domestic financial institutions, which lack the resources of banks from richer countries. The banks from richer countries therefore benefit, in relative terms, from a universalized AML regime.
deposits in those [U.S.] banks, we will have once again taken a step that will have disadvantaged our economic structure and institutions relative to those against whom we must compete in the marketplace' (U.S. Senate, Committee on Banking, Housing and Urban Affairs, Subcommittee on Consumer and Regulatory Affairs, 1990: 3). Thus, instead of restricting the export of U.S. banknotes - so beneficial to the Treasury - or watering down the U.S. reporting rules to attract more foreign fund-management business to U.S. banks, the strategy was to force other countries to impose on their own banks the administrative costs and competitive disadvantages of U.S.-style reporting rules. Initially, those reporting rules were demanded for all cash transactions conducted by foreign banks in U.S. dollars over the $10,000 threshold. More recently, other countries have been pressed to adopt such rules for all cash deposits and withdrawals. Nor was it merely moral exhortation. Behind the Kerry Amendment and subsequent measures stood the threat that foreign banks would be barred from use of the American-controlled international wire transfer Follow-the-Money Methods in Crime Control Policy 267 (CHIPS) system, something that would have crippled their international competitive position. As President Clinton declared to the U.N. General Assembly in 1996: 'We will help nations to bring their banks and financial systems in conformity with international [sic] anti-money laundering standards, and, if they refuse, apply the appropriate sanctions' (Courtenay 1996: 71).

Therefore, with the enthusiastic support of their police forces, country after country 'herd' the message.

Admittedly, my division of critical geopolitical interpretations (i.e., into realist and Marxian versions) might sometimes amount to a distinction without a difference. Naylor’s analysis above suggested that the US government’s actions to universalize AML standards were both made at the behest of American banks and thought to benefit the country’s “economic structure” in the context of financial globalization. However, I believe the distinction might have some utility in other cases of AIF policymaking where the interests of American businesses and the perceived “national interest” do not neatly coincide. For example, the Treasury’s recent anti-MLRE actions would seem to lend

---

70 For example, as argued in the Global Times, “The key to understanding US sanctions is to see that they are a demonstration of hegemonic instincts…While consolidating the alliance of Western capital forces and ensuring the maximization of Western interests, they reinforce the hierarchy of global development and continue to weave hostility into the globalization process” (Gang 2022).
more credence to the realist geopolitical interpretation than the Marxian one: that the Treasury would target a wealthy (and largely foreign) investor class – in spite of the domestic real estate industry’s material incentives to profit from transacting with that class – would seem to suggest a “relatively autonomous” state\(^\text{71}\) prioritizing some conception of the “national interest” (e.g., housing affordability for American citizens) above the profits of a powerful business group.\(^\text{72}\) On the other hand, the already-noted partiality of current anti-MLRE regulations (e.g., their application to title insurance companies, but not to realtors or real estate lawyers) would seem to confirm the continued influence of business interests on AIF policymaking. As observed by the NGO Global Financial Integrity in a 2021 report calling for the expansion of anti-MLRE regulations to \textit{all} real estate professionals, “U.S. real estate continues to remain a favored destination for illicit activity.”

A realist variant of the critical geopolitical interpretation would yield similarly ambiguous results when applied to the negative case of HDN demonetization. Interestingly, HDN demonetization advocates generally adopt such an interpretation

\(^{71}\)As Krasner (1978: 10) explains, “it is useful to conceive of a state as a set of roles and institutions having particular drives, compulsions, and aims of their own that are separate and distinct from the interests of any particular societal group.” The book from which I take this quote, \textit{Defending the National Interest}, sets up a similar contrast of statist (realist) vs. Marxian interpretations of US foreign policy in relation to raw material investments by American corporations.

\(^{72}\)In contrast to the earlier diffusion of AML standards – where US banks started from the competitive disadvantage of a relatively greater regulatory burden – the Treasury’s recent anti-MLRE regulation has taken place in the context of a minimal regulatory burden (and hence competitive advantage) for the US real estate industry, as compared with real estate industries of other developed nations. Whereas the universalization of earlier AML norms was a relative gain for US banks, the current (if partial and ongoing) universalization of anti-MLRE norms represents a relative loss for the US real estate industry (vis-à-vis foreign counterparts). As \textit{CNBC Television} (2021: 2:37) observed with regard to the Treasury’s recent proposed expansion of anti-MLRE requirements: “The US is the only country in the G7 where real estate brokers are not subject to money laundering rules, and so that’s what they are hoping to fix through this rule.”
when theorizing the US Treasury’s (as well as other state treasuries’) non-action with respect to their proposals: they say that governments are ultimately unwilling to retire HDNs because of the seigniorage HDNs produce. For example, Rogoff (2016: 80) asserts that seigniorage is the “biggest counterargument to phasing out cash” in general (and HDNs in particular). This fiscal incentive for maintaining HDNs (in spite of their illicit finance vulnerability) takes on a geopolitical dimension in the context of international currency competition. IPE scholars of a realist persuasion have written of a “political contest for market loyalty” among currencies with international use:

In a world of increasing interpenetration of monetary domains, all governments find themselves driven to join the competitive fray, to preserve or promote market share for their product. Like oligopolistic firms, governments assert influence by doing what they can, consciously or unconsciously, to shape and manage demand (Cohen 2000).

From this perspective, the reason why the US does not unilaterally demonetize HDNs appears straightforward, since doing so might shift some portion of international demand to currency rivals. As Rogoff (2016: 199) somewhat caustically summarizes the argument: “wouldn’t it be foolish for one region (say, the United States or the Eurozone) to unilaterally give up its share of the profits to be garnered by supplying paper currency to international criminals?”

What Rogoff’s quip neglects is the possibility of a multilateral demonetization coordinated among currency rivals. The case of targeted financial sanctions shows that the US has been able to leverage the multilateral institutions in which major hard

---

73 Chapter 5 (on HDN demonetization) discusses the phenomenon of seigniorage (the rents accruing to a currency issuer) in more detail. *Ceteris paribus*, a larger denomination generates more seigniorage (i.e., compared to the equivalent face value in smaller denominations) on account of lower production costs per face value and (more importantly) the tendency for larger bills to be saved indefinitely as a store of value.
currency issuers routinely participate – the G7, the G20, the IMF, The Financial Action Task Force, etc. – to achieve policy coordination (Zarate 2013). Indeed, the US has historically taken the leadership role (some would say a coercive one) in the creation and maintenance of the international anti-money laundering regime (Helleiner 1999). That role was reaffirmed in the post 9/11 context, with the US aggressively pushing its preferred version of AIF policy in the international community. If the need for international cooperation was not an insurmountable obstacle for targeted financial sanctions, it is unclear why the same need would preclude action in favor of HDN demonetization.

Indeed, around the height of publicity for HDN demonetization proposals in 2016, the idea seemed to be gaining traction within the Financial Action Task Force, the preeminent international organization for agenda-setting and policy coordination against illicit finance. The FATF’s 2015 report, *Money Laundering Through the Physical Transportation of Cash*, dedicated several pages to the use of HDNs in facilitating crime. While stopping short of a formal recommendation for a coordinated HDN demonetization – and acknowledging that the evidence varied somewhat by location and the strategies of specific criminal enterprises – the report largely confirmed the arguments made by HDN demonetization advocates. For example,

In the UK in recent years, there have been numerous money laundering prosecutions of Money Service Businesses (MSBs) selling high-denomination euro and US dollar banknotes to persons they knew or suspected to be involved in criminal activity (usually drug trafficking). The evidence in these cases shows that the banknotes purchased were smuggled out of the UK and the reason high-denomination banknotes were used was to reduce the bulk and weight of the cash to a minimum to facilitate concealment (54).
As major media outlets began to cover HDN demonetization proposals in 2016, the stigmatization of HDNs was encouraged by David Lewis, the head of the FATF at the time.\textsuperscript{74} The policy window for HDN demonetization thus seemed to encompass the possibility for multilateral action.

But more to the substance of the critical-realist geopolitical interpretation – where, in the absence of a binding multilateral agreement, states might be concerned with maximizing relative gains as much as minimizing relative losses – one might ask a different question: if the Treasury is so concerned with maximizing seigniorage revenue and/or international market share for the dollar, why doesn’t it reissue even \textit{larger} denominations of the currency?\textsuperscript{75} The Treasury’s non-action with respect to HDNs can thus be reasonably questioned in \textit{either} direction (i.e., it neither retires existing large denominations nor reissues even larger ones), suggesting that there is more to the explanation of its non-action than either a credulous or a critical geopolitical interpretation can offer. Once again, there are likely certain reputational, or otherwise non-material, considerations at play.

\textsuperscript{74} \textit{The Economist} reported that “David Lewis of the Financial Action Task Force, an international body that co-ordinates efforts to prevent criminals using the financial system, says big notes are used mainly in drug- and people-trafficking, money-laundering and racketeering” (K. 2016). Another article quoted Lewis endorsing HDN demonetization as part of an all-tools approach to illicit finance: “Whatever you do, the problem is going to get pushed somewhere else…[but] What you’re doing is making it harder for criminals to smuggle cash and easier for authorities to detect them” (“Cash Talk” 2016).

Though widely respected, Lewis ultimately resigned from the FATF in 2021, citing frustrations with the body’s administrative procedures and with a general lack of progress on international efforts to limit illicit finance (Rae 2021).

\textsuperscript{75} Especially in the context of secular inflation eroding the real purchasing power of the $100 bill, there may be some justification for offering larger denominations to the currency-using public. For arguments in favor of reissuing the $500 bill, see Tuttle (2017).
A close reading of their firsthand accounts suggests that key Treasury officials were themselves conscious of the potential critical geopolitical interpretations of their policymaking, and were keen to manage perceptions in the opposite direction.\(^76\) For example, John B. Taylor (Under Secretary of the Treasury for International Affairs during the first term of the George W. Bush Administration) describes the Treasury’s public relations calculations when administering funds for the reconstruction of Iraq: “paying in dollars had to be a short-term or interim part of the plan, because we did not want to give any impression that the United States was going to dollarize Iraq” (Taylor 2007: 213-4). Juan Zarate writes regretfully of another situation (the Treasury’s designation of Banco Delta Asia as a “primary money laundering concern” and its subsequent rollback to facilitate US negotiations with North Korea), in which interagency conflicts and miscommunication ended up validating a critical geopolitical interpretation of targeted financial sanctions:

When convenient, we would abandon our concerns about the integrity of the financial system and the illicit financial activity by rogues. Tactics that had previously been effective because they were perceived not to be politically driven now fell prey precisely to that accusation (Zarate 2013: 266).

The evidence I present in this dissertation will prove compatible with critical interpretations in certain respects and instances, but (as suggested by the foregoing) no one critical interpretation is ultimately capable of explaining the full variation across and

---

\(^{76}\) This concern with optics was shared by the Secretary of State, Condoleezza Rice: “We had to be careful not to use this economic tool for **blatantly** political purposes. Treasury was a vigilant guardian, making certain that the evidence **gathered** supported the contention that a suspicious entity was indeed supporting proliferation or terrorism” (Rice 2011: 521, italics mine). Here, Rice’s description perhaps inadvertently suggests that the Bush administration **did** use targeted financial sanctions for political purposes, while attempting to manage perceptions otherwise.
within my selected cases. The Treasury’s calculations may be somewhat more complex than their official descriptions of AIF policymaking might indicate, but they cannot simply be *reduced* to ulterior motives or purposes. As observed by a scholar from a remote yet relevant field,

> Sometimes a hermeneutic of suspicion may be important…when we suspect that texts are not telling us the whole truth…The hermeneutic of suspicion can, however, be misused and overused…it is sometimes useful to ‘see through’ things, and suspicion has its place. If we insist, however, on ‘seeing through’ everything, we end up seeing nothing (Bryan 2013: 27).  

**Grand-Strategic Interpretations and the Treasury’s Primary Organizational Mission**

To complete this survey of alternative explanations for the variation in Treasury AIF policymaking, we need to consider how the Treasury’s “primary organizational mission” may function as yet another constraint on its AIF mission. After all, the Treasury is not single-mindedly concerned with combatting illicit finance, but was created for the broader mission of managing the nation’s finances. This primary mission can scarcely be understood without appreciating the role of the dollar as the world’s reserve currency, a status codified at the Bretton Woods conference near the end of WWII and enjoyed (despite dramatic changes and various threats to the dollar’s position) to this day. Any study of the Treasury’s AIF policymaking must therefore engage with

---

77 As will be seen our later analysis of policy narratives, biblical and literary interpretation may be surprisingly relevant for explaining the variation in Treasury policymaking.

78 See footnote #5 from Chapter 1.
the literature on “dollar hegemony.” As summarized by a former Treasury Secretary, Hank Paulson (2020):

The stature of the dollar matters. The dollar’s role as the primary global reserve currency makes it possible for the United States to pay lower rates on dollar assets than it otherwise would. Equally significant, it enables the country to run larger trade deficits, reduces exchange-rate risk, and makes American financial markets more liquid. Finally, it favors U.S. banks because of their enhanced access to dollar funding.

Indeed, as a French Finance minister famously put it, the world’s continual reproduction of the dollar as legitimate money confers on the US an “exorbitant privilege.” The details of this privilege are complex and have varied over time, but can arguably be boiled down to a simple concept: the extraction of rents from the rest of the world. Since at least the 1960s, the US Treasury’s management of the nation’s finances has involved a certain “monetary imperialism” (Hudson 2003), insofar as Treasury policy has deliberately capitalized on international rents to supplement national revenue. Such a strategy is arguably implicit in the Treasury’s own stated objective of managing the

---

79 For useful overviews, see Basosi (2019) and the symposium in International Studies Perspectives (2020) 21, 109–153, entitled “Global Monetary Order and the Liberal Order Debate.” The literature on dollar hegemony is vast and ideologically diverse but united in regarding the dollar’s global role as one of the key pillars of US power. “Dollar hegemony is a product of and an enabler for continued American international primacy” (Norrlof and Poast 2020: 112).

80 While Hudson (2003) focuses chiefly on the creation of an international “Treasury bill standard” following the US government’s abandonment of the Bretton Woods dollar-gold standard in the early 1970s (the “Nixon Shock”), certain aspects of the cases studied in this dissertation might also qualify as examples of “monetary imperialism.” Foreign assets confiscated through sanctions, the “breakage” revenue associated with indefinite overseas holdings of US currency, and the diversion of foreign capital from purchases of US real estate into further investment in Treasury securities (e.g., through the chilling effect of anti-MLRE policies) are serve to extract rents from foreign dollar holders. In formal terms, these phenomena might all be considered part of the US state’s total revenue strategy. As explained by Pollack (2011: 4), this consists of some mixture of that “wide variety of methods that states potentially can use to extract revenue from society. These range from outright conquest (plunder and pillage), to more subtle forms of revenue extraction such as tribute, colonialism, imperialism, as well as a wide assortment of taxes, imposts, assessments, and user fees.”
nation’s finances “at the lowest cost over time” (U.S. Department of the Treasury, “Financing the Government”)…to which might have been added “for Americans.”

Shifting attention to this international dimension of the Treasury’s primary organizational mission suggests a final alternative line of interpretation, what we might call the grand-strategic. Let us assume for a moment that the Treasury’s AIF mission is always kept subordinate to this primary mission, of which rent-seeking vis-à-vis foreign holders of the currency (i.e., “exorbitant privilege”) is one component. Put differently, let us imagine that the Treasury’s AIF policymaking is incorporated into some larger, coherent grand strategy with respect to the dollar’s global role. This hypothetical grand strategy could essentially take one of two forms, depending on the time horizon of policymakers: a short-to-mid term strategy of enjoying dollar hegemony (an “eat your

81 While the modern incarnation of this strategy can be dated to the Nixon shock and its ideological justification, the strategy arguably goes back much further in American history, and indeed traverses the history of money itself. Whether through the various historical forms of official seigniorage or the Ponzi-like dynamics of privately issued monies – or some combination of the two, as has often become the case – the creation of money has always partly involved an attempt to appropriate real resources in exchange for symbolic ones. And this has been the case irrespective of the identities of the currency issuer and currency user – that is, whether the relationship is between banker and depositor, state fiat currency issuer and citizen, or reserve currency issuer and international economic actor (as I focus on here). For a recent, and somewhat similarly framed contribution to the political theory of money, see Koddenbrock (2019).

82 Depending on one’s framing, this line of interpretation might have more in common with either a qualified credulous interpretation or a critical geopolitical interpretation, as defined in this chapter. The former affinity is arguable if we are to conceptualize the Treasury’s primary organizational mission as yet another ‘external constraint’ on its AIF mission, trumping an otherwise aspirational “all-tools” AIF approach. But the latter association might make more sense to the extent that a grand strategic interpretation, like a critical geopolitical interpretation, would ultimately regard the Treasury’s AIF policymaking as largely motivated by something other than its stated goals. The difference between those two interpretations would then come down to a matter of normative judgment: whereas a critical geopolitical interpretation would imply a negative evaluation of the Treasury’s motives and impute a certain hypocrisy to its AIF policymaking, a “grand strategic” interpretation might look favorably upon the same phenomena: i.e., as part and parcel of a strategy for maintaining American hegemony and the international liberal order. The “grand strategic” interpretation would thus have a certain “Straussian” quality in the sense of acknowledging that effective statecraft inevitably entails certain “noble lies” in the service of some higher national interest. (For a discussion of Leo Strauss and his defense of “noble lies” and “salutary myths,” as well as Strauss’ influence on the American neoconservative movement, see DeHaven-Smith 2013.)
cake” approach), or a more long term strategy geared toward preserving dollar hegemony (a “have your cake” approach). The former – relying heavily on the “incumbency advantages” of the dollar and the absence of immediate viable alternatives\(^83\) – would adopt a more nakedly realpolitik approach towards extracting rents from foreigners. The latter might be more inclined to forego the immediate enjoyment of international rents, as well as AIF policies deemed to be excessively unilateral or collaterally damaging, in order to maintain the legitimacy of dollar hegemony among (licit) foreign users of the dollar.

The variation in the Treasury’s AIF policymaking suggests that there is no coherent grand strategy in either of these directions. The Treasury’s aggressive use of sanctions, in spite of international complaints and increasing plans for de-dollarization, would seem compatible with a short-term, “eat-your-cake” grand strategy. Foreign assets seized through targeted financial sanctions generally pass through the Treasury Forfeiture Fund (TFF), where they can be “can be allocated and used without the enactment of an annual appropriation by the Congress” (U.S. Department of the Treasury, “Treasury Executive Office for Asset Forfeiture”). Indeed, at least one former Treasury official, Stuart Levey, has spoken openly about the fiscal contributions of targeted financial sanctions.\(^84\) However, the evidence is mixed on this score: while sanctions have

\(^83\) For overviews, see inter alia, Norrlöf (2010, 2014), Stokes (2014), and Khanna and Winecoff (2020). As Adam Tooze (2021) drolly summarizes the situation, “The dollar is a bit like democracy: It is the worst global currency, except for all the others.”

\(^84\) As discussed in Chapter 3, Levey was instrumental in freezing some $34 billion of Libyan assets in 2011. In an article for the Council on Foreign Relations, Levey (2011) addressed plans to appropriate the funds for US foreign policy expenditure, though he regretted that “Confiscation might not yield as much money as some might hope.” More recently (as a private citizen), Levey has called for the expropriation of frozen Russian Central Bank reserves to fund future Ukrainian reconstruction efforts (Hoover Institution
sometimes produced de facto revenue for the US government, in other instances, targeted assets have been unfrozen or repatriated to their bank or country of origin. And even if all targeted financial sanctions could be shown to serve ulterior revenue considerations, we would still be left with the puzzle of the Treasury’s forbearance from issuing larger HDNs to maximize international seigniorage.

A long-term grand-strategic interpretation of Treasury AIF policymaking would face similar inconsistencies. To understand why, we must first appreciate the reasons why the dollar-based international financial system remains attractive to foreigners (in spite of whatever grievances they might hold against it). These would include the depth and sophistication of US financial markets, the openness of the U.S. economy to foreign investment, the protections afforded by the US legal system, the liquidity and fungibility of the dollar in the global economy, and the general reputation of the United States as a responsible hegemon and underwriter of the international liberal order. These are sources of legitimacy that encourage foreigners to reproduce the dollar-based order of their own volition, not simply as a reluctant satisficing in lieu of a viable alternative.

2022: 18:25). Thus far, such proposals have been publicly rejected by Treasury Secretary Janet Yellen (Lawder 2023).

85 According to a 2004 study by the Government Accounting Office (GAO), “Treasury officials stated that the goal of economic sanctions is to freeze assets of a sanctioned jurisdiction or targeted designee and prohibit U.S. persons from dealing with them. In certain cases, once the foreign policy goals of the sanctions are met, the assets are returned to a country” (GAO-04-1006). Recent examples would include the partial repatriation of Venezuelan assets to the political opposition in Venezuela (see “US unfreezes Venezuelan assets to help opposition fight COVID-19”) and the Biden administration’s transfer of frozen Afghan assets to a Swiss trust for development aid to Afghanistan (see “U.S. Moves $3.5 Billion In Frozen Afghan Central Bank Assets To Fund Aimed At Stabilizing Economy”).

86 For summary of this position, see Khanna and Winecoff (2020: 117). Official US government explanations of the dollar’s international status tend (perhaps unsurprisingly) to emphasize these positive attributes (see, for example, Bertaut et al. 2021).
With respect to AIF policymaking, a long-term grand-strategic interpretation might expect the Treasury to adopt a light touch, so as not to compromise the dollar’s attractiveness to foreigners. The Treasury would still be willing to adopt a leadership role in the international AML/CFT regime, but it would be careful to avoid policies perceived to impose undue collateral damage or restrictions on legitimate foreign dollar-holders. While performing some minimum level of AIF policies as a matter of form, it would not allow AIF prerogatives to interfere with the long-term maintenance of dollar hegemony.

As evidence presented in later chapters will illustrate, the Treasury’s non-action (and non-comment) with respect to the $100 bill seems to be a prudent geopolitical posture compatible with a long-term grand-strategic interpretation of AIF policymaking. Issuing larger HDNs might contribute to a short-term strategy of seigniorage maximization, but would also expose the Treasury to criticism and reputational damage. Given the post-2016 publicity of HDN demonetization proposals, the Treasury (like other issuers of HDNs) can scarcely reissue even larger denominations without thereby

87 Zarate (2013: 312) notes that Treasury Secretary Paulson (2006-2009) sometimes expressed concerns along these lines.

88 As Khanna and Winecoff (2020: 117-8) argue, the benefits of dollar hegemony cannot be reduced to calculations of seigniorage: “How valuable is it to occupy a central position in the monetary system? Some economists argue that the economic benefits are relatively small…but this overlooks the substantial political economy benefits that accrue to the United States from its international influence in both the monetary and financial systems. This has both domestic and international components. Domestically, dollar primacy insulates the American political economy from many external pressures, particularly with respect to fiscal management...The budget constraints, debt discipline, exchange rate volatility, and austerian macroeconomic policies pursued by others to stabilize their economies are alien to the American political economy.” For a comprehensive analysis of these advantages, see Norrlof (2010).
appearing to cynically disregard the AIF mission for the sake of revenue. Yet, perhaps paradoxically, to embrace the opposite policy of HDN demonetization would also expose the Treasury to criticism and reputational damage. Some (e.g., libertarian defenders of HDNs) would criticize the move as further evidence of a “war on cash,” while others, more congenial to the action, might take the Treasury’s action as an admission of former complicity and ask why the Treasury took so long to act. Even worse, from the standpoint of a long-term grand-strategy to preserve dollar hegemony, would be the risk of misinterpretation by international dollar holders accustomed to regard the $100 bill as the epitome of the dollar ‘brand.’ The historical evidence suggests that even the softest of demonetizations – in this hypothetical case, a wholly passive and gradual retirement of the $100 bill, accompanied by highly publicized assurances of the denomination’s acceptability as legal tender in perpetuity – might elicit panic among foreign dollar holders (and a corresponding shift in currency demand). To quietly continue with the status-quo – to leave well enough alone – appears the most savvy strategy.

However, the same long-term grand-strategic interpretation would have difficulty explaining the positive cases of AIF policymaking. As already discussed, the Treasury’s aggressive and largely unilateral imposition of sanctions can scarcely be interpreted as a set of policies calculated to preserve the international approbation of dollar hegemony.

---

89 The case of Switzerland is instructive of the reputational damage associated with issuing extremely valuable HDNs. See, e.g., Blackstone (2019) and Bosley (2019).

90 Again, a full taxonomy of HDN demonetizations (as well as the relevant historical evidence on the relationship between international dollar demand and changes to the currency) is presented in Chapter 5. The hypothetical soft demonetization in this example would be similar to that performed by the European Central Bank in 2016 with respect to the 500 euro-note.

91 McDowell (2020: 120) summarizes the issue accordingly: “In its efforts to combat the illicit financing of terrorism and rogue regimes, the United States has sharpened its financial sanctions
And the recent anti-MLRE policies, while not likely to be as provocative to foreign dollar holders, nonetheless convey a similar cautionary message to the international investor class: that the American economy is less open than commonly assumed. The nativist tone of much of the reportage inspiring the anti-MLRE policies likely does little to reassure foreign dollar holders, even if the policies are not technically directed at foreigners per se.\(^{92}\)

A grand-strategic interpretation would therefore struggle to capture the variation in Treasury AIF policymaking presented here; I see no coherent or consistent strategy for either the short-term maximization of exorbitant privilege or the long-term preservation of dollar hegemony. Of course, the incoherence in this respect may issue partly from an understandable impulse to “have one’s cake and eat it too” – not being able to commit to either time horizon, perhaps the Treasury cultivates dollar hegemony with one hand while dissipating it with the other. But the absence of a consistent grand strategy might also indicate that the tension between the Treasury’s primary (fiscal) organizational mission and its secondary AIF mission is not always resolved in favor of the former. In the right circumstances, the nationalistic policy narratives associated with certain AIF approaches capabilities over the past two decades. As evidence of US financial power has grown, so too has a view that reliance on the dollar is becoming fraught with political risk. States adversely affected by US policies have sought out ways to reduce their exposure to such risk by attempting to limit their dependence on the dollar as a payments vehicle.”

\(^{92}\) As Chapter 4 will explore, foreign dollars holders might be justified in viewing current American anti-MLRE policies as the precursor to more explicit limitations/bans on foreign real estate investment, such as recently seen in New Zealand (see “New Zealand bans sales of homes to foreigners”) and Canada (Kaminer 2022). Potential limitations on foreign real estate investment (FREI) in the country of issuance are but one example of the disproportionate risk absorbed by foreign holders of an internationalized currency: “As overseas circulation grows, foreigners may legitimately worry more about the possibility of future devaluation or even restrictions on the usability of their holdings” (Cohen 2000: 118).
may be strong enough to reconfigure the Treasury’s priorities, placing the AIF mission on equal or greater footing than the fiscal one.

**The Managerial-Nationalist Interpretation**

In contrast to the above interpretations, which would place the Treasury’s AIF policymaking within some coherent grand-strategy, my *managerial-nationalist* interpretation regards Treasury policymaking as just as often a matter of improvisation or “muddling through.” Adam Tooze (2021) argues that,

> What we sometimes describe as a dollar system is not so much a well-defined and clearly delineated institution than a constantly evolving assemblage tracking the staggering transformations of the real economy and the international power system. Periods of coherence in which monetary and financial policy were neatly aligned with the grand strategic posture of the American empire were brief.

The same point likely holds, *a fortiori*, for the Treasury’s AIF policymaking: while overlapping in some respects with theoretical short or long term strategies of dollar hegemony, it is not “neatly aligned” with either of them.

Given the context of the various, often contradictory, constraints noted at the beginning of this chapter, a perfectly coherent grand strategy would be difficult to devise, much less consistently implement. As with US foreign and economic policy more broadly (e.g., trade policy), there are too many divergent interests to satisfy, and virtually any conceivable policy will have unequal redistributive consequences.\(^93\) Even within the

---

\(^{93}\) Indeed, US trade policy and dollar hegemony are intricately related on this score. As Tooze (2021) observes in the same piece, “It is far from obvious to critics that dollar hegemony is an unalloyed blessing. Inequality, deindustrialization, and the loss of well-paid and secure blue-collar jobs can all be blamed on the dollar’s strength. In that sense, the dollar’s standing and Trumpian populism are not so much contradictions as functionally interconnected. One helped cause the other.”
government’s foreign policy apparatus itself, there are potentially as many agendas as there are separate agencies with specific bureaucratic interests. “Outsiders sometimes assume that US foreign policy operates like a well-organized Macedonian phalanx,” observed a former State Department diplomat, “but sometimes the reality is more like herding cats.”

For the modern Treasury Department, with its two “missions” examined here, the reality is perhaps even more complicated. The Treasury is essentially tasked with both promoting and restricting the dollar/US financial system – two divergent goals within the same department. It follows that the Treasury cannot pursue either goal whole-heartedly, but must manage them both, and in the view of dynamic political audiences. Before closing this chapter, let us turn once again to Peter Andreas’ reflections on the ambivalent functions of the US-Mexico border to illustrate this managerial aspect of Treasury AIF policymaking. “What makes the border a particularly challenging stage,” Andreas (2000: 10) suggests, “is that the actors are involved in a double performance, having to assure some of the audience that the border is being opened (to legal flows), while reassuring the rest of the audience that the border is being sufficiently closed (to illegal flows).” The nation’s financial infrastructure – from its banking system to its

---

94 Author interview, summer 2021

95 John B. Taylor (2007: 6) captures this paradox in his memoir, describing his role in the post 9/11 innovation of targeted financial sanctions: “I agreed to take on this new task, but I knew little about disrupting the flow of funds, my whole approach to international finance was to encourage the flow of funds.”

96 The border, as scholars of “deviant globalization” (Gilman et al. 2011; Miklaucic and Brewer 2013) have observed, is part of the infrastructure of the state, and inevitably subject to dual use by licit and illicit actors. For example, the expansion of border infrastructure accompanying the North American Free Trade Agreement – more road lanes and inspection stations, refurbished ports of entry, etc. – succeeded in
material currency – is subject to the same political contradictions. Like US policymakers responsible for border policy, the Treasury must carry out a certain “double performance” to ensure interested audiences that it is simultaneously protecting the US financial system from security threats, while also preserving the qualities – the openness, the depth and breadth of markets, the investment opportunities, etc. – that make the dollar and the US financial system attractive in the first place.

The extent to which the Treasury succeeds in this Janus-faced endeavor, is, as they say, an empirical question, and ultimately beyond the scope of this dissertation. My empirical question is somewhat more humble: on what guideposts does the Treasury most consistently rely when navigating these pervasive tensions and constraints? As I elaborate in the second half of this dissertation, the variation in the Treasury’s AIF policymaking is perhaps most convincingly explained by reference to a nationalistic narrative canon, and the policy narratives associated with each AIF approach. Policy entrepreneurs both inside and outside the Treasury are in the business of telling stories to justify their actions and proposals to a relevant audience, and these stories tend to have a common theme and structure. But before engaging with these rarefied realms of symbol, myth, and culture to

---

...multiplying the volume of US-Mexican trade. But along with this expansion in legal cross-border commerce came new opportunities for smuggling, leaving border policymakers in a difficult position between two contradictory political pressures. On one hand, the apparent increase in illicit cross-border flows (e.g., drugs, undocumented workers) inspired new public and elected officials’ demands to police the border more aggressively. On the other hand, policing the border more aggressively (for example, by thoroughly inspecting more semi-trucks) would almost inevitably slow the pace of licit commerce as well, antagonizing the business community and vitiating the economic gains of the border’s liberalization (Andreas 2000: 74 passim).

Border Games is largely devoted to exploring how these political tensions played out, with Andreas concluding in the first edition (2000: 76) that “Although the domestic political context leads officials to declare their primary allegiance to border control, economic realities dictate that the border must remain highly porous; hence prioritizing enforcement over facilitation is much easier said than done.” However, the post-9/11 “securitization” of American politics (which I discuss in Chapter 6) gave additional fuel to the enforcement mission, as acknowledged by Andreas in the book’s revised, second edition (2009).
interpret the three cases in comparative terms, we will focus on the more mundane dimensions of each case: the concrete efforts of policy entrepreneurs within specific political and institutional circumstances.
Chapter 3 – Targeted Financial Sanctions

“That is the reason why it is called money (nomisma), because it has not a natural
but a conventional (nomos) existence, and because it is in our power to change it, and
make it useless.” (Aristotle, Nichomachean Ethics, Book 5)

Introduction

In February 2022, Vladimir Putin’s Russian army invaded Ukraine, triggering an
international crisis and a level of East-West geopolitical confrontation arguably unseen
since the Cold War. Given Russia’s status as a nuclear power (in fact, a preeminent one,
if measured by the number of its nuclear warheads), the response by the NATO alliance
was circumscribed from the beginning. Indeed, despite broad sympathy for the
beleaguered Ukrainian people and government, the response of the US and its European
allies was inevitably going to be indirect so as to avoid the tremendous costs of potential
escalation. Rather than confronting Russia directly and militarily, the response would
include the supplying of Ukraine with more weapons and aid, the diplomatic isolation
and ostracization of Russia in international forums, and, perhaps most potently, the
castigation of Russia through a new suite of severe financial sanctions. In addition to
specific sanctions on the Russian Central Bank to prevent it from wielding its dollar reserves on the global market, the commercial banking sector in Russia would be largely excluded from the international financial system and settlement services provided by the Society for Worldwide Interbank Financial Telecommunication (SWIFT).

As the US government announced this response, longstanding concerns about the overuse of financial sanctions suddenly become mainstream in the public discourse. Former policymakers (e.g., Lew 2016, 2020; Paulson 2020) and academics (e.g., Passas 2006; Leoffler 2009; Levi 2010; Arnold 2016; Peksen 2019; Drezner 2015, 2021a) have been warning for years that financial sanctions, while obviously less costly than military intervention, are not a costless foreign policy tool. To begin, they inevitably impose collateral damage on various, relatively innocent, third parties. In the current case, this would include not only the portions of the Russian population themselves opposed to Putin’s intervention in Ukraine, but also, given Russia’s own significant leverage over world energy markets, average consumers in Europe and around the globe. This likely cost to the citizens of the US and its Western/NATO allies relates to a second component in the criticism of sanctions: that they only lead their targets to adapt and evolve, making the sanctions ultimately ineffective.\(^7\)

Both of these problems contribute to a third, and arguably the greatest, liability with respect to the frequent use of financial sanctions: the possibility that a critical mass of foreign actors find some way to extricate themselves from the dollar-based world

\(^7\) As expressed by one popular commentator, “We’ve been overusing sanctions and countries have been able to prepare…” (The Hill 2022: 7:00). For a more academic perspective (questioning the West’s probable commitments to the long-term sanctions more likely to be effective vis-à-vis Putin), see, e.g., Lake (2022).
financial system. Such a development would not only vitiate the effectiveness of financial sanctions as a future foreign policy tool but would also threaten one of the very pillars of American hegemony. Former Treasury Secretary Jacob Lew has been a high-profile voice to raise these concerns in recent years (particularly after the Trump administration’s reimposition of sanctions on Iran in opposition to America’s European allies):

The risk that sanctions overreach will ultimately drive business activity from the U.S. financial system could become more acute if alternatives to the United States as a center of financial activity, and to the U.S. dollar as the world's preeminent reserve currency, assume a larger role in the global financial system…The more we condition use of the dollar and our financial system on adherence to U.S. foreign policy, the more the risk of migration to other currencies and other financial systems in the medium-term grows. Such outcomes would not be in the best interests of the United States for a host of reasons, and we should be careful to avoid them (Lew 2016).

A 2020 article from The Economist offered evidence of this movement away from the dollar by America’s rivals and allies alike. “The new age of international monetary experimentation features the de-dollarisation of assets, trade workarounds using local currencies and swaps, and new bank-to-bank payment mechanisms and digital currencies” (“America’s Aggressive Use of Sanctions Endangers the Dollar’s Reign” 2020: 69). Russia in particular was reducing its dollar reserves and dollar denominated-debt, while spearheading agreements to enable Russian corporations to transact energy sales in euros, rubles or other currencies. China had been experimenting with crude oil futures contracts denominated in yuan (i.e., “petroyuan”), as well as planning a new digital currency, possibly to be coordinated with the other BRICS countries (70). And
even America’s allies in Europe had been creating financial institutions to circumvent US sanctions of Iran and the American influence over SWIFT (70).98

Indeed, European allies would seem to have ample justification for displeasure with US unilateralism. Henry Farrell and Abraham Newman, the authors of a seminal 2019 article on the inner workings of targeted financial sanctions,99 followed their largely theoretical account with a much more monitory and impassioned editorial in 2020, explicitly identifying sanctions overuse with American hubris and imperialism. In particular, the authors deplore the increasing use (or threat) of secondary sanctions on allies (or financial institutions from allied countries) who continue to do business with the primary targets of the US Treasury.

No longer does Washington try to coerce its adversaries simply by cutting off access to U.S. firms and markets; instead, it often imposes so-called secondary sanctions, which cut off access to the global financial system itself. International banks cannot do their job without access to the dollar clearing system, which the United States controls. As a result, they are terrified of displeasing U.S. regulators, who can fine them billions of dollars or effectively shut them down. That has allowed the United States to press financial institutions around the world into service as proxy regulators who will refuse to deal with individuals, businesses, or even states that have been designated by U.S. sanctions. Weaponizing global finance in this way has become the tool of choice for the U.S. government in pursuing goals as diverse as nonproliferation, human rights, and regime change. Adversaries such as Iran have seen their economies crippled. But

98 In an interview conducted for this dissertation, Secretary Lew alluded to this INSTEX clearing house (created by Europeans as an alternative to SWIFT) and observed that “It’s not a positive development that our closest allies have developed a workaround.” As of early 2023, INSTEX appears to have failed due to disagreements with the Iranian regime (Batmanghelidj 2023). However, as noted in the above-cited article from The Economist, some European officials viewed the fledgling experiment as only the beginning in a long term plan of circumventing US sanctions and dollar hegemony.

99 Farrell and Newman’s concept of “weaponized interdependence” involves both “panopticon” and “chokepoint” effects – both of which are illustrated in the authors’ account of the US Treasury’s harnessing of SWIFT. As the dominant network for authenticating international financial settlements, SWIFT provides the data collection ability (panopticon effect) for identifying illicit financiers to be sanctioned, as well as third parties who would continue transacting with them (i.e., “sanctions violators”). In addition to risking fines, these latter can be excluded from access to SWIFT as well (the chokepoint effect) as a “secondary sanction” for failing to failing cooperate with the US.
even European firms perceived to have flouted U.S. sanctions have had to pay billions of dollars in penalties to U.S. authorities to avoid becoming untouchable pariahs in the world economy (Farrell and Newman 2020).

In the case of the current sanctions against Russia, at least one of concerns expressed by Lew (and more specifically Farrell and Newman) would seem to be assuaged: unlike the sanctions of Iran, which exposed (and exacerbated) transatlantic differences, the sanctioning of Russia has emerged from a relatively united Western front. On the other hand, the sheer extent of the sanctions, as applied to a major power like Russia, surely signifies a venture into uncharted waters. The Economist observed that the sanctions on Russia represent the “maximum pressure” the US can apply with that approach, marking “a new era of high-risk economic warfare that could further splinter the world economy” (“A New Age of Economic Conflict” 2022).

Echoing the many concerns described above, the article called for a more conservative use of financial sanctions in the future…that is, once the current Russian aggression was adequately constrained:

By applying sanctions to ever more countries over the past two decades, and now also raising their potential severity, the West risks pushing more countries to delink from the Western-led financial system than is desirable. That is why after the crisis in Ukraine passes, the West should aim to make clear how sanctions will be controlled. The relentless proliferation of the low-level sort ought to be contained, although targeted measures against individuals and firms for human-rights abuses remain legitimate, even if they rarely work. And it should be made clear that economy-wide sanctions of the devastating kind being used against Russia are reserved for the worst acts of aggression and war. The West has deployed an economic weapon that was until recently unthinkable. It must be used wisely (“A New Age of Economic Conflict” 2022).

---

100 “Relatively” is the key word here, since the general consensus among Western policymakers has been challenged within the domestic politics of multiple NATO member countries as the disturbance to Europe’s energy supply had led to fears of economic austerity. See, e.g., Bryant (2022).
Of course, only time will tell whether this current application of sanctions will lead to such a reassessment of the approach in US foreign policymaking circles. Skeptics might be forgiven for observing that the discourse of future restraint sounds suspiciously like the rationalizations of an alcoholic reaching for “just one more drink” – hence the by-now common characterization of financial sanctions as an “addiction” for US foreign policymakers.  

This chapter tells the tale of how targeted financial sanctions went from a loose set of experimental approaches at the turn of the century to the heavily institutionalized foreign policy mechanism they are today.

**Overview of the Argument**

As discussed in the foregoing chapters, the Treasury’s embrace of targeted financial sanctions originated in the policy window of the post 9/11 context, with the American public and government primed for more aggressive action against illicit finance, particularly terrorist finance. But as we also saw, the Treasury’s subsequent

---

101 See, for example, Depetris (2021).

102 Kingdon (2010), Baumgartner and Jones (1993), and others have highlighted how the implementation of controversial policies typically requires a “policy window,” i.e., a moment of opportunity aligning public support with available policies designed to address perceived problems. The terrorist attacks of 9/11 created such a window with respect to state action against illicit finance (Birkland 2004; de Goede 2009, Zarate 2013). 9/11 led to a rare moment of bipartisan (and largely popular) consensus on the need for stronger state action to combat terrorism, as exemplified in the near unanimous passage of the Patriot Act. Significant policy changes – in the realm of air travel and airport security, for example – were implemented under the banner of making things more difficult for terrorists and protecting the American people. The crime-fighting prerogatives of the federal government appeared to momentarily overcome any popular, libertarian concerns about the risks or drawbacks of increasing state surveillance. (On the short-lived nature of this policy window – sometimes referred to as the “9/11 effect” – see the Pew Research Center report, “Two Decades Later, the Enduring Legacy of 9/11.”)
and continued political investment in the sanctions approach was somewhat surprising given the political obstacles present, at least in comparison with its non-action on apparently more straightforward approaches such as HDN demonetization. To appreciate the Treasury’s pursuit of targeted financial sanctions, we will need a more nuanced understanding of the position of the Treasury within the Federal government and the broader political environment at the time. We will need to disaggregate the Treasury into its constituent parts, since those tasked with the AIF mission (per their own accounts) had their own distinctive bureaucratic identity and interests, somewhat at odds with the Treasury’s primary organizational mission. And we will need a more general theory of bureaucratic policymaking to explain why the political obstacles to the development of targeted financial sanctions were only one side of the coin, and actually constituted opportunities when seen from another angle. Indeed, the case of targeted financial sanctions suggests that highly motivated bureaucrats – driven by ideological fervor, agency loyalty, personal advancement, or some combination of the foregoing – may actually thrive on political opposition, taking it as a challenge to overcome.

The Treasury’s innovation of modern targeted financial sanctions can be traced to two pivotal moments within the post 9/11 “policy window” of counterterrorist policymaking: the first within a month or so of the attacks, and the second roughly a year later as the Treasury (and other federal agencies) prepared for bureaucratic reorganizations via the incipient Department of Homeland Security. In the first moment, President Bush (and his inner circle) established the basic contours of the Treasury’s new CFT mission and demanded visible “markers” of success. Treasury officials from the department’s law enforcement bureaus (reporting to then Undersecretary of Enforcement,
Jimmy Gurulé) responded with creative policymaking designed to supply such markers, which could then be portrayed to the American public as “victories” in the larger war on terror. High-ranking Treasury officials, such as Secretary Paul O’Neil, acted primarily as a liaison or intermediary between the Bush administration and the Treasury bureaucrats tasked with fleshing out the details (and legal justifications) for the new sanctions. Their role was largely ideational: reinforcing the broader policy narrative of the war on terror to motivate subordinates in their new mission (this aspect will receive more focused attention in a later chapter).

In the second moment, the impetus for the development of targeted financial sanctions essentially came from policy entrepreneurs within the Treasury itself. Here, my analysis relies chiefly on Treasury’s War, a firsthand account by Juan Zarate, who first served as Jimmy Gurulé’s assistant and later directed the Treasury’s Executive Office of Terrorist Financing and Financial Crimes. As Zarate’s memoir makes quite clear, the bureaucratic reorganization imposed by the new Department of Homeland Security threatened to deprive the Treasury of the national security relevance it had just recently acquired. In response to this bureaucratic-existential crisis, Zarate and a close circle of colleagues began a concerted campaign to market targeted financial sanctions as an instrument with unique potency and broader applicability. The strategy was defensive at first: “my first mission was to save what I could of our resources…driving initiatives that would allow us to demonstrate our value” (139)…“we were struggling to prove our relevance to our own government” (141), “my principle goal was to resurrect Treasury” (144). But as the Treasury began to solidify its place at the national security table – both
figuratively and literally\textsuperscript{103} – the goals became somewhat more ambitious: “with the strategic application of our unique new tool, we would prove the importance, value, and power of the new Treasury” (154).

Insider accounts thus partially validate a certain critical interpretation of Treasury AIF policymaking, as suggested in the last chapter. Indeed, Zarate’s book in particular often reads as if it were a deliberately confirmatory case study for the “public choice” model of bureaucracy, where bureaucrats’ decisions are calculated to secure additional resources, relevance, and prestige for their respective departments. But the same accounts convey a thoroughgoing dedication to certain policy narratives, all stemming from the dominant (or “meta”) narrative initially articulated by President Bush. The “war on terror” provided the narrative framing through which policy entrepreneurs in the Treasury could make their innovations attractive to the broader foreign policy audience – even as the terrorist financier gave way to a more amorphous set of sanctionable targets. I save most of that analysis – how the war on terror narrative made targeted financial sanctions possible and probable – for a later chapter; here, I am primarily concerned with who did what, when, where, and (at least partially) why. (I say “at least partially” here because my sense is that Treasury policymakers, like many other US government officials in the post 9/11 moment, were also sincerely motivated by the war on terror narrative, apart from any self-interested bureaucratic concerns. But, as suggested by

\textsuperscript{103} As noted by Taylor (2007: xxiv), the post 9/11 innovations against terrorist finance led to the Secretary of the Treasury being placed on the National Security Council principals’ committee as a regular member for the first time.
Krebs (2015) and others, the narrative was so dominant at the time that a psychoanalysis of any particular policymaker is largely beside the point…)

**Historical Background**

While this study treats targeted financial sanctions as one approach or instrument in the Treasury’s repertoire for dealing with illicit finance, this form of sanctions developed out of a broader tradition of economic sanctions as a weapon of interstate conflict. Although various forms of economic warfare date back to antiquity, Mulder (2022) identifies the interwar years of the early 20th Century as a crucial period in the development and dissemination of modern economic sanctions. The interconnectedness of the global economy around the fin-de-siecle (considered by many scholars to be an earlier epoch of globalization) opened up new possibilities for policymakers who wished to exploit economic vulnerabilities of their adversaries:

In a period when European governments granted suffrage and extended welfare and social insurance, sanctions made them see other populations as suitable targets of coercive pressure. Longstanding traditions, such as the protection of neutrality, civilian noncombatants, private property, and food supplies, were eroded or circumscribed (4).

Although, as Mulder documents, many sanctions were first conceived while World War I was still raging, their attractive qualities led them to be carried over into the

---

104 As Nephew (2018:1) quips at the beginning of his own memoir detailing the recent US sanctions against Iran, “Authors of works on sanctions are required by practice, if not yet by law, to begin their projects with a reaffirmation that sanctions have been in use since the ancient Greeks.” See also, Zarate (2013: 3-6).
fragile postwar settlement. In particular, policymakers saw economic sanctions as a useful way to inflict pain on targeted populations – and thus hopefully compel targeted governments in the direction of the sanctioner’s preferences – without resorting to military conflict:

Sanctions were attractive not just because of their potential power, but also because they were easy to use for their handlers. Their coercive power was administered not out of the cockpit of a bomber or through the breech of a cannon but from behind a mahogany desk (6).

Given their de facto punishment of entire populations, economic sanctions have long been criticized on moral grounds.¹⁰⁵ But even from the perspective of amoral realpolitik, broad economic sanctions sometimes produced skepticism. For example, the trade sanctions on Iraq during the 90s were widely regarded as inept, having inflicted considerable suffering on the Iraqi population while failing to depose Saddam Hussein.¹⁰⁶ It was out of this disillusioned cost-benefit analysis that policymakers began to experiment with more targeted sanctions.

By the mid-1990s, there was a growing sense that broad sanctions had become counterproductive… one solution appeared to be to move away from broad sanctions to those that targeted individuals…the newly minted sanctions of the 1990s offered novel opportunities to focus financial pressure on specific targets (Zarate 2013: 6).

For example, Zarate cites “La Lista Clinton,” which designated a number of Latin Americans as narcotraffickers, effectively threatening reputational damage to any

¹⁰⁵ See, e.g., Swetland (2014).

¹⁰⁶ See, e.g., RIDHancock (2023).
whatever financial institutions was brazen enough to associate with them.\footnote{Mulder (2022: 7) notes that the mechanisms of modern targeted financial sanctions also had earlier precedents in the interwar years (although they were typically employed along with broader economic sanctions): “Aside from new legal justifications, putting sanctions into effect prompted policymakers to engage in novel technical interventions…interwar sanctionists developed mechanisms for energy control, blacklisting, import and export rationing, property seizures and asset freezes, trade prohibitions, and preclusive purchasing, as well as financial blockade, the precursor to modern financial sanctions.”} After 9/11, this relatively novel approach was further institutionalized and given much greater potency (discussed below). While the category of “specific targets” soon expanded beyond individuals to include financial institutions and other organizations (e.g., charities), “targeted financial sanctions” were nonetheless (at least theoretically) more focused on their targets than earlier economic sanctions such as blockades and trade embargos.

Much of the Treasury’s legal authority for its current repertoire of targeted financial sanctions can be found in Title 3 of the Patriot Act, also known as “The International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001.”\footnote{The Treasury’s FinCEN website has a page dedicated to explaining each of the sections from this legislation, and the associated powers granted to the agency: Financial Crimes Enforcement Network, “USA Patriot Act.” A broader description of current US financial sanctions can be found on the Treasury website: U.S. Department of the Treasury, “Office of Foreign Assets Control.”} However, the real origins of modern financial sanctions arguably date to September 23, 2001, with an executive order drafted by Treasury lawyers and signed by President Bush. As Zarate (2013: 28) remarks, EO 13224 “ushered in a new operational role for the Treasury in fighting terrorism” insofar as the US government had now arrogated the authority to designate and freeze the assets of any financial actors, foreign or domestic, merely suspected of association with terrorism.\footnote{Executive Order 13224 of September 23, 2001, authorizes the Treasury Department to designate, and block the assets of, foreign persons determined ‘to have committed, or to pose a significant risk of
administrative power intended to arrest the assets of suspected support networks preventatively” (27), which the Patriot Act subsequently codified.\footnote{110 The Patriot Act was passed in Congress on October 26, 2001.}

There had been earlier precedents for the blacklisting of foreign banks – for example, the Treasury had been issuing lists of “Specially Designated Nationals” since 1986, which had succeeded in imposing some reputational damage on banks transacting with illicit actors – but beyond that, “the government’s authority was domestic in these cases, and technically relevant only to those institutions and individuals subject to US jurisdiction” (Zarate 2013: 25). The Patriot Act had the effect of dramatically expanding the scope and the power of the Treasury’s tools, extending the AML regulations from the 1970 Bank Secrecy Act to a much broader range of financial institutions and businesses, while expanding the practical jurisdiction of the Treasury across the globe, to any and all actors connected to the US financial system. In this new dispensation, even international networks that largely circumvented the formal banking system were vulnerable to the Treasury’s leverage. For example, the traditional hawala networks used for moving money throughout the Islamic world typically had some connection to charities and formal bank accounts that could be shut down or frozen. As a former high Treasury official who helped innovate this new, targeted approach to financial statecraft reflected, “Decades before 9/11, sanctions were decried as being overused, because it’s such an easy political win, domestically, to say that you’re doing something, without actually having to fire a bullet. That has been a common theme forever – that it was more political

\footnote{110 The Patriot Act was passed in Congress on October 26, 2001.}
theater than real response. We changed that. After 9/11, we started doing smart targeted sanctions…we when chose sanctions, we would ask ourselves: ‘what are we trying to do here, and how are we going to measure whether it’s successful?’ So it got more tailored and laser-like…It increased the transactional costs for bad guys, and it certainly deterred other people from engaging (in terrorist finance).”

While targeted financial sanctions were very much a response to the specific threat of terrorist finance in the wake of 9/11, they soon became the Treasury’s preferred weapon in the battle with illicit finance more broadly conceived (i.e., as defined in the Treasury’s official descriptions of its AIF mission cited at the beginning of this study). By 2003, the Treasury had launched an initiative to,

identify banks that were facilitating multiple types of illicit financing relevant to our national security…those helping transnational organized crime groups, terrorist organizations, drug traffickers, proliferation, sanctions evasion, counterfeiting, and/or other types of criminality (Zarate 2013: 154-3).

Executive Order 13224 and the Patriot Act had laid the ground for later ad hoc executive orders to deal with “rogue” regimes such as Iraq, Iran and North Korea. For example, EO 13315 authorized “the confiscation of nondiplomatic Iraqi government assets in the United States” (Zarate 2013: 170) while EO 13382 extended the scope of EO 13224 to include states suspected of nuclear proliferation (e.g., North Korea and Iran).

111 Author interview, winter 2023

112 As summarized by Kittrie (2014: 805), “Executive Order 13382 of June 28, 2005 provides for freezing (blocking) the assets of designated persons engaged in proliferation of weapons of mass destruction (and their means of delivery) and their support networks. Designations under Executive Order 13382 prohibit all transactions between the designees and any U.S. person, and freeze any assets the designees may have under U.S. jurisdiction.”
The 9/11 Policy Window and Public Opinion

To fully understand the policy window opened up by the attacks on September 11, 2001, it is necessary to revisit both the national trauma and the subsequent increase in nationalistic solidarity spurred by the event. As observed by Boukalas (2014: 46), “9/11 was a catastrophe, a moment when something burst into a social world unable to comprehend it, thus disrupting its meaning-making processes and categories.” Indeed, polls taken by Gallup and the Pew Research Center confirmed the dramatic psychological blow to the American population:

In the weeks after 9/11, 70 per cent of the US population was reported to have suffered depression as a result of the attacks, 48 per cent reported ‘lack of focus’, and 33 per cent suffered insomnia. Seventy per cent said to have cried, and 87 per cent stated the attacks were ‘the most tragic news event’ in their lifetime (46).

But, if the initial response contained elements of denial and disbelief, these soon gave way, as conventional theories of “the stages of grief” might predict, to a wave of collective anger113 – for which contemporary opinions emanating from the government and media were perhaps both the reflection and the fillip. This anger soon translated into a demand for action and retaliation from a federal government briefly endowed with the halo of public trust.114

113 As noted by the Pew Research Center, “Americans were enraged by the attacks, too. Three weeks after 9/11, even as the psychological stress began to ease somewhat, 87% said they felt angry about the attacks on the World Trade Center and Pentagon” (“Two Decades Later, the Enduring Legacy of 9/11” 2021).

114 “In the days and weeks following 9/11, Americans overwhelmingly supported military action against those responsible for the attacks.” “The public largely set aside political differences and rallied in support of the nation’s major institutions, as well as its political leadership. In October 2001, 60% of adults expressed trust in the federal government – a level not reached in the previous three decades, nor approached in the two decades since then” (ibid.).
Lance Morrow’s “Case for Rage and Retribution,” an editorial published in a special edition of *Time* magazine the day after the event, was instructive of the attempt to preserve and channel the national anger into political will. “A day cannot live in infamy without the nourishment of rage. Let’s have rage. What’s needed is a unified, unifying Pearl Harbor sort of purple American fury – a ruthless indignation that doesn’t leak away in a weak or two” (Morrow 2001). The rationale contained in this appeal was that rage would *unify* the nation, and that such unity would be essential to efficacious retaliation. To question or dissent from such a response should therefore result in ostracization from one’s fellow citizens: “anyone who does not loathe the people who did these things, and the people who cheer them on, is too philosophical for decent company” Morrow wrote.

In a Senate hearing “Examining Treasury’s role in combatting terrorist financing five years after 9/11,” Senator Richard Shelby recalled this setting for Treasury policymaking:

> Five years ago yesterday the United States was attacked and our nation was changed forever. On that day, we were united in our shock and horror as we watched people we knew meet an unimaginable fate. As the days passed, however, our collective anger and outrage gave way to a national determination to see our enemy for who they really were and bring them all to justice.

> With a unanimous sense of urgency, the instruments of the Federal Government were marshaled toward that end. Both the President and the Congress worked hand in hand to not only find those responsible, but also to ensure, to the best of our ability, that it would never happen again. One component of that joint effort was to combat the means by which terrorist organizations and their supporters raised and moved the money required to carry out their attacks (U.S. Government Publishing Office, “Examining Treasury's Role in Combating Terrorist Financing Five Years After 9/11,” 2006).

---

6 Years later, after the various scandals and disillusionments associated with the war on terror, *The Atlantic* recalled Morrow’s article critically. But while presenting the article as a sort of cautionary example of the dangers of national rage, the author was careful to qualify that this was only clear in retrospect: “I don't mean to single out Morrow for his intemperate words; he wrote at a particular, appalling moment, and he captured the fury most people felt at the time” (Goldberg 2014).
President Bush and the Demand for Policy Innovation

As the commander-in-chief and leader of the nation, President Bush shaped and articulated America’s response to 9/11 in general terms. The message conveyed to the American people and government was that the administration would seek to employ all available tools to combat the terrorist threat. Recalling Bush’s immediate address to the nation, Jimmy Gurulé remembers his first reaction: “when he said we’re going to go after the money, my ears perked up” (Notre Dame Alumni Association 2016: 10:36).\footnote{Gurulé subsequently reiterated this new mandate for the Treasury in his September 24, 2001 testimony before Congress: “On Monday, President Bush stated, ‘We will direct every resource at our command to win the war against terrorists, every means of diplomacy, every tool of intelligence, every instrument of law enforcement, every financial influence.’ We will starve the terrorists of funding. I am here to tell you that this is the mandate of the Treasury Department – to starve the terrorists of funding.” U.S. Government Publishing Office, “The Administration’s National Money Laundering Strategy for 2001.”}

Shortly thereafter, the president reached out to departments not traditionally associated with counterterrorism – such as the Treasury – and implored them to think creatively about new means for thwarting terrorists’ plans.

On September 12, the White House asked the Treasury what the department could contribute to the response. President Bush had directed that all elements of national power be leveraged to respond to the attacks on New York and Washington – and to prevent another attack from hitting our shores” (Zarate 19).\footnote{Zarate has recently reiterated that Bush was the leader precipitating modern financial sanctions. “The impetus came from President Bush - President Bush said ‘we need to use all elements of national power to defend US interests and to attack the terrorists who attacked us on 9/11” (Reagan Foundation 2022: 4:00).}
According to John Taylor (2007: 6), then Treasury Under-Secretary for International Affairs,

President Bush decided right away that disrupting the financing of terrorists would be a very high priority in fighting the war on terrorism. Condi Rice, who as Director of the National Security Council managed interagency coordination, made it clear that Treasury would be responsible for this task.

Expressive Policymaking and “Markers of Success”

The concept of “expressive policymaking” introduced in the first chapter held that state actions against criminals/enemies are often largely for “constructing an image of state authority and communicating moral resolve” (Andreas 2000: 9). This theoretical view finds confirmation from Bob Woodward (2002), whose account of the Bush Administration’s first 90 days after 9/11 documents how the president himself repeatedly emphasized the importance of markers in discussions with the National Security Council. In a September 12th meeting, he remarked that “he wanted ‘a realistic scorecard’ and a ‘list of thugs’ who would be targeted” (49) in the incipient war on terror. Again, on September 21st, he told the NSC heads that,

they needed to find a way to show visible progress in the war on terror, on their terms. He wanted a ‘scorecard,’ a way to measure and demonstrate what they had and would accomplish. They were in the implementation phase, and though they weren’t going to talk about plans and operations, he wanted to talk results. He wanted something up on the scoreboard (111).

As Woodward goes on to document, Bush gave an extra nudge to Treasury Secretary Paul O’Neill in the Sept. 21st meeting: “‘We need to get operational on this,’
Bush said, turning his fire hose on the treasury secretary. ‘Disruption of financial networks needs to be a tool in our arsenal. It’s important. We must use it.”

Ron Suskind’s book, The Price of Loyalty: George W. Bush, the White House, and the Education of Paul O'Neil, elaborates on the Treasury’s response to the president’s exhortations, focusing on the initial round of targeted financial sanctions in the form of asset freezes. The pressure for quick and visible results was partially responsible for the Treasury’s emergency legal innovations, dramatically lowering evidentiary standards by which suspected terrorist assets could be indefinitely frozen. “The call to action at this moment – a week after the attack – meant that conventional barriers vanished,” (Suskind 2004: 191) because the President “needed some assets to point to” (192). The work of drafting the executive order that would identify the first tranche of suspected terrorist financiers (13224) fell to officials from the Treasury’s Office of Foreign Assets Control (OFAC), in consultation with the Treasury’s general Counsel, David Aufhauser (Zarate 2013: 26-7). As quoted in Suskind’s book, Aufhauser himself was astonished at the arbitrariness of the selected targets: “‘It was almost comical,’ Aufhauser said. ‘We just listed out as many of the usual suspects as we could and said, Let’s go freeze some of their assets’” (193).

With respect to post-9/11 targeted financial sanctions, Zarate (2013: 40) writes that, “the number of designations and amount of assets frozen became markers for the success of the war on terror. They were concrete figures that spoke for themselves.” The August 29, 2002 “Statement by U.S Treasury Secretary for Enforcement Jimmy Gurulé in Support of Today’s New Terrorist Financing Designations” is emblematic in this regard:
We have a strong history of international cooperation in freezing terrorist-related assets. Over 160 countries have blocking orders in force, hundreds of accounts worth more than $70 million have been blocked abroad, and foreign law enforcement have acted swiftly to shut down terrorist financing networks and arrest financiers. There have been other shared initiatives. On March 11, 2002, the United States and Saudi Arabia jointly designated two branches of a charity, and on April 19, 2002, the G7 jointly designated nine individuals and one entity. These efforts have been bolstered by actions from the European Union which has issued three lists of designated terrorists and terrorist groups for blocking. Since September 11th, the United States and other countries combined have frozen more than $112 million in terrorist-related assets. As a result of our efforts – including today’s action – 234 individuals and entities are currently designated as financiers of terror (U.S. Department of the Treasury 2002).

Whether mentioned in speeches at policy forums or formal testimony to elected officials, the number of sanctions was repeatedly presented as de facto evidence of progress in the financial front of the war on terror.

Tracing the development of targeted financial sanctions from their immediate post 9/11 context to their later institutionalization provides an interesting opportunity for assessing the various theories of bureaucratic policymaking. According to certain traditional notions of bureaucracy – for example, the Weberian, “representative” and

---

117 See, for example, the remarks of John Taylor at the Hoover Institution in 2002: “Combating the financing of terrorism is a very significant part of the overall war on terrorism. Over $104 million in assets has been blocked worldwide since September 11 - more than $34 million in the United States and $70 million in other countries. Incidentally, the fact that I can give you these numbers is a good example of the President's insistence on measurable outputs, not only in foreign policy but in everything that the government does. Every week we do a report tabulating the dollar amount of terrorist assets frozen, the number of accounts frozen, and the number of countries that are cooperating in our efforts to block the assets.” Taylor goes on to assert that “we have evidence that these actions are making it more difficult for terrorists to use the financial networks,” but does not provide any details.

118 See, for example, the testimony of Adam Szubin (then Director of OFAC) before Congress in 2006: “In the 5 years since, OFAC has designated approximately 375 individuals and entities as supporters of terrorism, blocking their assets and, more importantly, cutting them off from the U.S., and often the international, financial system” (U.S. Government Publishing Office, “Examining Treasury's Role in Combating Terrorist Financing Five Years After 9/11”).
“public service” models (Wise 2004) – bureaucrats may generally be regarded as professional public servants, faithfully implementing the demands dictated by their superiors or “principals” (which, per the textbook conception of representative democracy, is ultimately the American public). The bureaucratic enterprise, in such models, basically consists in giving the public what it wants, with the bureaucracy’s justification residing in its ability to do this with greater expertise and efficiency than private market actors or elected officials. Bureaucrats are not assumed to be preoccupied with their own self-interests (whether individual or organizational) nor expected to channel the policymaking agenda in any selfinterested direction. Rather, their actions are interpreted as instrumental to the advancement of their assigned mission.

In Suskind’s reading, the demand for results – symbolic or otherwise – ultimately stemmed from an indignant American public, was transferred to the President, from the President to Treasury Secretary O’Neill, and finally from O’Neill to his subordinates, especially David Aufhauser (who, in addition to his position as General Counsel for the Treasury, was appointed chair of an NSC Policy Coordinating Committee on terrorist finance).

Now, Aufhauser would have to prove his worth, organizing a fractious interagency group to track terror assets, under a weight of high expectations that had few precedents. ‘Everyone wanted results, two days ago,’ O’Neill told him. ‘Tell me what you need, I’ll make sure you have it. And keep me engaged’” (quoted in Taylor 2007: 192).

Zarate (2013: 35) similarly describes how “early on in the process, Secretary O’Neill made clear how aggressive he wanted the Treasury to be in using its new powers.”

Seen from this angle, one might plausibly interpret the initial wave of targeted financial sanctions through more traditional Weberian or representative models of
bureaucracy. That is to say, the architects of financial sanctions could be seen as responding to the demand of their immediate superiors, who were in turn responding to their principals in the White House – which was simply articulating the demand of the American public for visible action against the terrorist threat. Critics (e.g., de Goede 2009) may have questioned whether the markers produced by targeted financial sanctions were truly indicative of material success in the reduction of terrorist finance. But insofar as the public was essentially demanding the psychological reassurance of expressive policymaking (an “image of state authority and moral resolve”) at that time, the traditional bureaucratic models would still hold true.

However, such models prove insufficient for explaining the Treasury’s subsequent development of sanctions, which – per certain remarkably candid accounts of former Treasury officials themselves – were largely motivated by the exigencies of bureaucratic self-interest. Here the “public choice” model of bureaucracy (alluded to in the last chapter as a specific critical-libertarian interpretation of AIF policymaking) becomes more plausible. If the first moment in the post 9/11 policy window was an example of “problems seeking solutions,” the second moment, described below, was

---

119 Indeed, the focus on the quantity of sanctions seemed to represent a “McDonaldization” of AIF policy, to use sociologist George Ritzer’s then popular neologism. “McDonaldization involves an emphasis on things that can be calculated, counted, quantified. In fact, quantity (especially a large quantity) tends to become a surrogate for quality” (Ritzer 1996: 59). Ritzer’s notion of McDonaldization draws heavily from Max Weber’s earlier work on “rationalization” in bureaucracy and government. As Ritzer observes, “the political sector offers a number of interesting examples of the emphasis on calculability” (74) such as the “absolute mania for numbers” in the competitive stockpiling of nuclear warheads during the Cold War (75).

120 As observed by Stone (2012: 137), “Reassurance depends on leaders’ persuasiveness and ability to calm fears, and it can ‘work’ regardless of whether prevention and mitigation efforts are effective.” As elaborated in a later chapter, Krebs (2015: 146) applies this insight to the American “public’s demand for authoritative storytelling” in the wake of 9/11.
arguably an instance of Treasury officials with “solutions seeking problems” (Stone 2012).

**Treasury Officials as Policy Entrepreneurs**

In contrast to traditional bureaucratic models, the “public choice” perspective assumes that bureaucratic policymaking is at least partially the art of policy entrepreneurship, salesmanship, and public relations. Indeed, the public choice literature likens government bureaucracies to private firms competing in the market, and takes their organizational interests as a starting point. As summarized by Wise (2004: 673),

Public-choice theory presents an alternative to the notion that bureaucrats act as trustees of the public interest or neutral administrators of public policy. This work is largely derived from the thinking of Buchanan and Tullock (1962, 1977) and is grounded in rational theory. Niskanen's (1971) contribution to this school was to link bureaucratic behavior specifically to the maximization of resources and budgets. The underlying premise of the public-choice school of thought is that self-interest and personal gain motivate government workers. Thus, this work has direct relevance to the dual concerns of public interest and bureaucratic performance.

Just as a business strategy aims to identify the most marketable products, the policymaking agenda tends to be channeled into the most marketable policy approaches or “instruments” (Jordan et al. 2011; Cappano and Lippi 2016). Particularly in the context of interagency competition, a savvy bureaucracy will concentrate its efforts on the approaches most likely to maximize external support.

Juan Zarate’s book, *Treasury’s War: The Unleashing of a New Era of Financial Warfare*, offers a revealing firsthand account of the circumstances and motivations that
resulted in the progressive institutionalization of targeted financial sanctions as a US foreign policy tool. In his aptly titled chapter 5, “Blowfish,” Zarate describes how bureaucratic reshuffling associated with the creation of the Department of Homeland Security in late 2002 appeared to threaten the Treasury’s newfound seat at the national security table (128-9). Specifically, the new DHS meant that the Treasury would lose the law enforcement agencies grouped under its “Office of Enforcement” – among them the Customs Service, the Bureau of Alcohol, Tobacco, and Firearms, and most portentously, the Secret Service. Zarate describes the emotional shock he experienced, along with his boss, Jimmy Gurulé, upon hearing that the Secret Service would be moved from its “historical home.” “For those of us in Treasury, it was as though we were losing the crown jewel of our enforcement agencies – the one with the most prestige and romantic appeal…Treasury’s centuries-long enforcement identity was coming to an end” (131-2).

Though technically the Treasury was not losing any of the agencies involved in implementing sanctions, Zarate nonetheless feared a “perception” that the department would no longer have anything to offer in the realms of law enforcement and security:

With the most visible and powerful of the Treasury’s agencies moving to a new department focused on preventing terrorism, the common assumption within the executive branch and on Capitol Hill would very likely be that the Treasury was no longer relevant on terrorism and other national security issues (133).

121 One of Zarate’s colleagues at the Treasury described Zarate’s memoir as the “Rosetta Stone” for understanding the department’s post 9/11 AIF policymaking (Author interview, winter 2023).

122 The Secret Service was originally created during the Civil War to deal with confederate counterfeiting of the new paper currency (the “greenbacks”) issued by the Union. See, e.g., Goodwin (2003) and Mihm (2007).
Put differently, Zarate feared that the Treasury would be relegated to its “primary organizational mission” (as described in the foregoing chapters) – a decidedly unromantic job from Zarate’s law enforcement background. 123 “The prevailing opinion would be that Treasury should restrict itself to taxes, financial regulation, fiscal policy, and issuing commemorative coins. I worried that our innovative campaign would be buried and lost in the massive reorganization” (133). Making matters worse, from Zarate’s perspective, was the fact that then Treasury Secretary O’Neill himself embraced the bureaucratic reorganization as a means of refocusing the Treasury on its traditional fiscal concerns.

“To O’Neill, the transfer of these Treasury enforcement arms to the new Homeland Security Department was a welcome rationalization of functions and did not present a bureaucratic threat” (130). Zarate briefly considered quitting his job at the Treasury, but decided to stay on and manage its remaining AIF agencies (subsequently assembled under the “Executive Office of Terrorist Financing and Financial Crimes” in 2003). 124

The next part of Zarate’s narrative describes a brief de profundis period for those at the Treasury whose jobs, and very identities, were threatened by the reorganization.

“This was the start of the oddest, most confusing, and difficult period of my professional life,” Zarate recalls, noting the various “indignities the staff suffered” (135) and the

---

123 Zarate’s professional background was in law enforcement. Formerly a federal prosecutor, he had moved from the DOJ to the Treasury just a few weeks before 9/11 (Zarate 2013: 18).

124 Suskind’s book describes how O’Neill was soon marginalized in Bush administration (and essentially forced to resign) for questioning the administration’s fiscal approach and obsession with Iraq. In the midst of the bureaucratic reorganization associated with the DHS, Zarate was asked to “remain to run and oversee Treasury’s remaining offices and functions related to the counter-terrorist-financing and anti-money-laundering programs, asset forfeiture, the Bank Secrecy Act, and sanctions enforcement” (135). O’Neill’s successor, John Snow, endorsed Zarate’s new office in 2003 and proved more amenable to Zarate’s perspective (Zarate 2013: 143).
higher-ups’ “lack of sensitivity and leadership for the thousands of employees to be effected by the decision” (134).

We feared the worst – that bureaucratic reshuffling would inadvertently lead the United States to lose its most potent financial weapons…Rumors were swirling that OFAC would soon find its way to the State Department, while the Justice Department was making a case for the transfer of FinCEN and TEOAF” (135, 142).

But – as a blowfish inflates itself and displays its poisonous spines to ward off attack – Zarate and his team eventually transformed the crisis into an opportunity for the Treasury’s bureaucratic aggrandizement:

By the end of the summer of 2002… I saw an opportunity. In conversation after conversation with my closest colleagues, I grew convinced that this was a moment of potential rebirth. Treasury had been stripped at last to its core strengths. With the transfer of almost all of Treasury’s law-enforcement resources and the end of Treasury Enforcement, we would no longer be considered a lesser law-enforcement agency. We would focus on what made Treasury powerful, valuable, and unique” (136).

Zarate’s memoir goes on to articulate these ‘core strengths’ of the Treasury, as he and his staff would be compelled to do in many subsequent interactions with the broader national security apparatus. In contrast to former days, when the Treasury’s law enforcement agencies performed narrow functions little related to the dollar’s global status, Zarate’s new vision would develop what had already begun after 9/11: the active leveraging of dollar hegemony on behalf of an expanded AIF mission.

Treasury sits uniquely at the epicenter of the flows of money around the world in the world’s most powerful economy. With this comes real power and influence. Overshadowed by its law enforcement mission, Treasury’s real strength to protect the integrity of the financial system had long remained untapped and

---

125 For example, Zarate tells the story of an NSC meeting where he defended the Treasury’s relevance to an initially skeptical audience wondering “why Treasury was in the meeting at all” (142).
unrecognized. And our work pursuing terror financing was only scratching the surface of what the department was capable of doing.

Treasury had unique authorities, information, relationships, and influence. No other department or agency could claim these, and no other department or agency could isolate the flows of illicit financing around the world. As we rebuilt Treasury, this was our refrain – and we repeated it like a mantra in memos, briefings, hearings, and speeches. Though we had lost about 95 percent of our personnel and budget, we could start anew to prove Treasury’s relevance to national security in a more fundamental and lasting way. This then became my mission – to redefine Treasury’s role, demonstrate its unique powers, and prove its growing and essential relevance to national security (137-8).

To convince the rest of national security establishment of the Treasury’s unique powers required a multifaceted strategy, described by Zarate in subsequent chapters of his book. First, following expectations set by the Bush administration in the immediate post 9/11 applications of financial sanctions, the Treasury had to continue to “run up the scoreboard” with markers of success. “If our office was going to survive, I knew that we had to push the envelope,” Zarate writes. “We needed to amplify what the Treasury Department was already doing to isolate rogue financial behavior” (145). In practice, this meant that the range of sanctionable targets would begin to expand outward from specific individuals suspected of terrorist finance to the banks – and ultimately whole countries – associated with them. The Treasury’s tools would also eventually be used against villains committing other types of illicit finance (153-154) – the broad conception of which was part and parcel of Zarate and associates’ vision for bureaucratic expansion.126 Much as

126 In Chapter One, we noted certain criticisms of the conflation of money laundering, terrorist finance and other forms of financial crime within the modern Treasury’s conception of “illicit finance.” As Zarate’s memoir makes clear, this amalgamation was itself partially a strategic decision during the Treasury’s post DHS reorganization. For example, he recalls how his new office, the “Executive Office of Terrorist Financing and Financial Crimes,” received its name because his colleague, Jeff Ross, “hammered into me the need to inject the term ‘financial crime,’ in addition to ‘terrorist financing’ to ensure that our broad mandate was clear at first blush” (143).
the Bush administration’s war on terror was already shifting its focus to the state actors in the global “axis of evil,” the “Treasury’s War” progressively encompassed the illicit financial activities of rogue states.

This strategic institutionalization of targeted financial sanctions to demonstrate the Treasury’s national security relevance began in 2003 with the “Bad Bank Initiative” – a mission to “target and bring down bad banks,” while “sending a clear message to others in the banking world that they would not be not be immune from our glare” (Zarate 2013: 146). Relying on the Section 311 of the Patriot Act, the Treasury began to designate suspect financial institutions from all around the world as “primary money laundering concerns.” As Zarate explains, this approach gave the Treasury a much broader range of targets compared with the “nuclear option” of freezing assets (which had been used more visibly in the first year after 9/11):

Section 311 gave the secretary of the treasury a middle ground. Institutions could be identified as risky from an anti-money-laundering perspective – in essence a threat to the integrity of the financial system. This definition was wide open, and there would be no need to prove criminal capability (152).127

To apply the approach was to fix a “scarlet letter”128 on the targeted banks, “making them radioactive to reputation-conscious banks worldwide” (152). The Treasury could

---

127 The Section 311 “primary money-laundering concern” designations thus contrasted with the earlier “terrorist supporter” designations (introduced by President Bush’s EO 13224), in which “whole tribes of lawyers from the Treasury, State, and Justice Departments would review any designation proposal for sufficiency of evidence” (Zarate 2013: 28).

128 David Aufhauser used this literary allusion in a 2012 lecture reflecting on the legacy of targeted financial sanctions: “One of the most powerful weapons against these networks is to shame them…to name them and brand them and put the scarlet letter on them” (American Center for Democracy 2012: 18:56 passim).
essentially leverage the self-interests of actors throughout the international financial system to ostracize those tarnished with the designation.

As banks across the world became increasingly solicitous of the Treasury’s good graces, Treasury officials took on more quasi-diplomatic roles, travelling around the world to meet with banks and government officials and ensure their “good financial behavior” (166). In FATF and other international forums, Treasury officials instructed the international community on the AML/CFT standards expected by the world’s financial hegemon. As the Treasury expanded its global influence, Zarate and his team continued to play an inside game as well, seizing any opportunity to make allies within the national security community.  

Reflecting on the Treasury’s bureaucratic advancement through its successfully reimagined AIF mission, Zarate’s memoir suggests how influence in the international financial community and prestige within the D.C. beltway fed off one another:

We had conditioned the foreign financial sector to hearing directly from the US Treasury…this was the start of a new approach that promised to resurrect Treasury’s role as a national security player. We were defining legitimate financial activity and actors. And there was much still to come (167).

The Shift to Illicit State Actors

As widely confirmed by reportage tracing the development of post 9/11 counterterrorism, the initial focus on non-state actors quickly shifted to a preoccupation

---

129 For example, Zarate describes how he participated in interagency discussions on Middle East policy, and “recognized the opportunity to inject 311 into the debate,” ultimately gaining the support of NSC official Elliot Abrams.
with so-called rogue states. In public relations and official rhetoric, the shift was justified by depicting the rogue states as sponsors of terrorism, and/or proliferators of weapons of mass destruction that might end up in terrorists’ hands. Such was the Bush administration’s original justification for its shift in priority from Afghanistan to Iraq – if the latter was indeed attempting to develop WMD, it was potentially more threatening to US national security than non-state groups like Al-Qaeda. But the historical record indicates this shift in priorities was largely opportunistic, as the state actors in Bush’s newly defined “axis of evil” were both longstanding American adversaries and more convenient targets, in practical terms, than terrorists hiding in the caves of the Afghan mountains.

Several accounts by (or about) top policymakers from the time describe how this process unfolded almost immediately after the 9/11 attacks (Woodward 2002; Clarke 2004; Suskind 2004). As reported by then U.S. Chief Counterterrorism Advisor Richard Clarke on his attendance at a September 12, 2001 cabinet meeting,

Secretary Rumsfeld complained that there were no decent targets for bombing in Afghanistan and that we should consider bombing Iraq, which, he said, had better targets. At first I thought Rumsfeld was joking. But he was serious and the President did not reject out of hand the idea of attacking Iraq (Clarke 2004: 30).  

While the administration would attempt to play up connections between the Iraqi regime and Islamist terrorism (Olmsted 2019: 207 passim), the spotty nature of those links meant that the administration would need an alternate line of argument. “Deputy Secretary of Defense Paul Wolfowitz confessed: ‘For bureaucratic reasons, we settled on one issue,

---

130 Woodward (2002: 49) further emphasizes that, “Rumsfeld was speaking not only for himself when he raised the question,” but enjoyed support from Paul Wolfowitz and others in the neoconservative circle.
weapons of mass destruction, because it was the one reason everyone could agree on’’ (McDougall 2016: 8). Justified by the new amorphous vision of national security threats, and the administration’s example with the invasion of Iraq, the identification of state actors (or agents more closely tied to their respective states) as more convenient targets eventually spread to the Treasury. Indeed, in a recent interview, Zarate used language reminiscent of the war hawks in the first Bush administration to explain the Treasury’s increasing focus on state actors from 2003 onward. After noting the challenges to thwarting or preventing the illicit financial flows (often via hawala networks and cash) of terrorists operating in the rural Afghani mountains, Zarate observed that, “When you start to get to rogue regimes that may be supporting terrorist groups, that may be engaged in proliferation, that certainly should be and are subject to sanctions for a variety of reasons…that then becomes a ‘target-rich’ environment” (Reagan Foundation 2022: 25:00).

As mentioned earlier in the chapter, the Treasury received its legal authority to sanction foreign governments associated with nuclear proliferation through another executive order signed by President Bush (EO 13382). As with the President’s original post 9/11 executive order sanctioning supporters of terrorism (EO 13224), Executive Order 13382 invoked the 1977 International Emergency Economic Powers Act, a little-known statute which provides the President with extraordinarily powerful authorities ‘to deal with any unusual and extraordinary threat, which has its source in whole or substantial part outside the United States, to the national security, foreign policy, or economy of the United States, if the President declares a national emergency with respect to such threat’ (Kittrie 2014: 805).
The “broad mandate” desired by Zarate’s Executive Office of Terrorist Financing and Financial Crimes\(^1\) thus became even broader as the power of financial sanctions was recognized by top policymakers in the Bush administration. While the Treasury had already assisted in the financial front of the second Iraq war (e.g., the freezing of Iraqi Central Bank assets and the recovery of Saddam Hussein’s massive stores of cash), it now turned its attention to the other rogue states defined by the administration, especially North Korea and Iran.

The last chapter described how these new applications of targeted financial sanctions came with new political costs, both domestically (in terms of interagency conflicts à la the Treasury’s clashes with the State Department over the designation of Banco Delta Asia as a primary money laundering concern)\(^2\) and internationally (e.g., pushback from foreign banks and governments who increasingly resented the unilateral diktats of the Treasury with respect to Iran). But the Treasury had effectively cut its teeth on political opposition and emerged from the existential crisis of bureaucratic reorganization as a major “national security player” (Zarate 2013: 167). As Condoleezza Rice remarked in her 2011 memoir, “financial sanctions would become one of our most important tools” (112)… “We became very dependent on the Treasury to help pressure bad actors” (520).

\(^1\) (See footnote #126.) By December 2004, the office had been given new financial intelligence powers and was renamed the “Office of Terrorism and Financial Intelligence” [TFI] (Zarate 2013: 206-8).

\(^2\) For example, in addition to conflict with the State Department, Zarate alludes to “the Treasury’s perceived intrusion into the FBI’s role as the lead on terrorism investigations in the United States,” noting that “the FBI did not like the competition and confusion that separate law-enforcement effort seemed to create” (208). Shortly thereafter he recalls that “we were all exhausted from fending off bureaucratic battles” (210).
Indeed, by the end of the Bush presidency, the future of targeted financial sanctions as a go-to foreign policy tool appeared to be firmly path dependent. This was apparent, first of all, in the holdover of major figures from the Office of Terrorism and Financial Intelligence during the transition from the Bush to Obama administration. Viotti (2014: 13) observes that, compared to the relative autonomy of central bankers, “Treasury officials usually owe their position to political appointment of relatively shorter duration.” But despite Obama’s generally critical stance towards the policies of his predecessor, he opted to retain the expertise of Bush’s Under Secretary of the Treasury. As Kittrie (2009: 789-90) explained at the time,

Although this novel breed of financial sanctions was designed and first implemented under the administration of George W. Bush, the Obama Administration has already cast a vote of confidence in it by making the extraordinary decision to retain in place Stuart Levey, the Bush-appointed Under Secretary of the Treasury, who is principally known as the leading architect of these financial sanctions. The decision to retain Levey is both a vote of confidence in this novel breed of financial sanctions and an indication that their design is likely to have a strong influence on any Obama Administration efforts to increase the range and impact of sanctions on Iran or other rogue states.

Reflecting some years later on the maturation of Terrorism and Financial Intelligence into a powerful bureau of the Treasury Dept., Levey observed with pleasure how the foreign policy elite agreed that, “The one thing to worry about was that TFI is a victim of its own success, and maybe we were going to overuse these things [sanctions] in the future – I think that’s, you know, a nice-to-have problem, if you will” (Center for Strategic and International Studies 2014). To illustrate how far TFI had come under his tenure, Levey then relayed two anecdotes about his official dealings with the longstanding Libyan dictator, Muammar Qaddafí. In the first instance, Levey was a
recently appointed Treasury official, sent to Libya to placate Qaddafi’s desire for attention from the US (with whom Libya had reached a temporary rapprochement). When Qaddafi asked Levey to personally deliver a message to President Bush, Levey’s internal reaction was: “I don’t think that George Bush could pick me out of a lineup.” Years later, after Qaddafi had once again fallen from international grace during the Libyan civil war, Levey’s influence had grown to the extent that he was able to orchestrate a freeze of $20 billion worth of Libyan assets on his very last day at the Treasury. “Unfortunately for Qaddafi, my ability to get a message to the president had improved,” Levey recounted. “Literally by the end of that day, an executive order had been signed by Obama.”

In the prologue of his book, Zarate notes that, “We successfully formulated and used these strategies during the administration of George W. Bush, but since the changing of administrations, President Barack Obama and his team have continued to rely heavily on this brand of financial warfare” (xii). Indeed, as observed by Drezner (2015: 757) near the end of Obama’s second term,

Between February 2014 and February 2015 alone, according to the Office of Foreign Assets Control Web site, the United States introduced or altered 20 different sanctions programs. In 2014, a US Assistant Secretary of the Treasury publicly bragged that because of sanctions, the Treasury Department was now ‘at the center of our national security.’

The Addiction to Sanctions

Drezner’s 2015 article reflected a growing ambivalence about the use of targeted financial sanctions. Perhaps superficially, and from a foreign policy perspective, their
appeal was easy to understand: financial sanctions were a potent instrument of American power with relatively few costs (as compared to military force or even traditional economic sanctions).

Financial sanctions combine the targeted nature of smart sanctions with the cost impact of more-comprehensive sanctions. Not surprisingly, US policymakers have embraced them warmly (Eckert 2008; Gottemoeller 2008; Zarate 2013). They are a lynchpin of the 2015 US National Security Strategy (Drezner 2015: 759).

Yet at the same time, worries about sanctions becoming a “victim of their own success” (qua Levey’s aforementioned lighthearted remark) were growing more pervasive. Juan Zarate himself had already expressed such concerns at the end of his (otherwise celebratory) memoir. As Zarate had belatedly come to appreciate, the marketing of targeted financial sanctions as a versatile AIF tool had come with a price: financial sanctions had established the Treasury’s importance to national security, but in doing so they had partially escaped from the Treasury’s control.

Where formerly Treasury bureaucrats had enjoyed the virtually unilateral authority of “defining legitimate financial activity and actors,” the number of proverbial cooks in the kitchen had since multiplied. “Congress injected itself directly into the strategic use of financial sanctions and power, with legislative mandates that began to overpower the Treasury’s program in strategy and approach” (Zarate 2013: 335). The Banco Delta Asia affair had shown how other forces in government (e.g., the State Department, in cooperation with the White House) could undermine targeted financial sanctions, and thus the Treasury’s credibility, when expedient. Later, following the Treasury’s 2009 designation of the Iranian Central Bank as a special money laundering
concern, it was the opposite problem: the foreign policy establishment was pushing the Treasury to employ much stronger sanctions than were deemed prudent by Treasury officials themselves. “The 311 was not good enough for Congress,” Zarate recalls, “Congress was focused on using the potential for sanctions against third-country banks still facilitating oil deals with Iran’s central bank” (335). These secondary sanctions, partially falling on banks in countries allied with the United States, resulted in the pushback (and creative non-compliance) of foreign bankers noted in the last chapter.

Near the end of his 2013 book, Zarate expresses worries that the utility of financial sanctions will be vitiated by targets’ growing ability to adapt. “The North Koreans had learned the lessons of the BDA action and had begun to diversify their channels of financing” (323). “In the face of pressure, the enemy has adapted, and illicit capital still moves” (357). “State and nonstate actors have learned from the financial campaigns we have unleashed over the past decade. They have seen how to use financial influence for national advantage, and they are beginning to use the same tools and techniques to extend their own influence” (382). Drezner and other academic observers soon echoed these concerns. The villains of the world were learning, and their combined efforts might gradually contribute to the downfall of dollar hegemony…and the Treasury’s sanctioning leverage along with it:

This question of learning over time leads to the last research question: whether the US use of financial sanctions will trigger a systemic reaction against the preeminent role of the United States dollar in global capital markets. As previously noted, US preeminence in monetary and financial matters has played a significant role in augmenting its capacity to levy targeted financial measures. Any appreciable decline in either the relative size of US capital markets, or the dollar’s status as the world’s reserve currency, would erode their utility as an instrument of statecraft (Drezner 2015: 760-1).
Arnold (2016: 89) concurred, observing that,

If banks can adapt, why not regimes? Many are sure to conclude that lessening their dependence on the US-dominated global financial system is a smart plan, especially if the risks of maintaining the status quo begin to outweigh the costs of establishing a legitimate alternative financial system.

Perhaps most significant was the contemporaneous expression of such concerns by the Treasury Secretary himself. Secretary Lew’s speech to the Carnegie Council in 2016 essentially suggested that the indiscriminate use of targeted financial sanctions risked compromising the Treasury’s primary organizational mission:

If they [sanctions] make the business environment too complicated—or unpredictable, or if they excessively interfere with the flow of funds worldwide, financial transactions may begin to move outside of the United States entirely—which could threaten the central role of the U.S. financial system globally, not to mention the effectiveness of our sanctions in the future.

The outgoing Secretary also explicitly appealed to “future presidents [who would] need these sophisticated tools to deal with urgent national security objectives,” reminding them to value multilateral cooperation and the perception of legitimacy. “While we must always reserve the right to act alone to protect our national security, unilateral actions should be the exception, not the rule.”

The policy window culminating in the 2016 populist resurgence and presidential election – while more significant for the other two case approaches in this study – at least vaguely encompassed an opportunity for reflection on the future of targeted financial sanctions. For example, Drezner (2019: 9-10) notes that, “By the time Trump was inaugurated, bipartisan enthusiasm for sanctions had reached an all-time high” – in other words, sanctions were ostensibly a tool of the corrupt “Washington swamp,” as identified in the campaign rhetoric of Trump (and perhaps overlapping in part with the left-leaning
populism of Bernie Sanders and his supporters). But in short order, Trump’s presidency proved to embed the tool of financial sanctions even deeper in the national security strategy, which moved towards an ever more naked unilateralism and economic nationalism. “When he was running for president, Donald Trump exulted in his clashes with the foreign policy establishment” Drezner recalls. “When it came to economic statecraft, however, Trump was even more enthusiastic than the foreign policy community” (7).

A 2020 article in *The Economist* asserted that,

Mr. Trump has taken the weaponisation of finance to a new level. He has used sanctions to throttle Iran, North Korea, Russia, Turkey (briefly), Venezuela and others…Using the dollar to extend the reach of American law and policy fits Mr. Trump’s ‘America first’ credo (“America’s Aggressive Use of Sanctions Endangers the Dollar’s Reign” 2020).

Of course, this earlier identification of Trump as the apogee in the American weaponization of interdependence is likely to sound dated in light of more recent events. By the standards of the same periodical some two years later, the suite of targeted financial sanction against Russia following its 2022 invasion of Ukraine were even more dramatic in scope (“A New Age of Economic Conflict” 2022). The continuous and ever-growing reliance on financial sanctions is thus difficult to attribute to any partisan tendency within US domestic politics, but suggests a deeper path dependency as indicated by the history presented in this chapter. Once again, Drezner’s recent commentary is useful for putting the addiction to sanctions in geopolitical and historical perspective:

The truth is that Washington’s fixation with sanctions has little to do with their efficacy and everything to do with something else: American decline. No longer an unchallenged superpower, the United States can’t throw its weight around the
way it used to. In relative terms, its military power and diplomatic influence have declined. Two decades of war, recession, polarization, and now a pandemic have dented American power. Frustrated U.S. presidents are left with fewer arrows in their quiver, and they are quick to reach for the easy, available tool of sanctions (Drezner 2021a).

In documenting these ongoing criticisms and concerns, I make no normative evaluation of any particular targeted financial sanction, much less presume to cast some final judgment on the costs and benefits of the approach in general. (These are ongoing controversies, the resolution of which will likely take some time, and – with respect to the argument that sanctions are accelerating an exodus from the international dollar system – will ultimately depend on the emergence of credible alternatives for international payments and reserves.) Rather, this historical overview has served to illustrate the apparently puzzling dimension in the development of targeted financial sanctions, namely, the single-minded pursuit of the policy in spite of political obstacles and costs.

The accounts of Zarate and other officials involved in the Treasury’s post 9/11 “resurrection” arguably validate the public choice conception of bureaucracy as a partial explanation of this puzzle. To reiterate, this perspective holds that the actions of bureaucratic agents cannot be reduced to the faithful implementation of objectives defined by their principles, but are at least partially determined by personal and/or organizational self-interest. This was most apparent in the second pivotal moment of the post 9/11 policy window described in this chapter: the creation of the Department of Homeland Security and the threat it posed to the Treasury’s newfound national security relevance. In responding to this challenge with their deliberate marketing of targeted
financial sanctions as a scalable and adaptable policy instrument, the AIF policymakers at Treasury confirmed Downs’ (1965: 439) “fundamental hypothesis that bureaucratic officials, like all other agents in society, are motivated by their own self-interests at least part of the time.”

Of course, the precise meaning of bureaucratic “self-interest” requires unpacking. In a review of the public choice literature, (Benson et al 1995: 23-24) emphasize that,

There are many models of bureaucratic behavior based on self-interest assumptions. Tullock (1965) saw bureaucratic behavior driven by a desire for security. Chant and Acheson (1972) contended that bureaucratic behavior was driven by a desire for prestige. Niskanen (1968, 1971) assumed that a bureau manager could be characterized as a budget maximizer…Breton and Wintrobe (1982: 108-131) characterized the bureaucratic institutional process as one dominated by entrepreneurial competition, a la the Austrian school, wherein individual bureaucrats pursue their subjective goals by selectively seeking and implementing policy innovations.

As suggested by Zarate’s memoir, these goals tend to be prioritized according to the hierarchy of needs – that is, organizational security (self-preservation) and the protection of pre-existing resources was the first objective, with the pursuit of additional prestige and resources, through entrepreneurial policy innovations, following in train. In Breton and Wintrobe’s (1982: 152) reading of bureaucratic self-preservation/self-interest, “One

133 As suggested by Taylor’s memoir, this dynamic also played out within the Department itself, between bureaus like OFAC and the Treasury’s upper leadership. Referring to the new role of OFAC, he recalled, “Our first priority was to end the indifference of higher-level Treasury policymakers and to stress the high priority of the mission following President Bush’s lead” (7) Taylor’s influence was to help overcome OFAC’s traditional protectiveness by demonstrating the opportunity for more importance to the national security state. “The OFAC staff were unaccustomed to sharing information with others in Treasury, perhaps because there had not been international cooperation on the scale we were planning before, or perhaps because like other intelligence-oriented agencies they were used to keeping their cards close to their vest” (11). This initial reflex to protect pre-existing bureaucratic resources – in this case, secret information, per Breton and Wintrobe (1982: 27) – confirms the risk-aversion tendencies described by prospect theory, and further illustrates my above argument about a hierarchy of needs with respect to bureaucratic self-interest.
need not assume Machiavellian behavior, deceit, or dishonesty on the part of bureaucrats, because in all likelihood the pursuit of their own interest will be, as it is for everyone else, veiled in a self-perception of dedication and altruism.” What stands out from Zarate’s memoir is that the author never “veiled” his pursuit of the Treasury’s self-interest; rather, whatever bureaucratic egotism motivated the development of targeted financial sanctions was consistently presented as harmonious with the public/national interest.134 “My principle goal was to resurrect Treasury,” Zarate claims, “…it was necessary for the country, important for international security, and critical for the Treasury Department” (2013: 144).

Indeed, that Treasury AIF policymakers could be so open about their bureaucratic interests only indicates the power of the original policy narrative to which those interests were attached. In his book Narrative and the Making of US National Security, Ronald Krebs marshals an impressive body of documentary evidence to convey the utter dominance of the war on terror narrative during the policy window discussed here.

The Terror narrative constituted the terrain on which post-9/11 national security was debated and policy made. It foreclosed some stances, such as a deep reconsideration of US foreign policy, and it privileged others, including the tilting of the political field in favor of war with Iraq (Krebs 2015: 147).

The uniquely nefarious nature of the terrorist, as the villain in this narrative, was the permissive condition for the many radical policy innovations established by the government in the post 9/11 context, including those pioneered by the Treasury. Targeted financial sanctions were baptized in the righteous waters of counterterrorism, and –

---

134 For a classic theoretical treatment of the harmonization of public and private interests (i.e., as an ideological rationalization of the latter) see Carr (1946).
though subsequently applied to broader gallery of illicit financiers, per the partially opportunistic bureaucratic strategy described in this chapter – have since retained much of their original Manichean ethos. We examine that underlying framing – that nationalistic policy narrative – in Chapter 7.
Chapter 4 – Anti-MLRE

In December 2021, pursuant to the National Security Study Memorandum-1 signed by President Biden earlier that year, the White House released the first “United States Strategy on Countering Corruption.” In seeking to “identify and…rectify persistent gaps in the fight against corruption” (4), the document largely overlapped with the “National Strategies for Combating Terrorist and other Illicit Financing” quoted in the first two chapters of this study.135 Among the persistent gaps discussed in the Strategy is the problem of money laundering in real estate – for which the White House gives a fairly grave description:

The U.S. real estate market has become a significant destination for the laundered proceeds of illicit activity, including corruption. According to analysis conducted by Global Financial Integrity, more than $2.3 billion was laundered through U.S. real estate between 2015 and 2020. Further, an assessment by the Treasury of Federal cases involving real estate forfeited during a three-year period found that complicit professionals and the use of legal entities and nominees were often involved in aiding all manner of illicit actors, to include corrupt officials, in purchasing U.S. real estate with criminal proceeds. In addition to providing corrupt actors a means to launder ill-gotten gains, a lack of transparency in real estate purchases imposes tangible costs on average Americans in the form of

135 The introduction of the document situates the problem of corruption within the broader AIF policy agenda: “Corruption’s increasingly globalized nature—fueled in part by transnational illicit finance and criminal networks, as well as exploitation of the licit financial system—imposes steep costs on ordinary citizens and good governance alike…Corrupt actors exploit deficiencies in anti-money laundering and countering the financing of terrorism (AML/CFT) systems and processes” (The White House, “United States Strategy on Countering Corruption” 2021).

The document approvingly mentions the Treasury’s Geographic Targeting Orders, while also calling for further regulatory action: “The GTOs have provided greater insight into illicit finance risks in the residential real estate market, but are only a temporary solution.” The precise nature of a more permanent solution is left somewhat vague, however, with the document simply declaring that “The Treasury will issue regulations that will include reporting requirements for those with valuable information regarding real estate transactions.”

“The United States Strategy on Countering Corruption” thus captures the partial/tentative quality of anti-MLRE regulation as case of AIF policymaking in the 21st Century. Unlike the targeted financial sanctions approach, which was developed and consolidated by Treasury officials themselves within the post 9/11 policy window, the Treasury’s current anti-MLRE policies were the result of mainly outside policy entrepreneurs, whose gradual, cumulative efforts eventually pressured the Treasury to take action in the mid to late 2010s. That pressure continues to gather, with the Treasury expected to expand its anti-MLRE regulations in 2023.

As we will explore in Chapter 8, the Treasury’s earlier decision to grant the real estate industry a temporary “exemption” from the new AML provisions of the Patriot Act had much to do with the dominant political narrative at the time. The Bush administration made clear shortly after 9/11 that maintaining the strength of the American

---

136 The language in the Strategy echoes the cited report from Global Financial Integrity, written by Bel (2022).
The economy was a key component – both material and symbolic – of the newfound war on terror. To allow new security measures to suppress economic activity in the homeland was, in a common formulation of the administration, to “let the terrorists win.”\footnote{For example, White House Press Secretary Ari Fleischer remarked in a briefing, “We don't let the terrorists win by canceling America’s holidays” (The White House, President George Bush, “Press Briefing by Ari Fleischer”). The importance of maintaining a strong economy was emphasized in President Bush’s September 20th, 2001 Congressional address (examined in depth in Chapters 7 and 8).} The real estate industry successfully capitalized on this framing in a concerted lobbying effort directed at the Treasury. By emphasizing its vast size and importance to the American economy, the industry convinced Treasury officials that the benefits of new anti-MLRE requirements would not be worth the costs.

This chapter describes how the initial post 9/11 exemption of the real estate industry from AML requirements eventually gave way to new political pressures, allowing the Treasury to tentatively more forward with its anti-MLRE program. Specifically, I investigate the constellation of various “policy entrepreneurs” – an informal alliance of journalists, NGOs, and sympathetic elected officials (along with their staffers) – who brought anti-MLRE back to the Treasury’s agenda after more than a decade of neglect.\footnote{Commenting on the Treasury’s anti-MLRE policymaking during his tenure as Treasury Secretary (2013-17), Jack Lew recalled the influence of multiple actors: “I know there were Congressional inquiries, Senator Levin had a lot of inquiries into this area and the Treasury engaged with him on them, and there were journalistic investigations as well. So there were a lot of things going on” (Author interview, summer 2021).} As with the real estate industry’s earlier success in avoiding anti-MLRE regulations, the advocacy coalition in favor of such regulations was ultimately able to establish a more compelling policy narrative – this time, reflecting the populist mood of the mid 2010s. (This chapter gives a preliminary sense of that narrative, while leaving a close interpretation of its nuance for Chapter 8.)
Historical Background of Money Laundering in Real Estate (MLRE)

The purchase of real estate as a means of money laundering has a long history in the US and elsewhere, but focused attention from scholars and policymakers has been relatively more recent (Shelley 2013; Sharman 2017). Writing in 2013, Louise Shelley (2013: 138) argued that MLRE had expanded over the prior decade as other means of money laundering had become more risky for criminals: “With greater scrutiny over banks and other financial instruments since the financial controls enacted after September 11, 2001, real estate has become an especially important investment vehicle for organized crime.” The 2008 financial crisis also presented a golden opportunity for money laundering in real estate, as property values plummeted and criminals with large surpluses of cash stepped in to acquire tangible assets. As Shelley (2013: 139-140) went on to explain,

Banking regulation encourages criminals to keep their assets in cash, enabling them to quickly take advantage of low prices. Criminals, therefore, have been major beneficiaries of the crisis because many of them held cash and have not been negatively affected by stock market declines.

In countries with weak money laundering regulations, real estate may literally be purchased with bags or suitcases of cash; however, in more developed jurisdictions like

---

139 In a 2015 speech anticipating the Treasury’s imminent GTOs, FinCEN director Jennifer Shasky Calvery observed that “this phenomenon [MLRE] was not new in the United States. All we had to do was consult our colleagues who had investigated and prosecuted narcotics cases in South Florida during the wild, narcotics-fueled days of the 1980s and seen first-hand the endemic use of narcotics proceeds to fund the purchase of luxury real estate in Miami” (Financial Crimes Enforcement Network, “Jennifer Shasky Calvery, Director, Financial Crimes Enforcement Network” 2015).
the United States, such a practice is likely to provoke a suspicious activity report and the attention of law enforcement (Shelley 2013: 140). Money laundering in real estate has therefore typically taken the more circuitous route of transferring tainted funds through foreign shell companies or other third parties\(^{140}\) that conceal the identity of the true purchaser (aka “the beneficial owner”). Similarly, a foreign money launderer may employ a domestic real estate agency to purchase property on his or her behalf. These methods were facilitated by a shortcoming in U.S. Know Your Customer (KYC) regulations whereby the banks involved in real estate transactions are only required to perform background checks on their immediate customers. As Sharman (2017: 82), writing before the recent expansion of anti-MLRE regulation, explained, the foreign money launderer,

> need only contact one of the specialized one-stop real estate firms that act as agent, attorney, and shell company provider…Banks must know their customer (in this case the real estate firm), but are under no obligation to know their customer’s customer (i.e., the buyer).

While targeted financial sanctions became a staple of the Treasury’s anti-illicit finance efforts after 9/11, attempts to expand regulations against money laundering in real estate\(^{141}\) floundered due to the organized opposition of domestic interest groups

\(^{140}\) As Shelley (2014: 141) explains, “This can be done in several ways. Lawyers and others in positions of trust can purchase property as front people for the real owners. Especially in the case of corrupt officials, properties are bought under false names or by relatives or close associates. A ready sign of laundering in many geographic contexts is that a company is established and then used as a vehicle to launder money into real estate. Once the purchase is made, the company is liquidated.”

\(^{141}\) The inclusion of anti-MLRE provisions in the Patriot Act was inspired by earlier official research that had brought attention to MLRE in limited fashion. As reported by the *New York Times* in 2003, “The Financial Crimes Enforcement Network believes the real-estate industry could be vulnerable. The network cited a 1996 National Institute of Justice report, which said real-estate transactions offer ‘excellent money laundering opportunities’ and opportunities to ‘legitimate and repatriate illegal funds,’ as a reason for considering applying the rules to real estate” (Smith 2003).
(Sharman 2017: 82-85). In 2016, the Treasury finally began to implement the anti-MLRE provisions of the Patriot Act in a limited, tentative fashion (i.e., only areas under FinCEN’s “geographic targeting orders,” and only title companies, out of the much wider category of “real estate professionals,” are subject to regulation).  142

The Policy Entrepreneurs

Elected Officials

The issue of MLRE currently receives formal attention from multiple elected officials from both parties. As noted in the introductory chapter, the symbolic affront of Russian oligarchs owning large chunks of both residential and commercial real estate in New York City appears to have given an extra impetus to the anti-MLRE project. However, Politico reports that, “The effort to close anti-money-laundering loopholes was already picking up momentum in Washington even before Russia invaded Ukraine. Twenty-one House lawmakers, including Reps. Katie Porter (D-Calif.) and Adam Kinzinger (R-Ill.), formed the Caucus Against Foreign Corruption and Kleptocracy last June [2021]” (O’Donnell 2022). In a recent letter to the Treasury, Senator Sheldon

---

142 See Chapter 1 for summary. As of this writing (March 2023), the Treasury is still considering policy options for extending anti-MLRE regulations. The Financial Accountability and Corporate Transparency (FACT) Coalition reported in January 2023 that, “The Treasury Department announced its intention to release a draft rule [further] targeting money laundering through US real estate markets this April” (FACT Coalition, 2023).
Whitehouse (a member of the new caucus) calls for the AML requirements of the current GTOs to be extended to the entire United States: “Illicit money has and will continue to move to non-covered jurisdictions. FinCEN must use its authority to require title insurance agents to collect beneficial ownership information for each transaction in every U.S. city and town.” The Whitehouse letter laments the inevitable whack-a-mole problem inherent in the limited application of the GTOs to a small number of US metropolitan areas and offers several high-profile examples of foreign money launderers purchasing real estate in non-covered jurisdictions.\(^\text{143}\)

The efforts of Whitehouse and others on the Caucus Against Foreign Corruption and Kleptocracy suggest the continuing relevance of Congress in pushing the anti-MLRE project forward. But the current bandwagon would have been unlikely in the absence of earlier congressional activism, which kept MLRE on the AML agenda in spite of the post 9/11 exemptions granted to the real estate industry. Here, the late Senator Carl Levin (D, MI) stands out as a key and efficacious policy entrepreneur. A 2014 piece from The Nation reported that “Investigations led by US Sen. Carl Levin, a Michigan Democrat, have highlighted the role of real estate agents in helping corrupt foreign officials and their families move looted cash into the US” and that Levin “called for Treasury to revoke the Patriot Act exemptions” (Hudson et al. 2014).

\(^\text{143}\) Whitehouse’s observations here echoed those of former Treasury Secretary Lew, who noted in an interview that “You have to develop a mechanism…to reach it wherever it goes, because the reality is, people are looking for ways to use real estate assets to hide beneficial ownership, and if it gets too hard to do in one place, they will move to another place. It’s not inherently tied to any one geographical location” (Author interview, summer 2021).
The role of Senator Levin in bringing greater attention to illicit finance in general, and MLRE in particular, has been widely documented,\textsuperscript{144} perhaps most thoroughly by Elise Bean in her 2018 memoir, \textit{Financial Exposure}. Bean was a staffer for Levin supporting his work on the U.S. Senate Permanent Subcommittee on Investigations (PSI), where the senator held a prominent role from 1999 to 2014. As she recalls,

PSI has been the premier investigative body in the Senate for decades, with special tools, traditions, and know-how to carry out high-profile investigations… because Senator Levin’s favorite investigative topic was financial chicanery, I learned more than I ever wanted to about money laundering, offshore gimmicks, tax dodging, accounting skullduggery, and derivatives double-dealing. Our investigations ranged from wrongdoing that fueled crime, produced billion-dollar losses, or cheated average families, to dishonest practices that led to widescale economic mayhem like the 2008 financial crisis. We followed the money, unraveled the facts, and disclosed troubling practices to policymakers and the public (Bean 2018: x).

In Bean’s account, MLRE first came to the attention of Senator Levin and PSI in 2009. The Subcommittee had enjoyed an earlier AML success with the investigation and prosecution of Riggs Bank, a Washington DC institution exposed for money laundering on the behalf of several foreign kleptocrats. The publicity surrounding the Riggs scandal and PSI’s congressional hearing on the matter (July 15, 2004) had highlighted the need for the Treasury to better enforce the banking sector’s AML requirements under the Patriot Act, which it committed to doing.\textsuperscript{145} “As standards rose, bank examinations intensified, and more banks tightened their AML programs, PSI turned its attention to other issues. But in 2009, five years after the Riggs investigation,

\textsuperscript{144} See the Levin Center’s official website at https://www.levin-center.org/about/carl-levin/.
\textsuperscript{145} “The OCC [Office of the Comptroller of the Currency] admitted, three years after the 2001 Patriot Act, it had yet to update its AML handbook to reflect the new AML requirements, and the Treasury had yet to issue key implementing regulations. The OCC committed to strengthening its AML efforts” (Bean 2018: 301).
AML problems again began to dominate the PSI agenda” (305). As Bean suggests, echoing scholars and other policymakers on criminals’ ingenuity in circumventing AML regulations, the post-2004 tightening on the traditional banking sector led to non-traditional forms of money laundering, especially in real estate (306-7). Levin’s staff researchers began to investigate the MLRE phenomenon, eventually presenting four illustrative case studies to Levin and the subcommittee. At least two of the four cases centered around politically exposed persons146 acquiring luxury real estate in the US: Teodoro Obiang (the son of the president of Equatorial Guinea), who had purchased a US $30 million mansion in Malibu, and President Omar Bongo of Gabon, whose wife had purchased a two-million dollar condo in Manhattan (310).

Bean’s account suggests that the momentum for anti-MLRE grew through the reciprocal interaction of media and interested elected officials: an early newspaper article on MLRE had originally inspired Levin and the PSI, while the PSI hearings inspired further media attention to the issue. As we will elaborate in what follows, this later outpouring of investigative journalism brought the NGO sector into the fray, giving it the necessary evidence to lobby the Treasury directly. That lobbying resulted in the original “pilot” GTOs (in Miami and New York), the apparent147 success of which inspired

146 As defined by the FATF, “A politically exposed person (PEP) is an individual who is or has been entrusted with a prominent function. Many PEPs hold positions that can be abused for the purpose of laundering illicit funds or other predicate offences such as corruption or bribery. Because of the risks associated with PEPs, the FATF Recommendations require the application of additional AML/CFT measures to business relationships with PEPs” (FATF, “FATF Guidance: Politically Exposed Persons [Recommendations 12 and 22]”).

147 A recent paper from the Brookings institution expresses skepticism concerning the deterrent effects of the Treasury GTOs on MLRE: “Our null findings stand in stark contrast to earlier work finding that the GTO program heralded a nationwide chilling effect on corporate cash purchases” (Collin et al. 2022). (The
further Congressional interest and calls to expand the GTOs to other metropolitan areas (Hall and Nehamas 2018). Perhaps pivotal to the success of this advocacy coalition was the ability of journalists to tell compelling stories about MLRE; major newspapers, especially The New York Times and The Miami Herald, devoted considerable attention to the issue and fostered the impression of a growing problem demanding public policy action.

The Media

According to Crow and Lawlor (2016: 472), “Media interact with and influence the policy process in two paramount ways: (1) by selecting issues of importance to highlight to the public and policy makers (agenda-setting), and (2) by problematizing policy in a way that attaches meaning to it in a manner that is comprehensible (framing and constructing narratives).”

In early 2015, the New York Times began publishing a series of articles on the MLRE phenomenon. Entitled “Towers of Secrecy,” the series initially focused on the questionable purchases of luxury condos in Manhattan, but soon branched out into a broader investigation of MLRE across the nation, all the while questioning the (lack of) policymaking response. As noted on the NYT webpage curating the articles, the paper’s investigative journalism had a direct influence on the Treasury’s 2016 implementation of

---

report also discusses the various methodological problems with measuring illicit finance, as mentioned in the introduction to this study.)
the Geographic Targeting Orders in New York and Miami (as well as subsequent movement forward on the anti-MLRE agenda):

This investigation inspired the Treasury Department to begin identifying and tracking secret buyers of high-end properties, starting in Manhattan and Miami-Dade County and it helped the Treasury get momentum to complete a rule requiring banks to identify clients who open accounts using shell companies. New York City had also responded by creating a new transparency rule for L.L.C. buyers. Federal lawmakers introduced legislation to require transparency into shell companies. And the US DOJ filed an asset forfeiture case seeking $1 billion in assets from people close to the prime minister of Malaysia, who were the focus of one of the Times's articles (“Towers of Secrecy: Piercing the Shell Companies”).

The importance of the series was confirmed by FinCEN director Jennifer Shasky Calvery in a speech at a 2015 AML conference. “The series has spurred discussion in the AML community about the use of real estate to launder money” (Financial Crimes Enforcement Network, “Jennifer Shasky Calvery, Director, Financial Crimes Enforcement Network” 2015). Not to be outdone, the Miami Herald took credit for exposing the problem of MLRE in Miami-Dade County:

In 2016, the Treasury Department imposed a temporary transparency rule in Miami-Dade County's residential real estate market, where shell companies funded by dark money frequently purchased property. The rule was announced a month after the Miami Herald published a series of stories on a massive cache of confidential files dubbed the Panama Papers. The leaked documents showed how anonymous shell companies linked to wrongdoing spent their money on high-end real estate in South Florida, driving up prices for locals (Daugherty 2020).

The Panama Papers, the Pandora Papers, the FinCEN Files

The investigative journalism of the New York Times and Miami Herald tended to focus on localized vignettes of questionable real estate transactions and potential MLRE.
As we will see later in the chapter, the phenomena of MLRE was narratively linked to specific buildings and developments, creating stories that were both memorable and digestible for those papers’ readers. However, the gravitas of those stories was undoubtedly enhanced by the work of other investigative journalists exposing the broader scope of transnational illicit finance. The revelatory *Panama Papers*, released by the International Consortium of Investigative Journalists (ICIJ) beginning in April 2016, situated developments in Manhattan and Miami within a much more global context. Consisting of millions of leaked documents from the Panamanian law firm Mossack Fonseca, the papers revealed a vast, globalized network of “rogue offshore finance” and elite tax evasion, of which money laundering in foreign real estate was but one component (International Consortium of Investigative Journalists, “The Panama Papers: Exposing the Rogue Offshore Finance Industry”). In particular, the papers exposed the depth of complicity by nominally legal financial actors around the world – lawyers, tax professionals, real estate agents, etc. – which abused the mechanisms of trusts and limited liability corporations (shell companies) to enable the malfeasance of “Moneyland’s nomad citizens.”

A recent retrospective from the ICIJ describes the *Panama Papers’* considerable cultural impact:

> Just as Watergate became both a landmark in the history of journalism and a shorthand for political tricksterism, the Pulitzer Prize-winning Panama Papers investigation has inspired many journalists to embrace a new kind of leading-edge journalism — and its alliterative name has come to serve as a shorthand for financial perfidy by the globe’s ruling elite.

---

In raw form, the *Panama Papers* would have been prohibitively vast for the general public (or even policymakers with paid staffs) to consume. The *Miami Herald* was among the organizations initially tasked with sorting through the leaked documents for the most relevant and compelling stories.\(^\text{149}\) These, combined with the *New York Times* “Towers of Secrecy” series, were the impetus for FinCEN’s anti-MLRE action in 2016: “The government's interest in secret offshore money was fueled in part by the Pulitzer Prize-winning Panama Papers series, which showed how dirty money was fueling South Florida's luxury home market” (Rodriguez 2021). The publicity generated by the *Panama Papers* was augmented by subsequent ICIJ exposés of illicit offshore finance: the *Paradise Papers* in 2017, the *FinCEN files*,\(^\text{150}\) and the *Pandora Papers* of 2021. As observed in a recent *Miami Herald* article based off revelations from the *Pandora Papers*, “the 2017 Panama Papers…kick-started a financial reckoning that has continued” (Dasgupta 2021a).

---

\(^\text{149}\) “ICIJ, McClatchy, the Miami Herald, German daily Süddeutsche Zeitung and other media partners spent more than a year sifting through 11.5 million leaked files to expose offshore holdings of current and former world leaders and more than 100 other politicians and public officials across the globe” (Fitzgibbon and Hudson 2021).

\(^\text{150}\) The *FinCEN files* stand out as a cache of leaked SARs (suspicious activity reports) coming from the selfsame bureau of the Treasury Dept. While thus not revealing anything that FinCEN could not have (theoretically) already known itself, the files brought further public attention to the issues of illicit finance and MLRE, as well as the disjunct between the agency’s workload and resources. See, e.g., Sutton (2022). As with the *Panama Papers*, the *Miami Herald*’s reporting on the *FinCEN files* revolved around stories of local relevance, such as the alleged MLRE of a wealthy Venezuelan family connected to the Maduro regime. “Like the Panama Papers in 2016, The FinCEN Files show the vulnerability of the international financial system to money laundering, often through the use of offshore shell companies. Miami is a money-laundering hot spot, especially when it comes to proceeds from Venezuela, a geopolitical foe of the United States” (Hall et al. 2020).
NGOs

The journalistic attention to MLRE may not have been sufficient to influence the Treasury, however, were it not for the complementary policy entrepreneurship of NGOs broadly concerned with illicit finance. As the second article in the “Towers of Secrecy” series reported, the first article (“A Summary: The Hidden Money Buying Condos at the Time Warner Center”) had given the NGO community the wherewithal to petition the Treasury in a letter\textsuperscript{151} formally addressed to the department:

> The letter, signed by a coalition of 17 diverse groups including Transparency International, Global Integrity and Global Witness, cited a recent series in The New York Times, Towers of Secrecy, which documented how wealthy international buyers, including politicians and those who have been the targets of government inquiries, had used shell companies to purchase luxury New York condos…

> Responding to the letter, Steve Hudak, a spokesman for the Treasury Department's Financial Crimes Enforcement Network, or FinCEN, said in an emailed statement that the agency agreed with the concerns expressed in the letter, calling potential criminal abuse of the real estate sector a "fundamental priority" (Saul 2015).

NGOs such as Global Witness and Global Financial Integrity have continued to document the MLRE phenomenon in their own journalistic exposés and policy briefs, providing evidence later cited in government reports such as the 2021 “United States Strategy on Countering Corruption.”\textsuperscript{152}

The foregoing survey might lead to a fairly straightforward interpretation of the Treasury’s decision to move ahead with anti-MLRE regulations: that, “Over time, the gap

\textsuperscript{151} A summary, list of signatories, and full text of the letter can be found at Gascoigne (2015).

\textsuperscript{152} See especially, Kumar and Bel (2021).
between the noble intentions of the Patriot Act and the dirty reality of the property market became too wide to ignore” (Foer 2019). As a “qualified credulous interpretation” of AIF policymaking (outlined in Chapter 2) might read the history, the Treasury simply postponed its original (post 9/11) anti-MLRE agenda until the approach had received enough publicity and political support to begin implementation. But while not necessarily untrue, such a reading would miss an important nuance of the anti-MLRE advocacy leading up to the 2016 GTOs (and very much continuing to this day). With almost no exception, the investigative journalism and NGO lobbying calling attention to MLRE in the early to mid 2010s emphasized the growing housing affordability crisis in major urban centers, a phenomenon chiefly ascribed to an influx of foreign property buyers. The impression one gets from the “Towers of Secrecy” series and contemporaneous articles is that the public and journalistic interest in MLRE had less to do with AIF concerns per se, and more to do with the symbolic potential of MLRE as a “policy surrogate”153 for the perceived problem of excessive foreign real estate investment (FREI). The next section will examine several examples in depth, but first it may be useful consider the relationship between real estate and populist politics in more general terms.

The Housing Crisis and the Rise of Populism

“The rather unlikely protagonist in much of today's political strife is the humble house” (Ansell 2019: 183).

153 (See Chapter 1 for definition)
The recent development of anti-MLRE policy has roughly coincided with the “rise of populism,” a phenomenon much commented on and interpreted in both journalistic and academic circles. The Treasury’s decision to move forward on the GTOs occurred not long before the 2016 presidential election, in which the ‘politics as usual’ of the neoliberal mainstream (i.e., Clinton) was challenged by (at least rhetorical) populists from both the right (Trump) and the left (Sanders). While we might assume pure coincidence at first glance, a deeper look into the political discourse associating MLRE and FREI – as well as more recent statements by elected officials and the Treasury itself – suggest that the momentum behind anti-MLRE is indeed partially driven by the rise of populism, with elements of both the left-leaning and right-leaning varieties (as expressed in class conflict and nativist xenophobia, respectively).154

As Ben W. Ansell documents in his 2019 Annual Review of Political Science article, “The Politics of Housing,” populism unsurprisingly grows in appeal as homeownership – perhaps the main pillar of that legitimating ideology known as the “American Dream” – becomes progressively more unaffordable for large swaths of the population.

Owning a house is the most important economic choice most families will ever make. Yet, our understanding of the political causes and consequences of homeownership is rather thin… Political scientists need to take housing much more seriously, not least because of the unprecedented surges and collapses of house prices over the past two decades. The housing market is both a proxy for and a cause of growing social cleavages that shape how citizens view political

154 With respect to class, Makari (2021: 260) observes that “income disparities had grown so that, by 2016, the U.S. Census Bureau reported that a measure of inequality, the Gini index, was the highest ever.” At the same time, “By 2016, it was impossible to ignore an international resurgence of xenophobia” (262), often enflamed by the rhetoric of right-wing populist leaders.
issues from the size of the welfare state to the attractiveness of populist campaigns (165).

Ansell’s call for greater scholarly attention to the relationship between home affordability and the perceived legitimacy of existing institutions echoes earlier work by scholars such as Leonard Seabrooke and Herman Schwartz. Seabrooke (2006) focuses on the political importance of “lower income groups” (LIGs) as elites attempt to shore up support for the existing financial system. “States often target people above the poverty line but below median income for positive intervention because they more readily provide policy success that can be used to strengthen the state's claims to legitimacy” (2). What LIGs generally want is access to the cheap credit necessary to purchase property and finance a respectable standard of living (while also avoiding significant taxes). When these desiderata are threatened by political or institutional developments, LIGs pressure the state – through, for example, “populist” mobilization – to intervene on their behalf. “Changes to credit access, property ownership, and tax burdens provide focal points for LIGs to contest the legitimacy of state action. Calls for positive state intervention will compel the state to change its ways, or lose more legitimacy” (14).

Unfortunately, the current housing crisis constitutes a “wicked problem” that – absent some radical (perhaps utopian) transformation of the very nature of money, law, and property – can only be managed, and never properly “solved.” In broad macroeconomic terms, the historically low interest rates of the 2010s largely benefitted well-connected institutional investors, whose greater presence in the US housing market

---

155 This term refers to social problems that are highly complex and intractable, the housing crisis being a common example. See, e.g., Gallent (2019).
led to rapid appreciations in many areas, effectively vitiating the lower financing costs that might have otherwise increased home affordability for LIGs.\textsuperscript{156} With regard to urban real estate in particular, the contradictory political pressures facing policymakers are captured by a former New York city planner, Samuel Stein, in his recent book *Capital City* (2019). On the one hand, given municipal budgets’ dependence on property taxes, city planners are highly incentivized to choose policies likely to inflate local real estate values. However, the resulting “gentrification” of formerly affordable neighborhoods may come with all sorts of social and political costs – the displacement of erstwhile residents, increasing homelessness and crime, and heightened class resentments, often tinged with racial tensions.

Historically, the collateral damage of gentrification has fallen disproportionately on African-American LIGs priced out of formerly majority-black neighborhoods.\textsuperscript{157} But in recent years, the negative externalities of unaffordable urban housing have come to affect ever broader demographics of Americans, leading to a housing crisis of national proportions.\textsuperscript{158} The causes of this crisis are multifaceted: stagnating real wages for most Americans, the increasing financialization of US housing stock by corporate landlords and Wall St. firms, the restrictive zoning favored by existing property owners, and so on.

\textsuperscript{156} On institutional investors, see Glantz (2019). On the relationship between easy money and asset bubbles (including in real estate) see Adkins et al. (2020).

\textsuperscript{157} As a fairly vast literature on the topic has demonstrated, the vexed racialization of American urban spaces has a long and complicated history, involving both overt practices of white supremacy (e.g., urban race riots and formal segregation) as well as more subtle forms of discrimination (redlining, discriminatory mortgage lending, etc.). See, \textit{inter alia}, Tuttle (1970), Connolly (2014), Rothstein (2017).

\textsuperscript{158} See, for example, the Oct 22, 2019 House Financial Services Committee Hearing, “The End of Affordable Housing? A Review of the Trump Administration’s Plans to Change Housing Finance in America” (Fox Business, 2019).
But added to this mélange of factors is a relatively newer *international* dynamic inflating the real estate in developed countries around the world: a transnational class of property buyers with deep pockets, seeking tangible long-term investments in proverbial “bricks and mortar.” As Stein (2019: 4-6) explains,

> The force behind these trends is the growing centrality of urban real estate to capital’s global growth strategy…housing becomes a globally traded financial asset, creating the conditions for synchronized bubbles and crashes…As real estate values have risen to absurd heights, so has the political force of real estate capital.¹⁵⁹

As described by a recent *New York Times* article, even left-leaning elected officials often find that authorizing new private real estate developments – however speculative and profit-driven – is the best they can do to ameliorate the housing crisis. *Ceteris paribus*, adding new supply should drive down the cost of housing, but developers’ preference for higher-end projects, combined with a globalized market of real estate investors/absentee owners, typically translates to “cases where most of the units would not be affordable for working-class New Yorkers” (Zaveri 2022). An article in the *Miami Herald* registers similar local complaints: “As the high-end market booms, developers focus on luxury condos to meet the demand of these wealthy investors, pushing home prices beyond what most people can afford and increasing the wealth gap between the haves and the have-nots” (Dasgupta 2021b).

The Treasury itself has recognized the threat to the social contract posed by a worsening housing crisis, as indicated by its 2022 Official Strategy. Among the goals

---

¹⁵⁹ See also: Madden and Marcuse (2016).
described in the document are the need to restore the affordability of rents – as well as the prospect of eventual home ownership – to poorer segments of the population:

Long-term and cyclical forces hamper the U.S. housing market and constrain access to affordable housing, including pandemic-induced material and labor shortages and high levels of demand leading to record-low inventories. Tight inventories amidst high demand mean rising prices and declining affordability. Homeownership is a primary way to build wealth, and the racial homeownership gap is a primary driver of the racial wealth gap. Together with HUD and other federal agencies, Treasury seeks to promote the long-term stability of the U.S. housing market through robust and liquid residential finance lending markets and access to sufficient and affordable residential housing opportunities (U.S. Department of the Treasury, “Treasury Strategic Plan 2022-2026” 2022: 15).

Elsewhere in the document, the Treasury intimates its plans, with respect to anti-MLRE, to “Strengthen and adapt the AML/CFT regulatory framework to collect the beneficial ownership information, fully cover real estate transactions, and address emerging challenges and evolving regulatory requirements” (24). Though not explicitly linking its anti-MLRE policy to its pro-homeownership efforts in its 2022 Strategy, the Treasury is increasingly subject to political advocacy that does, in fact, connect the two. As argued by Senator Sheldon Whitehouse (in his earlier cited 2022 letter to the Treasury):

“Property purchased to stash corrupt cash, rather than to house people, pushes middle- and low-income families out of their communities, drives up the price of real estate in newly targeted areas, and harms U.S. businesses.” But more interesting still is the framing directly preceding this populist-tinged endorsement of expanded anti-MLRE regulations: “The need for FinCEN to expand the reporting requirements in the GTOs and make them permanent has only grown. Foreign investors now account for a third of institutional investment in single-family rental homes in the United States” (italics mine).
The problem, in the senator’s formulation, is not simply that investors are eroding the American dream, but that this rentier class is increasingly composed of foreigners.

In truth, Whitehouse’s framing of the problem essentially mirrored the stated concerns of former Treasury officials directly responsible for the 2016 GTOs. In a 2016 article for the *Harvard International Review*, then outgoing FinCEN director, Jennifer Shasky Calvery, and her assistant, Kevin Bell, explained their cost-benefit analysis in a passage worth quoting and analyzing at length:

By paying all-cash through a limited liability company, the Magnitsky fraudsters, Villarreal, and domestic criminals like Ponzi scheme operator Scott Rothstein are able to launder their money with a low risk of being identified by law enforcement or regulators in the process. Of course, aside from the direct negative impact of the crimes involved, it is fair to ask whether the benefit of increased investment in the local economy outweighs any damage done by allowing illicit money into the market. Unfortunately, the answer is no.

Taking as a given that the drug trafficking, fraud, corruption, human trafficking, and other crimes that fuel money laundering have a harmful impact on society, the dirty money produced by these crimes is damaging in its own right. The source of the money coming into the real estate market matters because illicit funds have a distorting effect on the financial ecosystem. At a local level, a major influx of illicit money can push law-abiding homebuyers and business owners out of the market. All other things being equal, someone hoping to launder large quantities of dirty money by purchasing real estate can outcompete an ordinary homebuyer, who often needs a mortgage, by paying cash and being far more flexible about price.

The impact of an increase in cash purchases through legal entities on a market is not theoretical. As noted in February 2016 by CBS Boston's Lauren Leamanczyk, the increase in all-cash purchases of homes in the Boston area by limited liability companies, whether for money laundering purposes or not, has created great difficulties for locals looking to buy a home. According to a November 2015 New York Times article, a similar trend has begun to impact American home buyers in San Francisco as purchasers from overseas, often paying cash, increasingly compete for a limited supply of homes in a densely populated area. FinCEN is concerned that some of this influx of cash may be derived from illicit sources.
Flows of illicit funds are often unstable, as illustrated by the losses in the Swiss watch industry following a sustained crackdown on official corruption in China since 2012. Dirty money is subject to major shifts based on the behavior of law enforcement and regulators as well as criminals and corrupt officials around the world. Because of this, a market that has become accustomed to an influx of dirty money is at risk of sudden disruption. But even a sustained gradual increase in the proportion of real estate in a city purchased with the proceeds of illicit activity can be damaging as this shift could allow organized crime to begin to crowd out legitimate businesses and influence local politics in both subtle and not-so-subtle ways.

…Clearly, illicit money is not a welcome economic boon, but a corrupting agent that distorts local markets and makes it more difficult for honest people to succeed (73-74).

Perhaps the first item to stand out herein is the authors’ frank consideration of the possibility that illicit financial flows might constitute a net benefit for certain communities, to the extent that they provide capital investment and jobs (“it is fair to ask whether the benefit of increased investment in the local economy outweighs any damage done by allowing illicit money into the market.”) In explicitly posing this question, Calvery and Bell appear mindful of the potential tensions between the Treasury’s primary organizational (i.e., fiscal) mission and its AIF mission. (While the authors immediately come down on the side of AIF, their framing of this tension will be echoed in the next chapter’s analysis of Treasury’s policy inaction vis-à-vis HDNs).

In the second paragraph, the authors suggest that the chief public policy motivation for targeting MLRE *per se* – that is, in addition to prosecuting the various “predicate”160 criminal offenses from which laundered funds were originally obtained – is the reduction of market competition for normal home buyers. In the third paragraph, the

---

160 See Financial Crime Academy, “Predicate Offenses In Money Laundering” for explanation.
authors basically pivot to FREI writ large as the primary culprit for the housing affordability crisis...before adding (almost as an appendix) that “some of this influx of cash may be derived from illicit sources.”

Taken in sum, Calvery and Bell’s analysis appears to confirm the interpretation of anti-MLRE as a policy surrogate for dealing with the larger problem of unaffordable housing. The authors do briefly note an example of an American money launderer in real estate (“domestic criminals like Ponzi scheme operator Scott Rothstein”), but the overall impression is to conflate MLRE with “purchasers from overseas, often paying cash, [who] increasingly compete for a limited supply of homes.” In another interview concerning the anti-MLRE policymaking, Kevin Bell was even more revealing on this score:

“The problem is one that all rich countries are having to grapple with. We have valuable stocks and strong financial systems. That's where the money is going to gravitate to,” Bell said. “So, how do you keep bad guys out? That's a much bigger question than I can answer. My job is to look at what we can do to better understand the problem” (Syme 2017).

Framed thus by Bell, illicit financiers and money launderers are practically assumed to be foreign. Similarly, as the following section will suggest, anti-MLRE policy serves to channel populist discontent over unaffordable housing away from a primarily class-based analysis (which would attend to both domestic and foreign actors) and towards a selective focus on the wealthy foreigner – that is, the wealthy foreign money launderer – as responsible for the nation’s housing woes.
Anti-MLRE and Nativism

A close reading of the media coverage on MLRE leading up to the Treasury’s policy action in 2016 suggests that MLRE had become the symbol for anonymous foreign investment in US real estate in general. The following survey demonstrates how articles often framed the issue in terms of problems created by FREI more broadly, only to subsequently pivot to the issue of MLRE and advocate for greater regulation in that sphere. These framings indicate that the contemporary anti-MLRE agenda – however legitimate and necessary in its own right – has been partially, if not primarily, motivated by increasing popular opposition to FREI as such.

The following comes from an article in *New York Magazine* (predating the NYT’s “Towers of Secrecy” series):

There’s plenty of risk in real estate, as the original crop of purchasers at 20 Pine discovered—but that hardly dampens the enthusiasm of foreign buyers, who have become an overpowering force in New York’s real-estate market. According to data compiled by the firm PropertyShark, since 2008, roughly 30 percent of condo sales in large-scale Manhattan developments have been to purchasers who either listed an overseas address or bought through an entity like a limited-liability corporation, a tactic rarely employed by local homebuyers but favored by foreign investors. Similarly, the firm Corcoran Sunshine, which markets luxury buildings, estimates that 35 percent of its sales since 2013 have been to international buyers, half from Asia, with the remainder roughly evenly split among Latin America, Europe, and the rest of the world. “The global elite,” says developer Michael Stern, “is basically looking for a safe-deposit box.”

The influx of global wealth is most visible on the ultrahigh end, as Stern and other builders are erecting spiraling condo towers and sales records are regularly shattered by foreign billionaires, like the Russian fertilizer oligarch Dmitry Rybolovlev, purchaser of the most expensive condo in Manhattan’s history ($88 million), and Egyptian construction magnate Nassef Sawiris, who recently set the record for a co-op ($70 million). But much of the foreign money is coming in at lower price points, closer to the median for a Manhattan condo ($1.3 million and rising). In fact, if you’ve recently been outdone by an outrageous all-cash bid for
an apartment, there’s a decent chance that, behind a generic corporate name, there’s a foreign buyer and an offshore bank account…

And so New Yorkers with garden-variety affluence—the kind of buyers who require mortgages—are facing disheartening price wars as they compete for scarce inventory with investors who may seldom even turn on a light switch (Rice 2014).

The article then pivots to the issue of MLRE: “Even those with less reflexively hostile reactions to foreign buying competition might still wonder: Who are these people? An entire industry of brokers, lawyers, and tight-lipped advisers exists largely to keep anyone from discovering the answer.”

The beginning of the first article in the NYT “Towers of Secrecy” series provides a similar framing, treating the foreign purchase of real estate and MLRE as all but fungible:

On the 74th floor of the Time Warner Center, Condominium 74B was purchased in 2010 for $15.65 million by a secretive entity called 25CC ST74B L.L.C. It traces to the family of Vitaly Malkin, a former Russian senator and banker who was barred from entering Canada because of suspected connections to organized crime. Last fall, another shell company bought a condo down the hall for $21.4 million from a Greek businessman named Dimitrios Contominas, who was arrested a year ago as part of a corruption sweep in Greece. A few floors down are three condos owned by another shell company, Columbus Skyline L.L.C., which belongs to the family of a Chinese businessman and contractor named Wang Wenliang. His construction company was found housing workers in New Jersey in hazardous, unsanitary conditions.

Behind the dark glass towers of the Time Warner Center looming over Central Park, a majority of owners have taken steps to keep their identities hidden, registering condos in trusts, limited liability companies or other entities that shield their names. By piercing the secrecy of more than 200 shell companies, The New York Times documented a decade of ownership in this iconic Manhattan way station for global money transforming the city's real estate market. Many of the owners represent a cross-section of American wealth: chief executives and celebrities, doctors and lawyers, technology entrepreneurs and Wall Street traders. But The Times also found a growing proportion of wealthy foreigners, at least 16 of whom have been the subject of government inquiries around the world, either
personally or as heads of companies. The cases range from housing and environmental violations to financial fraud. Four owners have been arrested, and another four have been the subject of fines or penalties for illegal activities. The foreign owners have included government officials and close associates of officials from Russia, Colombia, Malaysia, China, Kazakhstan and Mexico (Story and Saul 2015).

The same tone and focus on foreign purchasers animated subsequent articles in the “Towers of Secrecy” series, as indicated by a few of their titles: “Powerful Russians Commanding Park Views Well Connected at Home,” “Malaysian Invests in U.S. Political Clout in Mexico, Homes in the U.S.,” “Amid Complaints in India, a Condo Deal in Manhattan.”

Publications from the NGO sector generally reinforced these framings, while couching the need for more anti-MLRE legislation in the housing affordability crisis experienced by American citizens. For example, a 2014 report from GFI closed with the following observations:

The result of all this is that New Yorkers are facing a growing “price war” in real estate. Today more global elite are purchasing more property in New York at slightly lower price points than they have historically. Combined with relative scarcity of apartments, the competition for space in the city can be fierce, pricing many local New Yorkers out of the real estate market in their hometown.

As long as anonymous companies remain unaddressed by policy makers, and so long as lawyers and real estate agents remain exempt from anti-money laundering requirements, we can safely assume that real estate will continue to be a bastion of illicit wealth…Until then, we can likely expect to see many more Americans priced out of their homes by speculative miscreants (Zhao 2014).

Finally, by way of supplement, it is worth quoting from a November 2015 New York Times article on purchases of US Real Estate by Chinese nationals. The article is not part of the “Towers of Secrecy series” – nor does it address MLRE explicitly, except for
a brief allusion to “China’s history of corruption” – but conveys many of the same themes (e.g., nativist anxieties about FREI and its contribution to housing affordability crisis) found in the “Towers” series:

Canyon Lake Ranch was once a playground for Christian day campers, and then was a corporate retreat with water-skiing, barbecues and cowboy shoot-'em-up shows. Hawks now circle above 108 sunbaked acres occupied by copperhead snakes, a few coyotes and the occasional construction truck. Soon this ranch will be a gated subdivision of 99 mini-mansions designed for buyers from mainland China. The developer, Zhang Long, a Beijing businessman, is keeping three plots to build his own estate along the site of an old rodeo arena…

In the United States, the home-buying spree began on the coasts, where Chinese buyers snapped up luxury condos in Manhattan and McMansions in Silicon Valley, pushing up home values in big cities. It is now spreading to the middle of the country, where prices are more modest and have room to run….The great property rush is part of the tidal wave of Chinese money that is pouring into the global economy and reshaping financial markets. In residential and commercial real estate, the new flow of cash is upending the traditional dynamics of buying and selling.

This year, Chinese families represented for the first time the largest group of overseas home buyers in the United States. Big spenders on new homes are helping prop up local economies in the Midwest. But in dense areas like San Francisco and Manhattan, they are also affecting the affordability and availability of housing, as demand outpaces supply and bidding wars ensue (Searcey and Bradsher 2015).

Ansell’s (2019: 180) aforementioned review of populism and housing politics notes that “in many countries electoral politics has shifted away from a classic left–right divide over the size of government and toward greater polarization over so-called second-dimension issues, typically related to group identity and attitudes toward globalization and cosmopolitanism.” As indicated by the foregoing survey of the relevant journalism, exposés of MLRE have focused on high-profile foreign purchasers of US real estate – a selective depiction of the phenomenon obscuring the participation of domestic money
launderers. The focus on the foreigner arguably reflects the broader zeitgeist associated with right-leaning variants of American populism, while the attention to Chinese investment in particular – whether illicit or not – resonates with broader concerns over the rise of China. And while the most openly chauvinistic expressions of this anti-China stance have been associated with Trump and his supporters, it is important to note how Sinophobia increasingly straddles both sides of the political spectrum, finding favor in broad segments of the US business class, as well as, unfortunately, American citizens engaging in acts of anti-Asian violence (Wang 2022).

As Erika Lee (2019: 7) observes in recent study of American nativism,

History shows that xenophobia has been a constant and defining feature of American life. It is deeply embedded in our society, economy, and politics. It thrives best in certain contexts, such as periods of rapid economic and demographic change, but it has also been actively promoted by special interests in the pursuit of political power.

Specifically – and echoing a large body of scholarship documenting the elite instrumentalization of racial and national bigotry – Lee argues that “xenophobia has helped siphon working class resentment away from corporate greed and economic inequality and direct it towards immigrants” (14). But compared to the traditional targets of anti-Asian xenophobia in the United States (i.e., poor immigrants willing to work for less than natives), the contemporary backlash is (at least symbolically) directed “upwards” towards the Chinese wealthy. Akiba et al. (2021) suggest that recent anti-

\[161\] As argued by social psychologist Susan Fiske (2010), invidious social comparisons typically take the forms of either envy or scorn (depending on whether the object of comparison is perceived as having more or less status than the subject performing the comparison).
Asian and Pacific Islander (AAPI) prejudice and violence has been largely motivated by the envy of Asians’ often superior economic position:

AAPIs, in the United States, are subject to ethnic stereotypes and prejudice different in nature from those typically faced by other groups of color, such as African Americans and Latinx. AAPIs are often perceived as being more competent and socioeconomically successful than their White counterparts—not to mention other non-White groups—by exceeding all ethnic groups in domains such as education and income. With many Americans facing pandemic-related challenges…it would be reasonable to theorize that the widely held presupposition of AAPIs being “socioeconomically better off” than other groups can foster a sense of resentment toward AAPIs… “Envious Asiaphobia” entails two key consequences. First, it has been linked to the pronounced othering of AAPIs as members of a dehumanized, rejected, and scapegoated outgroup. Second, envious Asiaphobia is marked with indifference and apathy—or even schadenfreude […]—regarding any hardships AAPIs may face (e.g., AAPIs becoming victims of xenophobic attacks).

While Akiba et al. focus on “envious asiaphobia” within American culture, Bramoullé and Morault (2021: 724) offer a more general theoretical framework for envy-driven xenophobia, including a discussion of the cost-benefit analyses of states when dealing with ‘market-dominant’ minorities (such as the diaspora Chinese):

Violence against ‘market-dominant’ minorities seems to have been fueled by globalization. As the difference in wealth levels between rich and poor increases, popular envy and discontent increase as well, and violence may be further amplified by the actions of populist governments. More generally, local politicians seem to display an ambiguous attitude towards these communities. When times are good, business-oriented minorities seem to be warmly welcomed and well-treated. In fact, relationships between local politicians and market-dominant minorities often devolve into crony capitalism, involving favored allocation of import licenses and public contracts. However, these same communities provide convenient scapegoats when popular discontent is brewing.

As Bramoullé and Morault (2021: 725) go on to emphasize, “ambiguous behavior towards economically powerful ethnic minorities is of course not a new phenomenon. It has a long history, perhaps best illustrated by the troubled history of Jews in Europe.”
Jean-Paul Sartre, in his famous work addressing antisemitism in France (*Reflexions Sur le question Juive*, translated as “Antisemite and Jew”) observed how Jews’ legal ownership of property was periodically vitiated by the forces of xenophobia and nativism. Sartre alludes in particular to examples of backlash by French peasants against the Jewish owners of rural French estates: in such situations, local communities were inclined to invoke an exclusionary national identity to deny the legitimacy of real estate claims by a perceived ethnic other. That is: despite the formal, legal validity of the land titles held by French Jews, and the acquisition of such land through the same market mechanisms open to everyone else, French reactionaries refused to accept the ownership of French land by those categorized as essentially foreign. This ethnonationalist impulse was mixed with class resentment: centuries of economic antisemitism had engrained popular images of “the Jews” as a transnational community endowed with mobile financial wealth, rootless and deracinated, yet “parasitically” extracting rents through political machinations and monetary savoir faire.¹⁶² And so, for the French Jew, the ownership of real estate – much like his financial possessions, social status, and other means of security – was always qualified and precarious. The recurrent expropriations of Jewish wealth and property (in France and elsewhere) laid bare the socially constructed limits of money and property – the ownership of real estate was ultimately contingent on a social contract interwoven with national chauvinism. As Sartre explains, “The richer a Jew is, the greater the tendency of the traditionalist anti-Semite to insist that true property is not legal property

¹⁶² The scholarly literature on economic antisemitism is vast and interdisciplinary. See, especially, Carroll (2002), Muller (2010), Slezkine (2019).
but an adaptation of body and spirit to the object possessed. In this way, as we have seen, the poor man recovers the soil and the spiritual goods of France” (127).

As students of ethnic politics and international history are familiar, the Chinese diaspora community has often been compared to the Jewish diaspora on account of their similar histories of economic specialization, market success and nativist persecution in countries around the world (Sowell 1981; Horowitz 2000: 107). In recent years, fears of China’s rising geopolitical influence, combined with the Chinese bourgeoisie’s proclivity to invest in foreign properties and drive up the price of coastal real estate, have elicited backlash in multiple western/anglophile countries. Both Canada and Australia have implemented measures to frustrate or reduce foreign purchases of local real estate – policies implicitly targeted, or at least disproportionately affecting, would-be purchasers from China (Wilmot 2016). While the US has not yet matched these restrictions – a

163 In a provocative volume, Slezkine (2019) identifies the diaspora Chinese as one of the world’s “service nomad” or “Mercurian” communities. “By far the largest and most widely dispersed of all Mercurian communities in today’s world are the Overseas Chinese” (Slezkine 2019: 32). Like other such groups, the diaspora Chinese have experienced both relative economic advancement and political vulnerability wherever they have found themselves. The same cultural qualities conducing to business success – mercantile experience, strong family solidarity, etc. – have routinely proved to be a double-edged sword, eliciting perceptions/accusations of “clannishness” and “nepotism” from broader local populations. As Slezkine explains, “The history of most service nomads is a story of sporadic grassroots pogroms and permanent state ambivalence, as various regimes oscillated between more or less rationalized extortion and periodic confiscations, conversions, expulsions, and executions…The key to continued usefulness was economic success; visible economic success led to heavier taxation, popular violence, and renewed complaints from native competitors. Either way, considerations of long-term usefulness could become secondary to an urgent need for financial revenue or political scapegoats” (36).

164 See, e.g., Levin (2018). While much of FREI in the US goes to coastal cities, hinterland hotspots like Denver, CO have increasingly experienced similar effects: “As if trying to buy a home in this market wasn't already tough enough, foreign investors are making the dream of home-ownership in metro Denver even tougher” (Haythorn 2019).

165 “Chinese buying in Vancouver, Canada, and in Sydney and Melbourne had sparked ‘intense public outcry’ because of concerns about ‘speculative real estate investment…that is contributing to bubble-like conditions of inflated home prices and pricing out many local residents’” (Wilmot 2016).
fact to which some have attributed recent upticks of foreign purchases in California –
similar policies have been proposed, and the issue is increasingly salient. As
summarized by Liao (2022: 1):

The increased globalization of housing markets through Foreign Real Estate
Investment (FREI) is thus deeply contentious. In the 1980s, FREI from East Asia
introduced strong political emotions about race, wealth, and inequality in many
Anglosphere markets, including the United States (Ley 2011). In recent years, the
FREI activities of wealthy investors from BRIC countries have revived many of
these emotions (Rogers and Koh 2017). For example, Chinese acquisitions of
U.S. residential property grew eight-fold from $4 billion in 2009 to around $32
billion in 2017 (National Association of Realtors 2021). In fact, China became the
largest foreign buyer of U.S. homes in 2013. This recent surge of global Chinese
real estate investments coincides with an uneven recovery of home prices in the
United States after the Global Financial Crises (Zonta, Edelman, and McArthur
2016), anti-immigration sentiments in Canada (Gordon 2016), and tighter
regulations on foreign property ownership in Australia, Canada, and Hong Kong
(Phillips 2016).

In the American context, Chinese real estate investment has been most obvious in
California – a state of special symbolic significance in the country’s nationalistic
narrative canon. As summarized diplomatcally in a 2018 analysis from the Californian
nonprofit CalMatters:

The fear of Chinese millionaires gobbling up American homes as just another
piece in their global investment portfolio can veer into the cartoonish and
xenophobic very quickly. As recently as 2014, Canadians purchased more U.S.
homes than Chinese buyers, according to the National Realtors Association. And
while Canadians are actually more likely to make all-cash offers, they receive
nowhere near the scrutiny as the Chinese. In California, however, Asian buyers do
dominate: Last year they accounted for 71 percent of California homes sold to
foreign buyers. That dwarfs the next closest group of international buyers, Latin
Americans at 14 percent (Levin 2018).

---

166 On the proposed foreign buyer’s tax (after example of Vancouver), see Schubarth (2017).

167 As Cullen (2003: 161) remarks (in his interpretation of the “Dream of the Good Life” as a
subcategory of the American Dream): “It’s apotheosis is California. This American Dream is finally the
dream of the coast.” (I return to these themes in Chapters 6 and 8).
Canada as Comparative Case Study

If the foregoing suggestions of a link between popular xenophobia and the Treasury’s anti-MLRE policymaking appear extravagant at first glance, some comparative context may show that they are not entirely speculative. To further support the hypothesis that American anti-MLRE policy has been partially inspired by nativist pressures, the recent experience of Canada will be useful to examine in more depth. Of course, the politics of Canada are by no means equal or indistinguishable from those in America, but as a most similar case for comparison of FREI and MLRE politics, Canada is probably unrivaled. Like the West Coast of the US, the West Coast of Canada – especially the city of Vancouver – saw a dramatic appreciation of real estate over the past few decades, driven, in large part, by foreign (primarily East Asian) purchasers (Levin 2018). And – also similar to expensive Californian urban areas\textsuperscript{168} – the increasing costs of living and displacement of prior residents in Vancouver (as well as other major Canadian cities) eventually led to pressure on local, state/provincial and national governments to address the FREI “problem,” including via programs nominally addressed towards combatting MLRE. The main difference, in my reading, is that whereas the nativist dimension of anti-MLRE policymaking became fairly transparent in the Canadian case, it has thus far remained somewhat more implicit in the American context.

\textsuperscript{168} The Treasury’s 2018 expansion of the GTOs to additional urban areas included the West Coast cities of San Diego, Los Angeles, San Francisco, and Portland (Financial Crimes Enforcement Network, “FinCEN Reissues Real Estate Geographic Targeting Orders and Expands Coverage to 12 Metropolitan Areas” 2018).
The year 2020 saw an alarming rise in the incidence of anti-Asian hate crimes in cities across North America, with Vancouver topping by a large margin. “Covid-19 was the trigger,” Pearson (2021) argues, “but the resentment had been building for decades. Few cities have been so visibly transformed by Asian immigration – and money – as Vancouver, a struggling industrial backwater that morphed into a glittering cosmopolis of luxury condos and designer boutiques.”

From one perspective, the recent transformation of Vancouver was merely an exaggerated version of a process occurring in major urban centers around the world: “Around 2014 a particularly dizzying surge in home prices began. With cheap money inflating asset prices worldwide, Vancouver found itself at the center of a global property boom. Double-digit gains in home prices outpaced those in New York and London.” However, in the case of Vancouver, local opposition to hyper-gentrification took a markedly nativist tone, perhaps exacerbated by the newcomers’ perceived conspicuous consumption. As Pearson (2021) explains:

A more visible phenomenon in Vancouver’s small, shallow economy was an influx of Chinese money fleeing Beijing’s tightening capital controls. Signs included buses emblazoned with wraparound Realtor ads in Chinese as well as Asian college students parading in Lamborghinis and Aston Martins. Ultra Rich Asian Girls, a reality-TV series set in Vancouver that trailed four young women through their designer shopping sprees, Champagne toasts, and petty rivalries made its debut on YouTube in 2014 and quickly gained a cult following.

The ostentatious displays of wealth by the fueidaire— the label the Chinese apply to children of the nouveau riche— rankled in a city gripped by a housing affordability crisis. Newspapers were filled with tales of cash-rich Asian buyers besting locals in bidding wars, unscrupulous (presumably foreign) flippers, and upscale neighborhoods turned desolate as absentee owners left properties empty. A controversial 2015 study sought to determine the level of foreign ownership—in the absence of data at the time—by screening for non-Anglicized Chinese names in three wealthy neighborhoods.
The study—based on just 172 sales out of more than 42,000 transactions that year—was facilitated by David Eby, then an opposition politician. It became fodder for dozens of news stories over the next few years as definitive evidence of Chinese buyers driving the market, avoiding taxes, flipping properties, and receiving unfair access to bank financing.

Although Eby later officially apologized for contributing to anti-Asian prejudice, the scapegoating of the foreign purchaser as the primary culprit for Vancouver’s housing crisis set the provincial (and later national) policymaking agenda:

Starting in 2016, Vancouver and the rest of British Columbia became a laboratory for policies designed to deter rich foreigners from investing in real estate. A series of measures rolled in: first a foreign-buyer tax, then an empty-homes tax, followed by a so-called speculation tax targeting nonresidents and ‘satellite families.’

And linked to this ensemble of policies to discourage or limit FREI (which soon took on a more national character) was the politicization of MLRE and its transformation into a policy surrogate:

Particularly corrosive was the provincial government’s anti-money-laundering campaign which—dubiously but indelibly—linked the housing runup to dirty money. Asian wealth became synonymous with illicit wealth as shocking images emerged of Chinese gamblers hauling bags of cash into Vancouver casinos. Amid public outrage, the government initiated a public inquiry into money laundering and its impact on housing prices that’s still ongoing.

Anti-MLRE thus operated, in Pearson’s view, as a post facto rationalization for a pre-existing backlash against the influx of wealthy Asians. The author also suggests that policies designed to limit FREI – whether in the indirect form of anti-MLRE or more explicitly so – are part of the Canadian government’s strategy to manage class and generational tensions increasingly manifest in the politics of housing. Here, the case study of Vancouver confirms recent critical analyses, which point to the inevitable crises
resulting from the basic contradictions between the social functions of housing, on the one hand, and the hyper-commodification of housing as a speculative (and globalized) financial asset, on the other.

As Madden and Marcuse (2016: 4) rightly observe,

The shape of the housing system is always the outcome of struggles between different groups and classes. Housing necessarily raises questions about state action and the broader economic system. But the ways in which social antagonisms shape housing are too often obscured.

Indeed, the state (American or Canadian) has a vested interest in obscuring the extent to which the current housing crisis is a result of domestic social antagonisms (e.g., between property-owners and tenants, between older generations and younger ones, between institutional investors and traditional “mom-and-pops” landlords with differential access to capital and cheap credit) as well as its own policies (artificially low interest rates inflating asset prices followed by interest rate hikes making monthly mortgage payments unaffordable for new buyers, tax codes favoring preexisting homeowners, etc.).

In April 2022, the Canadian government announced that it would implement a two-year ban on FREI in Canada, to begin in January 2023.169 A Canadian academic interviewed in Politico commented on the political logic behind the move (fleshing out the more general theoretical perspective alluded to above):

Paul Kershaw, a professor at University of British Columbia’s School of Population and Public Health, argues Canadians themselves are driving up housing prices thanks to government policies that encourage them to use homes as investments. Kershaw has been calling on governments to introduce new public investment vehicles to incentivize Canadians to steer more of their retirement and other savings away from housing. To help more people get into the housing

169 “Canada's answer to a hot housing market: ban foreign buyers for 2 years.” For the full text of the law, see Canada Justice Laws Website, “Prohibition on the Purchase of Residential Property by Non-Canadians Act.”
markets, he recommends the government lower taxes on income and raise taxes on property wealth. “Everyday Canadians, myself included, are entangled in perpetuating our unsustainable, unaffordable housing system,” said Kershaw, the founder of Generation Squeeze, which advocates for intergenerational fairness. Foreign investors, he added, do play a role in Canada’s housing affordability problems, but he called blaming outsiders the “low-hanging policy fruit.”

“But because they are not large voting blocks, politicians find it easy to point to these ‘villains’ rather than engage with the hard truth that many everyday, often older, home owners are implicated in the problem,” he said (Blatchford 2022).

Undoubtedly, the cross-case comparison of Canada with the United States reveals distinct similarities in terms of popular/populist resentment against FREI. The American journalism inspiring the Treasury GTOs, while highlighting the possible illicit provenance of foreign money purchasing coastal mansions and urban luxury condos, was also generally characterized by anti-FREI tropes similar to those employed by policy entrepreneurs in Vancouver. The differences between to the two countries appear to be largely a matter of degree: in the Canadian case, the dislocations associated with FREI were more dramatic, and the nativist elements of backlash – including the use of MLRE as a policy surrogate – more out in the open. In the American case, the nativism has been more subtle, with anti-MLRE policymaking perhaps more quickly identified as an ideal policy surrogate for anti-FREI, and more proactively employed as an expressive response to the “wicked problem” of the housing crisis.

Indeed, from the perspective of both Treasury and elected officials, it might be that anti-MLRE is a useful way to preempt the sort of populist/nativist grievance seen in Canada’s contemporary housing politics. The policy approach is widely understood to
target foreigners\textsuperscript{170} (and thus useful for placating citizens) without ever explicitly saying so (and thereby not unduly antagonizing would-be foreign investors). After all—foreigners with “nothing to hide” should have nothing to fear from heightened KYC requirements performed by the title companies closing their real estate purchases. And yet the disconcertingly nativist tone associated with anti-MLRE policymaking in the US and other Anglophile countries might reasonably discourage some potential buyers—a (real or implied) chilling effect that would likely be welcome for a Treasury expected (along with other federal agencies) to manage the housing market towards affordability.\textsuperscript{171}

In the last chapter, we saw how the Treasury’s aggressive embrace of targeted financial sanctions originated with the internal policy entrepreneurship of bureaucrats single-mindedly pursuing the department’s AIF agenda at the potential expense of its primary organizational mission. The case of anti-MLRE policymaking represents a comparatively light touch, more in balance with the international dimension of the Treasury’s primary mission (i.e., to maintain the attractiveness of the dollar as the global reserve currency and store of value), and managing a “double performance” (Andreas 2000:10) such as described in chapter 2. Like the border, American real estate can be framed as either relatively open or relatively closed depending on the audience. Relative

\textsuperscript{170} Though the category of buyers targeted by the GTOs—all-cash buyers paying more than $300,000—is technically more multi-faceted and includes many domestic purchasers, it largely consists of foreigners. “All-cash buyers are often treated as a rough proxy for international buyers—the California Association of Realtors estimates they are more than twice as likely to pay in cash as domestic buyers” (Levin 2018).

\textsuperscript{171} See again, the relevant passages from The Treasury’s “2022 Official Strategy” (quoted earlier in this chapter).
to other Anglophile countries, US policymaking remains open to FREI. But relative to its own recent (pre-2016) past of anti-MLRE regulatory neglect, it appears to be cracking down on a key culprit of housing unaffordability. The international audience is thus not over-disillusioned with the dollar as a claim on American resources, while the domestic audience enjoys a partial/symbolic harmonization of its own wildly divergent class interests.

National NIMBYism as Class Rapprochement

This chapter has explored how foreign investors in US real estate have become a popular scapegoat for the housing crisis in recent years, and the Treasury’s pursuit of anti-MLRE partially a response – however symbolic and limited – to this populist ferment. But, as indicated by at least some of the reportage leading to the Treasury’s 2016 decision, the nativist backlash to rich foreigners in places like Manhattan, Miami Beach and Bel Air has by no means been restricted to the “housing discontent” or America’s poor precariat. The earlier quoted article from New York magazine described the annoyance of New Yorkers with only “garden variety affluence” priced out of erstwhile affordable properties for their income group. The influence of an even more well-to-do element in the popular backlash against FREI was highlighted in Louise

---

172 Waldron (2021: 1221) defines this as “the political expression of latent anxiety regarding housing and place-based precarity (affordability, security, quality and access) that results in more polarised political attitudes, values and preferences.”
Story’s article, “A Mansion, a Shell Company and Resentment in Bel Air,” (published as part of the “Towers of Secrecy” series). The article narrates the controversy around the construction of a particular mansion – 901 Strada Vecchia, Bel Air, owned by a shell company associated with the celebrity real estate developer, Mohamed Hadid – to tell the story of FREI and MLRE in LA. “Fueled largely by the vast streams of wealth crossing the globe as never before, a new generation of hyper-luxury homes with stratospheric price tags is colonizing the most gilded hillsides and canyons of Los Angeles…And more often than not, the people behind the purchases are hidden by shell companies.” The article summarizes the concerns of local law enforcement officials (about the probability of MLRE in many of the property purchases) and situates the controversy within the context of similar developments in Manhattan, as reported in earlier installments of Towers of Secrecy. But perhaps the most interesting part explores the tension between the foreign rich and the local rich, who would much prefer to minimize new development in their luxury enclaves:

It is in Bel Air…that an army of resistance has risen, a coalition of influential neighbors with their own considerable resources. Call it the have vs. the have-even-mores, or perhaps the old (for Los Angeles) money vs. the new. And while their bill of grievances extends to suspicions about shell companies hiding corrupt foreign money, what they talk about most is unethical and dangerous development — about dirt trucks run amok, the inevitability of mudslides and the waste of water in a time of drought. One of the Strada Vecchia neighbors, Nancy Walton Laurie, a Walmart heir, accused Mr. Hadid of encroaching on her land and harming her eucalyptus tree, damage she says will cost her $75,000 (Story 2015).

The article’s interpretation of the political support for anti-MLRE is reminiscent of the earlier reportage on FREI in Vancouver: the preexisting local community is primarily motivated by NIMBYism, but needs some legal rationale for discouraging
It is here that anti-MLRE policies (as well as building codes, zoning regulations and the like) come in handy, both by preventing specific purchases (i.e., that would fail to pass the new KYC requirements in the GTOs) or through a more general chilling effect on foreigners looking to purchase properties. The main difference between the two cases (Vancouver and Bel Air) would be in the general class character of the resistance. If, in Vancouver, anti-FREI/MLRE nativism mainly resonated with middle or lower classes increasingly “priced out of the market,” many of the grievances of established Bel Air residents would strike the average North American as rather more trivial: interrupted views, excessive traffic, damage to landscaping, etc. But a juxtaposition of the two vignettes is useful for showing how nativist sentiments cross-cut class divisions, and indeed, may unite a nations’ precariat and wealthy elite in a common political project. In such a context, the housing crisis is itself rhetorically coopted to moralize elite concerns over the protection of existing residential aesthetics in bastions of class privilege.173 “On Strada Vecchia, the neighbors tend to frame their cause as a campaign against the forces of greed,” Story notes, before adding wryly, “It is not that they have not done well for themselves.”

A letter to the editor in response to the Bel Air article gave a sense of suburban middle class solidarity with both the American hyper-rich – and displaced urban poor – in opposing FREI:

Your article on shell companies and real estate highlights a phenomenon not unique to ultra-wealthy areas of Los Angeles. Real estate purchases using the cover of limited liability companies are a significant issue in the San Gabriel

173 In chapter 8, we examine the controversy over supertall skyscrapers in New York City and the influence of aesthetic concerns, as expressed, for example, by the Municipal Art Society of New York, “Accidental Skyline.”
Valley in eastern Los Angeles County, where McMansions owned by L.L.C.s sit empty as middle-class home buyers are priced out, unable to compete against those flush with foreign money from unknown and undisclosed sources (“Mansions' Hidden Owners” 2015).

One phrase in this letter – “McMansions owned by L.L.C.s sit empty as middle-class home buyers are priced out” – suggests another, important nuance in the policy narrative supporting anti-MLRE. Indeed, backlash to FREI in America is rarely expressed as nativism as such, but tends to be accompanied by another ideological complaint: that foreign purchasers view American real estate primarily as a speculative asset rather than a dwelling place. By treating very visible American properties (e.g., luxury condos in ultra-high New York skyscrapers) as little more than metaphorical money-vaults, this particular class of hyper-wealthy foreign purchasers is perhaps doubly offensive to the nationalist narrative of the “American Dream”: it makes that dream unaffordable for American citizens, then proceeds to add insult to injury by leaving properties indefinitely vacant. It is this class of non-American “speculative miscreants” (Zhao 2014) that constitute the ultimate villain in the anti-MLRE policy narrative. But we leave this discussion to Chapter 8.
Chapter 5 – HDN Demonetization

The Immortal C-Note

In February 2019, a number of major news outlets reported an interesting fact about existing denominations of US currency: the total number of $100 bills had surpassed the total number of $1 bills in worldwide circulation. The titles of newspaper and journal articles reflected the surprising nature of this development, insofar as average Americans use $100 bills only infrequently.\textsuperscript{174} The Washington Post proclaimed that, “There are more $100 bills in circulation than $1 bills, and it makes no cents.” Yahoo Finance mused that, “There are now more $100 bills than $1 bills in circulation (and we’re not sure why).” Other titles alluded to the recent scholarly literature (e.g., Rogoff 2016, Sands 2016) associating high denomination notes with transnational crime, corruption, and tax evasion.\textsuperscript{175} At least one academic, Marcus Noland, was more blunt about these associations, tweeting provocatively: “Drug dealers of the world unite: there

\textsuperscript{174} A somewhat earlier study by the Federal Reserve found that, “On any given day in October 2012, 5.2 percent of U.S. consumers carried at least one $100 bill in their pocket, purse, or wallet (on person)” and that “$100 bills accounted for only 1.8 percent of the number of bills carried by U.S. consumers” (Greene and Shuh 2014).

\textsuperscript{175} “There’s been a mysterious surge in $100 bills in circulation, possibly linked to global corruption” [CNBC]; “$100 Bills Thrive in Underground Economy, Circulation Spikes to $1.2 Trillion” [CCN].
are now more $100 bills than $1 bills in circulation.” Several articles mentioned the ongoing policy proposal that the US Treasury stop issuing the $100 bill.

**Theorizing the Taboo**

In the first and second chapters of this study, I introduced HDN demonetization as a possible approach within the Treasury’s repertoire of AIF policymaking, arguing that the Treasury’s nonaction on this approach (within the time period studied) calls for further explanation. It is important to emphasize from the outset, however, that investigating the “negative” case of HDN demonetization presents unique methodological challenges. *Ceteris paribus*, it is perhaps unsurprising that a case of policy inaction would be less documented than instances of implemented policy, the latter typically accompanied by some form of public explanation (as seen in the prior case chapters). Both targeted financial sanctions and anti-MLRE policies have produced a wealth of material for scholarly analysis, ranging from press releases and official documents to the published memoirs and editorials of Treasury officials involved in the policymaking. In contrast – despite confirmation from a former high-ranking Treasury official that the Treasury did in fact consider HDN demonetization proposals in 2016\textsuperscript{176} – there is (to my knowledge) no publicly available information on the details of that deliberation.

---

\textsuperscript{176} Author interview, summer 2021
As it turns out, there may be something of a taboo surrounding the topic…at least insofar as official government statements are concerned. I arrive at this judgment both from my personal experience conducting interviews for this dissertation\textsuperscript{177} and from the journalistic, archival and historical evidence that I present both in this chapter and in Chapter 9. The relative opacity of the Treasury’s denominational deliberations means that some of the conclusions in the following will be speculative in nature. But by triangulating among the available imperfect sources, I hope to arrive at a working explanation, both for the Treasury’s contemporary nonaction with respect to HDN demonetization \textit{and} the apparent taboo preventing the Treasury’s open discussion of the approach.

This chapter continues the comparative method of the past two chapters by identifying the relevant policy entrepreneurs for the HDN demonetization approach and examining their policy advocacy. At this surface level, the Treasury’s nonaction on HDN demonetization might simply be explained according to the shortcomings of these policy entrepreneurs, including their apparent failure to generate support from allies such as AIF NGOs. However, the effect of these shortcomings would need to be (analytically) balanced with other features presumably more favorable to the approach: for example, the Treasury’s preexisting authority over denominations and the absence of any organized pro-HDN lobby.\textsuperscript{178} These considerations suggest a deeper obstacle to the HDN

\textsuperscript{177} I interviewed multiple (former and current) Treasury officials regarding this topic – all of whom were reluctant to “go on the record” and be attributed by name. An HDN demonetization advocate interviewed also preferred to remain anonymous.

\textsuperscript{178} To reiterate from prior chapters: these apparent features of the HDN demonetization approach stand in contrast with targeted financial sanctions (which required ad hoc legal authorizations and the arduous
demonetization approach – one postulated by its advocates and effectively conceded by obscure Treasury/government sources – bringing the explanation for the Treasury’s non-action more in line with the “critical geopolitical interpretation” outlined in Chapter 2. That is, the Treasury does not deny the role of HDNs as a potential facilitator of illicit finance, but determines that their fiscal benefits (i.e., seigniorage) outweigh their costs (from the standpoint of AIF).

This interpretation is generally supported by two key pieces of evidence that I examine in depth. (While both predate the time period of this investigation, they nonetheless provide important insights for a triangulated explanation of the Treasury’s more recent stance). The first, obtained through FOIA request and (to my knowledge) never before published, is a record of deliberations by the Treasury and Federal Reserve leading up to the 1969 demonetization of several HDNs even larger than the $100 bill. The second is a publicly available record of a 1998 Congressional hearing in which the possibility of re-issuing those demonetized denominations was discussed by Treasury, Federal Reserve and elected officials. Both sources indicate the Treasury’s understanding of a basic tradeoff between seigniorage and crime-fighting concerns, or, stated more generally, between its primary organizational mission and its AIF mission. But a close reading of the two sources suggests other nuances that must be taken into account, and which tend to belie a simplistic critical geopolitical interpretation (or the related “short-term grand strategic interpretation” described in Chapter 2). Indeed, both the 1969 and the 1998 deliberations indicate a concern with reputational considerations at odds with defense of bureaucratic ‘turf’) and anti-MLRE (which directly threatened a well-organized and powerful lobby).
short-term seigniorage maximization – although, as indicated by the 1998 deliberations, they might still coincide with a prudent long-term strategy for defending the dollar’s international prestige or “brand.” (I address this essentially narrative quality of the $100 bill in Chapter 9.)

By way of fully addressing the converse ‘puzzle’179 raised by the 1998 deliberations – of the Treasury’s refrainment from re-issuing larger HDNs – I conclude the chapter by considering an alternative reading of the case study as a qualified rather than a wholly failed case of policy entrepreneurship. In this reading the technical failure of policy entrepreneurs to bring about the discontinued production of the $100 bill conceals what might be considered a long-term victory for their basic idea. Insofar as inflation continues to erode the real purchasing power of the dollar, the government’s refusal to reissue larger denomination (e.g., the $500 bill) very gradually achieves the same effect as a formal HDN demonetization. Of course, on one level, to entertain this interpretation is to “shift the goalposts” of the comparative analysis. But this equivocal interpretation nonetheless provokes a useful reflection on the ontology of “policymaking” as such, and its relation to – explicit or implicit – policy narratives.

The Varieties of Demonetization

Before engaging with the Treasury’s policy inaction in more detail, it will be useful to situate the most publicized recent proposal in the US case (i.e., a

---

179 It bears repeating that the puzzle ultimately depends of the perspective of the puzzled – in this case, whether one privileges the Treasury’s AIF mission or its primary organizational mission)
gradual/passive retirement of the $100 bill) within the broader historical and comparative political spectrum of demonetization approaches. For analytical clarity, I propose the following basic taxonomy (with illustrative examples of each).

*Hard* HDN demonetization constitutes an active and complete removal of a currency issuer’s existing HDNs. This would include governmental orders for all specified HDNs to be returned to banks (or other officially sanctioned offices) for destruction, as currency holders are compensated with smaller denomination notes.\(^{180}\) Withdrawn HDNs are no longer accepted as legal tender, or redeemable at the central bank, after a specified date. The most well-known example of this variant would undoubtedly be the Indian demonetization of 2016, which was rendered especially severe on account of various local factors.\(^{181}\) More recently, the Nigerian Government has enacted a hard demonetization under similar auspices, creating difficulties for the country’s large unbanked population (Masih et al. 2023).

*Medium* HDN demonetization constitutes a somewhat more passive, incremental and/or limited approach. Here, the monetary authority ceases to issue the former high denomination, and instructs commercial banks to begin removing that denomination from circulation over the normal course of business (i.e., upon deposit by customers). However, unlike the hard variant, the medium HDN demonetization approach still allows the denomination in question to circulate indefinitely as legal tender. A good example would be the Canadian government’s demonetization of their $1,000 note (the “pinkie”)

---

\(^{180}\) In the Indian case of 2016, much like the demonetizations by the USSR under Gorbachev, this was also contingent on a vetting process to demonstrate currency holdings were not “black money.”

\(^{181}\) (See Chapter 2)
announced in the year 2000. Legal tender status was maintained at the time, but banks were instructed to return deposited “pinkies” to the central bank for destruction.

The Bank of Canada announced today that, effective May 12, it will stop issuing $1000 bank notes and will begin to withdraw them from circulation. The announcement follows the federal government's approval of an amendment to the Bank of Canada Notes Regulations to eliminate the $1000 note as part of the fight against money laundering and organized crime. This decision was recommended by the Department of Finance in consultation with the Bank of Canada, the federal Solicitor General, the Royal Canadian Mounted Police, and other Canadian law enforcement agencies. The Bank of Canada stressed that even after it has stopped issuing $1000 notes, the notes already in circulation will remain legal tender and will retain their full face value. Individuals will be free to hold and use the notes for as long as they want. This is true for all Bank of Canada notes that are no longer issued, such as one- and two-dollar notes. The $1000 notes will be withdrawn over time with the help of financial institutions, which have been asked to return the notes to the Bank of Canada as they are deposited or exchanged by the public. All $1000 notes returned to the Bank of Canada will be destroyed. The Bank of Canada will ensure that a good supply of notes of lower denominations is available to replace the discontinued notes (Bank of Canada, “Bank of Canada to Stop Issuing $1000 Note” 2000).

In the 2018 budget, the Canadian government suggested that the estimated 700,000 $1,000 notes still in circulation might soon lose their legal tender status (Tasker 2018); this step was formalized in an announcement on January 1, 2021, arguably moving the demonetization of the pinkie into the hard category described earlier (Bank of Canada, “About Legal Tender”). However, in a nuance suggesting the ultimately arbitrary scope of the definition of “demonetization,” the announcement emphasized that the $1,000 note could nonetheless still be redeemed for face value (in smaller denominations) at the Bank of Canada: “Removing legal tender status from these bills means that they are no longer considered money. Essentially, you may no longer be able

---

182 The Bank of Canada also deprived some other smaller denominations of legal tender status, albeit for different reasons (e.g., the $1 and $2 banknotes, long replaced by equivalent coins).
to spend them in a cash transaction. This does not mean that the notes are worthless. The Bank of Canada will continue to honour them at face value.”

Soft HDN demonetization would include policies to cease the new production/reissuance of HDNs without corresponding orders to the commercial banking system for existing HDNs to be removed from circulation upon deposit. In effect, this level of demonetization leaves the existing stock of HDNs in circulation for as long as the bills themselves stand up to handling/usage. Much like the routine practice with all banknotes, existing HDNs would only be withdrawn from circulation when sufficiently worn out, but this would eventually amount to a natural death for the denomination, insofar as new notes were not being created to replace the retired ones. Like the medium variant, soft demonetization would also typically include an official statement that the HDN in question, though no longer reissued, would remain legal tender.

If the Indian case exemplified the hard version of demonetization, the European Union’s decision to discontinue production of the €500 note (also in 2016) illustrates the soft version thereof. The terrorist attacks in Paris and Brussels in late 2015 and early 2016 led members of the European Law Enforcement community to call for the demonetization of the Eurozone’s largest denomination, nicknamed the “Bin Laden” for

183 As the announcement goes on to explain, “Some central banks demonetize bank notes after legal tender status has been removed, which means that they cease to honour their face value. In other words, demonetized bank notes lose their value. There are currently no plans or legal means to demonetize bank notes in Canada.” Thus, the Bank of Canada defines “demonetization” only in the most severe sense, where discontinued notes are no longer recognized by the original issuer itself. This definition contrast both with more common dictionary definitions (e.g., “Demonetization is the act of stripping currency unit of its status as legal tender,” Investopedia), as well as my own, broader use of the term to encompass the full spectrum of government policies to withdraw forms of currency from circulation. This more general usage is often found in current popular commentary on the subject (e.g., Frankel 2016).
its illicit associations. HDN demonetization advocate Peter Sands was “summoned to Paris to meet finance minister Michel Sapin, who wanted to know if abandoning the €500 note would help to combat terrorism…By the following February, Sapin had persuaded Europe’s Council of Ministers to call for the withdrawal of €500 banknotes” (Jenkins 2018). On May 4th, 2016, The European Central Bank announced that it would soon cease production of the denomination:

Today the Governing Council of the European Central Bank (ECB) concluded a review of the denominational structure of the Europa series. It has decided to permanently stop producing the €500 banknote and to exclude it from the Europa series, taking into account concerns that this banknote could facilitate illicit activities. The issuance of the €500 will be stopped around the end of 2018, when the €100 and €200 banknotes of the Europa series are planned to be introduced. The other denominations – from €5 to €200 – will remain in place. In view of the international role of the euro and the widespread trust in its banknotes, the €500 will remain legal tender and can therefore continue to be used as a means of payment and store of value. The Eurosystem, which comprises the ECB and the euro area national central banks, will take steps to ensure that the remaining denominations are available in sufficient quantities. The €500 banknote, like the other denominations of euro banknotes, will always retain its value and can be exchanged at the national central banks of the Eurosystem for an unlimited period of time (European Central Bank, “ECB Ends Production and Issuance of €500 Banknote” 2016).

This was a soft demonetization insofar as no instructions were given to the commercial banking system for the active removal of deposited €500 notes.184

---

184 The current ECB webpage, “Banknotes: €500 banknotes will no longer be issued,” clarifies that “banks, bureaux de change and other commercial parties can keep recirculating the existing €500 notes.”
The Treasury’s Authority

The Treasury's original authority to determine the denominations of US currency derives from the Second Legal Tender Act of July 11, 1862:

The Secretary of the Treasury is hereby authorized to issue, in addition to the amounts heretofore authorized, on the credit of the United States, one hundred and fifty millions of dollars of United States notes, not bearing interest, payable to bearer at the treasury of the United States, and of such denominations as he may deem expedient (Fraser, St. Louis Federal Reserve, “Second Legal Tender Act,” italics mine).

The act also delegated the final decision over currency designs to the Secretary of the Treasury – “to be engraved, printed, and executed, in such form as he shall prescribe.”

The Treasury’s authority over denominations was subsequently qualified by the Federal Reserve Act of 1918, which at least partially redistributed the Treasury’s power over fiat currency to the newly established central bank. In the new arrangement, the Treasury (through its Bureau of Engraving and Printing) would still be responsible for designing and printing paper dollars, but they would now be issued into circulation by the Federal Reserve – hence the designation “Federal Reserve Note” written on the currency:

In order to furnish suitable notes for circulation as Federal reserve notes, the Secretary of the Treasury shall cause plates and dies to be engraved in the best manner to guard against counterfeits and fraudulent alterations, and shall have printed therefrom and numbered such quantities of such notes of the denominations of $1, $2, $5, $10, $20, $50, $100, $500, $1,000 $5,000, $10,000 as may be required to supply the Federal reserve banks. Such notes shall be in form and tenor as directed by the Secretary of the Treasury under the provisions of this Act and shall bear the distinctive numbers of the several Federal reserve banks through which they are issued (Federal Reserve, “Federal Reserve Act”).
At first glance, the language of the Federal Reserve Act would seem to settle the issue of denominations once and for all, but that interpretation would clearly contradict the experience of most Americans, who have never seen a $500, $1,000, $5,000, or $10,000 bill. The clause “as may be required to supply the Federal reserve banks” is important here, for (as explored later in this chapter), the Treasury and the Federal Reserve jointly announced a medium demonetization of those larger denominations in 1969. Correspondence between the Federal Reserve Chairman and successive Secretaries of the Treasury during the 1960s suggests that the demonetization of HDNs larger than the $100 bill was very much spearheaded by the Treasury, although Secretary Dillon (1961-5) established a patient approach, consulting with the Federal Reserve to weigh the likely costs and benefits of the action. The impression one gets from these archives is that the Federal Reserve essentially deferred to the Treasury’s traditional role in regulating illicit use, provided that the decision would not “impair service to the public” (Fraser, St. Louis Federal Reserve, “Meeting Minutes, February 5, 1964, Volume 51, Part 2”).

---

185 The financial crime-fighting role of the Treasury was consolidated shortly after the Treasury’s power to issue non-redeemable fiat currency, during the Civil War. After printing millions of “greenback” notes to fund the war effort, the Union founded the Secret Service in 1865 (which was part of the Treasury Department until 2003) to combat rampant wartime counterfeiting (Goodwin 2003; Mihm 2009). The Treasury’s law enforcement role was dramatically expanded following the passage of the Harrison Narcotics Act of 1914, which gave the department regulatory/taxing authority over the licit use of opiate medications. This set the stage for Harry Anslinger’s transformation of the Treasury into the primary enforcer of Prohibition in the 1930s (Bertram et al. 1996; Andreas 2013).

186 In line with our earlier observations about the limits to all initiatives to reduce illicit finance, Fed Chairman Martin’s letter to Treasury Secretary Dillon in 1964 expressed some skepticism that demonetizing the HDNs would yield any great benefit: “We are inclined to the view that the contemplated action would be only a minor deterrent to illegal transactions, most of which probably involve currency of denominations lower than $500.” But, much like the arguments of modern HDN demonetization advocates (who point to the wide availability of alternative payment mechanisms for licit transactions), Martin also relayed that “The Board is of the opinion that any legitimate needs for the higher denomination notes can be met with notes of the denominations now being printed.”
This was in spite of the fact that the Fed appears to have had relatively more authority for the 1969 demonetization since (being the medium variant) it consisted of instructions to the Federal Reserve banks to begin withdrawing the HDNs from circulation through the normal course of business. A soft demonetization (or “passive retirement”) of the $100 bill, such as proposed in recent years, would fall more squarely within the Treasury’s authority to print, or not print, new notes.\textsuperscript{187}

\textbf{The Post 9/11 Policy Window}

This chapter is mainly devoted to explaining the Treasury’s nonaction on HDN demonetization in the context of the second policy window orienting this study – particularly in 2016 when the approach received a fair amount of media attention. As elaborated in Chapter 2, the policy approach would have been known to at least some Treasury policymakers before the 9/11 attacks and was thus a hypothetical candidate for

\footnotesize{\textsuperscript{187} During the aforementioned 1998 Congressional hearing (examined later in this chapter), officials from the Treasury and the Federal Reserve were jointly called before Congress to advise on the possibility of reissuing the $500 bill. A brief exchange from that hearing captured the nuance of the divided authority I allude to here. As Representative Lucas asked, “Just for the record, gentlemen, in reading your testimony, both of you I think state, if I understand it correctly, that under present Federal law, the Secretary of the Treasury has the authority to print these if he chooses to and the Fed could issue them if they chose to. That is under existing law” – to which both officials assented (U.S. House of Representatives, Subcommittee on Domestic and International Monetary Policy, Committee on Banking and Financial Services, “Will Jumbo Euro Notes Threaten the Greenback?” 1998).

Of course, a hypothetical soft demonetization of the $100 bill might still require the cooperation (or at least non-resistance) of the Federal Reserve, given the latter’s delegated authority rooted in the Federal Reserve Act. But, considering the Federal Reserve’s specific mandate (i.e., the macroeconomic objectives of inflation targeting and promoting full employment), one might expect it to defer to the position of the Treasury (as it did leading up to the 1969 demonetization) to reduce illicit use of the currency. The billions of $100 bills outstanding would continue to circulate, and the Federal Reserve could still \textit{issue} the denomination from its existing stocks, minimizing any impairment to its operations.}
AIF policy in the post 9/11 policy window. Given the Patriot Act’s attention to bulk cash smuggling as a means of terrorist finance, the apparent lack of official attention to US currency denominations was somewhat surprising. On the other hand, as explained by a former Treasury Official from the NSC policy coordinating committee, the logic behind the soft demonetization proposals (as popularized in 2016) was not particularly congruent with the *immediate* and *specific* goal of fighting terrorist finance directly after 9/11: “I do not recall large denominations of currency being an issue 20 years ago, after 9/11…it was not a conversation piece at the table where we were trying to find out how to identify and how to prevent acts of terror. Surely we were worried about cash transfers but we weren’t worried about whether they were in 20s or 100s, or whether 100s made things easier. In a way that’s more of a long term exercise, because there are so many $100 bills out there already that it wouldn’t be solving our problem.”

The official went on to describe his reaction to the later public HDN demonetization advocacy of the mid 2010s: “I was surprised by the suggestion that this was a big part of our problem….I suppose it’s not difficult for a hawala to become a transferer of large denomination bills…But I don’t think the volume of cash transfer was challenged by whether it was in twenties or hundreds for terrorist financing, because terrorist financing is so inexpensive. Now, maybe life gets different for transnational crime, when they’re actually physically trying to hide what their unlawful proceeds are,  

---

188 Author interview, winter 2023. The official qualified his remarks by noting that others in the Treasury might have considered HDN demonetization at that time (though the approach was never discussed in the NSC policy coordinating committee).
so volume counts, there’s less to see, I suppose. I don’t think the underwriters of terror were thinking about that in that manner.”

Framed in terms of the two moments of the post 9/11 policy window (delineated in Chapter 3), the remarks of this official suggest that the HDN demonetization approach would have been unlikely in the first moment, when the shock of the terror attacks produced a demand for immediate counterterrorist and CFT results. However, the official’s comments suggest that the approach might have theoretically been more appropriate in the second moment (around 2003, with the establishment of the Department of Homeland Security) when the Treasury’s AIF mission became less narrowly focused on terrorism and once again attended to the full panoply of illicit financiers, including those (such as narcotraffickers) who would disproportionately and consistently benefit from HDNs (per the former Treasury official’s reasoning above).

As later sections of this chapter will indicate, a Treasury embrace of the HDN demonetization approach may be unlikely for structural reasons transcending the particular circumstances of one policy window or another. But let us first turn to the 2016 policy window and consider the potential explanations for the Treasury’s non-actions in that relatively auspicious time period.

Policy Antipreneurs, Libertarians at the Treasury, and (Hypothetical) Domestic Opposition

In Chapter 2, we observed a potential puzzle from the juxtaposition of the Treasury’s anti-MLRE policymaking with its policy inaction on the issue of high
denomination notes. As a matter of domestic politics, the Treasury’s Geographic Targeting Orders initiated in 2016 were destined to clash with a very organized political lobby from the real estate industry, which was likely to lose money from the new anti-MLRE regulations. Discontinuing production of the $100 bill should have been easier, on this score – after all, there is no formal equivalent of the National Association of Realtors, American Escrow Association, American Land Title Association, etc., to lobby for the defense of the $100 bill or mobilize against its hypothetical demonetization.\footnote{As one Treasury official playfully remarked, “it’s not like El Chapo and his cartel are lobbying the government to keep the C-note” (Author interview, summer 2021).}

At the same time, it would clearly be erroneous to equate a lack of a formal, organized opposition to a lack of opposition altogether. Here the influence of the media in promoting the anti-MLRE approach contrasts with the more double-edged effect of the media with respect to HDN demonetization. True, as described in Chapter 2, the HDN demonetization approach received a significant amount of media attention in 2016, much of it sympathetic. This coverage was briefly echoed once again in 2019, following the reports of the $100 bill’s surprising global circulation. However, in surveying the public debate on the proposal to discontinue the $100 bill, one finds that for every favorable treatment or op-ed written in favor of the idea, there is another article or op-ed expressing the opposite slant or position. Indeed, the policy entrepreneurship and public advocacy of HDN demonetization seems to have produced a veritable cottage industry of policy “antipreneurs”\footnote{I borrow this term – which refers to the dedicated opponents of given policy proposals – from Bloomfield (2016).} dedicated to thwarting the approach. An op-ed by Steven Forbes (2016), from his own magazine, captures the general tenor of their public engagement:

\footnote{As one Treasury official playfully remarked, “it’s not like El Chapo and his cartel are lobbying the government to keep the C-note” (Author interview, summer 2021).}

\footnote{I borrow this term – which refers to the dedicated opponents of given policy proposals – from Bloomfield (2016).}
Gaining attention these days is the idea of abolishing high denominations of the dollar and the euro. This concept graphically displays the astonishing stupidity – and intellectual bankruptcy – of today’s liberal economic policymakers and the economics profession… Monetary expert Seth Lipsky pithily points out in the New York Post, ‘When criminals use guns, the Democrats want to take guns from law-abiding citizens. When terrorists use hundreds, the liberals want to deny the rest of us the Benjamins.’

The title of Forbes’ article is “The War on Cash” – a phrase that has become a common trope in internet circles and think tanks of a certain libertarian perspective.\(^1\)\(^9\)\(^1\) As Forbes goes on to explain,

The real reason for this war on cash – start with the big bills and then work your way down – is an ugly power grab by Big Government. People will have less privacy: Electronic commerce makes it easier for Big Brother to see what we’re doing, thereby making it simpler to bar activities it doesn’t like, such as purchasing salt, sugar, big bottles of soda and Big Macs.

Forbes’ article expresses several common arguments against the proposed retirement of the $100 bill: that it would inflict unfair collateral damage on legitimate users of the “Benjamin” and initiate a slippery slope towards a completely cashless society of total financial surveillance. Whatever the validity of such claims, we must consider the possibility that such policy antipreneurship influenced the Treasury in one (or both) of at least two distinct ways.

First, it may be case that Treasury policymakers are themselves persuaded by the libertarian appeal to financial privacy facilitated by high denomination notes. As we saw earlier, Treasury officials might be expected to adopt this attitude with respect to foreign private holdings of $100 bills – i.e., where any associated tax evasion would affect other

\(^{191}\) For example, the Cato Institute and the Mises Institute have both published opinion pieces invoking this idea.
(presumably less responsible) governments and where foreign currency substitution / dollarization supports the dollar’s reserve currency status. But what about private hoarding of $100 bills by American citizens subject to Federal Tax obligations administered by the Treasury’s own bureau of the Internal Revenue Service? Here we might take a cue from Egeberg’s (1995) work, which problematizes the concept of “bureaucratic self-interest” by disaggregating the different roles bureaucrats play and by separating their public and private interests. Qua public employees dependent on government revenue for their pay, individual Treasury officials would be expected to favor policies that might reduce cash-based tax avoidance. Qua taxpayers who might themselves engage in prosaic or socially normalized forms of tax avoidance – for example, buying/selling a used car or paying a nanny with $100 bills – individual Treasury officials might be somewhat less enthusiastic about such policy proposals.

Indeed, more than one former or current Treasury official interviewed for this dissertation has expressed this line of reasoning with respect to the $100 bill, while also sympathizing with the tactical need to draw the metaphorical line in the sand against further encroachment on financial privacy. A high-ranking former Treasury official argued that high denomination notes “are not going to disappear” and “will be used in certain segments of the economy where people value anonymity.” These segments would include illicit financial actors (he conceded), as well as “well-meaning people with legitimate privacy concerns.” What constitutes “legitimate” is perhaps an open question here. It is interesting to observe how at least some libertarian defenders of the $100 bill

---

192 Author interviews, summer 2020 and summer 2021.
are explicit in their inclusion of certain illegal activities under that normative banner. For example, as argued by Luther (2018) in *Reason* magazine:

Individuals should be more or less free to act privately. And governments should only invade those private spaces if there is sufficient reason to believe someone is being harmed by someone else. Call it a moral presumption of liberty…Some crimes are defensible. Hiring an undocumented immigrant might be illegal, but it is not morally wrong. The philosophy of liberalism is clear: It is beyond the legitimate scope of government to limit people's freedom to pursue their own ends when such pursuits do not harm others. Insofar as cash allows one to circumvent unjust laws, it is a bulwark of liberalism.

Do any relevant Treasury policymakers go quite this far, ideologically speaking?

Unfortunately, the question is not particularly amenable to rigorous investigation, since publicly identifying with such a stance might compromise one’s job in government. But the available evidence gives at least some impression of affinity between the attitudes of interviewed Treasury officials and the position of demonetization antipreneurs: i.e., that “scrapping the $100 bill would further debase Americans’ economic liberty” (Holmes 2016).

The second way in which policy antipreneurship may have influenced Treasury policymakers’ calculations relates to the well-studied phenomenon of bureaucratic risk-aversion in the context of unknown political costs. Here it would make no difference whether Treasury policymakers were *personally* sympathetic to the antipreneurial viewpoint, only that they deemed it to be representative of some larger (however unorganized) segment of the public – let us call them an inchoate interest group of HDN *aficionados*.193 Though not formally mobilized to lobby the Treasury in defense of the

---

193 In casual conversations about my dissertation research with friends and acquaintances, I have come across several such individuals willing to share their perspective. In one exchange, my interlocutor listened
$100 bill, this interest group might be capable of imposing nontrivial political costs\textsuperscript{194} in the event of a hypothetical demonetization. Thus, even policymakers supportive of the proposal to discontinue the $100 bill might be reluctant to invest any political capital in its implementation. As Petridou and Mintrom (2020: 3-6) remind us, “Risk aversion among decision makers presents a major challenge for actors seeking to promote significant policy change...Complexity and disagreement reduce the odds that bold policy responses will ever be adopted with unanimity.” Absent clear indications that public opinion will be supportive of a policy innovation, a bias in favor of the status quo is generally to be expected. In addition to whatever political obstacles are already present, policymakers must worry about bringing new political enemies into existence. As I explore in Chapter 9, the reservoir of political support for the $100 bill likely goes deeper than this small but vocal minority of libertarian HDN aficionados and demonetization antipreneurs. Much like the tip of the proverbial iceberg, those groups are perhaps merely

\textsuperscript{194} For example, electing a new president to reissue the $100 bill and appoint new Treasury officials. As the evidence I examine in chapter 9 (regarding the symbolic importance of currency) will indicate, such a possibility may be less far-fetched than it initially seems.
the visible aspect of a much broader cultural fetishization of the dollar in general and its largest denomination in particular.

The Shortcomings of Policy Entrepreneurs (or: Nobody likes Larry Summers)

Some of the recent literature on policy entrepreneurs has alluded to the personal qualities necessary for success in that role. Mintrom (2019: 308), for example, argues that, “with respect to attributes, those fitting the description of a policy entrepreneur are likely to be ambitious in pursuit of a cause, to exhibit social acuity, to be able to pass a relevant credibility test, to display sociability, and to be tenacious.” Timmermans et al. (2014) and Gunn (2017) add such traits as creativity and non-conformism, while also highlighting the importance of “agreeableness” in the sense of “being cooperative, trustworthy and capable of understanding and adapting to the views of others.” (Gunn 2017: 271). It helps policy entrepreneurs to be stubbornly committed to their ideas, yet personally likeable. “Policy entrepreneurs must possess the ability to empathize with others and understand other people’s needs. This calls for high levels of sociability…(and) engaging with others in ways that make those others feel appreciated” (Mintrom 2019: 311).

Applying these criteria to a particularly infamous high-profile HDN demonetization advocate, one cannot help wondering if the policy approach itself has been tarnished by association. As a former Treasury Secretary (under Clinton), and then director of the National Economic Council (under Obama), Larry Summers might be
expected to have some continued influence in shaping Treasury policy. According to a recent New York Times article (detailing Summers’ criticisms of the Biden administration’s stimulus spending),

When the 66-year-old veteran of the Clinton and Obama administrations talks, Washington’s policy apparatus — journalists and think-tank types, economists and communications people, administration researchers and Capitol Hill staff — stops to listen. It disputes, debates and ultimately disseminates his ideas (Smialek 2021).

But as the article goes on to add, Washington listens to Summers, “sometimes…almost in spite of itself.” Put differently, the attention that Summers brings to issues may challenge the old adage that “there’s no such thing as bad publicity.”

Though few, apparently, have questioned the man’s personal ambition, journalistic treatments of Summers have consistently noted his general lack of “sociability” or “agreeableness,” as described above. Indeed, Summers’ career in the public eye has been checkered by a fairly long list of controversies, most of them emanating from remarks or actions that were widely perceived as insensitive. His policy advocacy has often been criticized as self-interested, attention-seeking and opportunistic. To whatever extent his op-eds endorsing the demonetization approach

---

195 For a summary, see Wikipedia, “Lawrence Summers.” In my personal experience of describing HDN demonetization proposals to academics, I recall several occasions in which my interlocutor became noticeably more skeptical of the idea once I mentioned its association with Larry Summers. (I hasten to add that this was before I myself understood the full extent of Summers’ For want of a better term – *douchebaggery.*)

did raise publicity for the idea, the deep reservoir of antipathy for Summers may have made such publicity a net loss for the chances of the proposal gaining broader political support. Given Summers’ well-known proclivity to alienate policymakers and academics from across the political spectrum, it is possible that Rogoff’s book (and Sands’ working paper) would have received a more charitable reading without Summers’ association. But once Summers opined that it was “time to kill the $100 bill,” critics could plausibly view the proposal as merely Summers’ latest caprice…or as another self-serving ploy to preserve his relevance and economic interests (i.e., as a paid speaker/commentator and entrepreneur associated with fintech startups).¹⁹⁷

Then again, an Ockham’s razor approach might guide us to a different shortcoming in the personal qualities of the relevant policy entrepreneurs – one pertaining not only to Summers but potentially to Sands, Rogoff and others as well. As mentioned above, successful policy entrepreneurs must be tenacious. Mintrom (2019: 308-9) advises that “anyone wanting to keep on this path must be prepared to take some hits and get up again. Those who give up achieve nothing. (Although sometimes quitting and cutting your losses might be a sensible choice.)” Have those advocating for the discontinuation of the $100 bill quit and cut their losses in this sensible way? At least with respect to publicly visible acts of policy entrepreneurship, the evidence does arguably suggest some lack of tenacity by the major proponents of HDN demonetization. Considering the sheer

¹⁹⁷ Absent evidence (e.g., from public comments and/or private interviews) of animus towards Larry Summers from the relevant policymakers, this line of explanation for unsuccessful policy entrepreneurship must remain speculative in nature. At the same time, such speculations at least afford an opportunity for theory-building about how policy proposals may suffer from a certain guilt by association with highly controversial (or indeed, widely disliked) public figures.
breadth of Summers’ policy advocacy – for example, he has written hundreds of op-eds on a wide array of topics in the *Washington Post* and the *Financial Times* – the amount of effort he dedicated to “killing the $100 bill” (at least as represented by his few articles in those publications) might be estimated as relatively insignificant.

Another HDN demonetization advocate (interviewed for this dissertation) reports having pursued conversations with Treasury officials in 2015-2016 (i.e., during the final years of the Obama Administration); however, he abandoned these efforts after the installment of the Trump administration, which, in his judgment, was much less amenable to the idea of discontinuing the $100 bill: “I took the view that the two obvious things to go for after the 500 euro note were the Swiss 1000 franc note and the US $100 bill. The Swiss 1000 would have required essentially significant EU pressure to do it, because its main use is less transactional for smuggling and things, but tax evasion – it’s storage of illicit money rather than payments. Most of the 1000 Swiss franc notes are sitting in Swiss Bank vaults. Whereas of course the $100 bill, like the €500 note, is a tool for illicit commerce of all sorts all around the world….I’m afraid I took a tactical decision, which was: with the new administration coming in in 2016, I had had discussions with the administration before the election, and they were supportive of the action on the €500, and also open to talking about how to think about the $100 bill. But when you had the new administration coming in, it was pretty clear there was no interest, and given that I had other things to keep me amused, I decided to not try and bang my head against a brick wall.”

198 This advocate’s decision to at least *temporarily* suspend

198 Author interview, summer 2020
their HDN demonetization advocacy in the US context would appear “sensible,” if not exemplarily “tenacious,” to recall Mintrom’s (2019) terminology.199

The (Apparent Disinterest of the) NGO Community

As we saw in Chapter 4’s history of the Treasury’s anti-MLRE policy, NGOs can have a significant influence in advocating for particular AIF approaches. Indeed, Moises Naim (2005) dedicates a chapter of his seminal book, *Illicit: How Smugglers, Traffickers and Copycats are Highjacking the Global Economy* to the role of NGOs in shaping the policy agenda for combatting illicit financial flows. Naim emphasizes the creative, progressive potential of NGOs: “Most of all, the advantage that NGOs bring to the table is their capacity – in some cases, predilection – to push the envelope, to find aggressive new ways to document the issues of concern and push for awareness and enforcement” (204). NGOs are often more free to “experiment with new approaches” (204) than their government counterparts – the latter facing more procedural and political constraints. For example, Sharman (2017) has documented how NGOs were instrumental in creating a global regime against kleptocracy and grand corruption – a somewhat surprising achievement, given the vested interests threatened.

199 A proposal to discontinue the $100 bill would likely have received little support from Trump himself, given his apparent fondness for ostentatious tipping with that denomination. As described by Trump’s butler from his Florida resort, “Trump would regularly take out a wad of cash from his pocket and give $100 bills to his groundskeepers. ‘You’re a Hispanic and you’re in here trimming the trees and everything, and a guy walks up and hands you a hundred dollars’ said the butler, Anthony Senecal. ‘And they love him, not for that, they just love him.’” (Olorunniipa 2019).
But even as NGOs are often on the vanguard of policy entrepreneurship, Naim reminds us that “advocates are just as constrained as are bureaucracies by two factors: resources and tunnel vision…It is no secret that some issues ‘sell’ better than others” (207). Recent literature from the Narrative Policy Framework (applied in the second half of this dissertation) provides a good first cut for predicting what types of policies will be considered marketable. For example, Sabatier and Weible (2014: 228) call our attention to the importance of characterization in policy narratives: “Policy narratives must have at least one character. As in any good story, there may be victims who are harmed, villains who do the harm, and heroes who provide or promise relief from the harm and a solution to the problem.” With respect to securing resources, we might assume, ceteris paribus, that NGOs would prefer to champion those policy approaches least likely to antagonize their donors or otherwise impugn the powerful institutions sympathetic to their missions. A safer bet would be to focus on dramatic, and distant villains – e.g., the foreign kleptocrats described by Sharman (2017) – to generate political support.

Global Financial Integrity is perhaps the preeminent NGO dedicated to combating illicit financial flows – indeed, the NGO credits itself with popularizing the concept.200 The organization seeks to “highlight the role developed countries play in facilitating illicit financial flows” (Global Financial Integrity, “Advocacy”) and “constructively engage with policymakers worldwide to develop effective, pragmatic policy solutions” (Global Financial Integrity, “About”). The NGO would appear to

200 As their website states, “We defined and promoted very widely the phrase ‘illicit financial flows,’ a concept that is now in the lexicon of virtually all international institutions and national governments. We were the first think tank to exclusively focus on this concern, which is so vital to the progress of humanity in this century” (Global Financial Integrity, “Statement of Principles”).
recognize the role of high denomination notes for criminal purposes – for example, in a
list of five stylized examples of illicit financial flows, they include “A human
trafficker carrying a briefcase of cash across the border and depositing it in a foreign
bank” (Global Financial Integrity, “Illicit Financial Flows”). Elsewhere on their website,
GFI explicitly identifies bulk cash smuggling as a proven means of circumventing and
undermining formal AML measures, observing that “the United States has the most
robust twentieth-century anti-money laundering program in the world, and yet criminals
are able to continue exploiting money laundering methodologies based on trade. Bulk
cash smuggling remains one of the top three money laundering methods” (Cassara 2020).
Given these framings of the issue – and considering the NGO’s repeated emphasis on the
responsibility of developed countries in general,\textsuperscript{201} and the US in particular,\textsuperscript{202} to explore
new policy options for addressing illicit finance – one might expect to find the HDN
demonetization approach within the list of GFI’s campaigns and policy
recommendations. Indeed, the rhetorical strategy of GFI would seem to closely resemble
the arguments of HDN demonetization policy entrepreneurs, in terms of their shared
focus on the ethical responsibilities of developed governments (i.e., the HDN issuers).
Yet one finds no evidence of support for (nor even mention of) the approach. The same
apparently applies to other high-profile NGOs concerned with illicit financial flows, such
as Global Witness and Transparency International.

\textsuperscript{201} For example, “GFI believes developed countries have a responsibility alongside developing
countries to curtail the flow of illicit money” (Global Financial Integrity, “Illicit Financial Flows”).

\textsuperscript{202} Per Nordin and Baker’s (2005) article on the GFI website, “If the United States intends to get
serious about combating the problem, it must broaden its aim to the whole of dirty money…”
Jodi Vittori, an expert on corruption and illicit financial flows (and former employee of both Transparency International and Global Witness), offered a number of insights on why the demonetization approach may have failed to gain purchase in the NGO sector.\(^{203}\) Confirming Naim’s observations and the impressions given by the websites of the aforementioned NGOs, Vittori emphasized that there are a wide variety of proposals for mitigating illicit finance, and that NGOs must be selective in their priorities. Thus far, NGOs have generally focused on the entry points where attempts to launder cash into the formal economy occur, as opposed to the role of cash in facilitating illicit flows more broadly. “The real focus now is on gatekeepers,” Vittori said. Whether the practice is “taking suitcases of cash and bribes and buying a Manhattan apartment with it or paying for one’s child’s education,” laundering money through anonymous shell companies or using ill-gotten gains to purchase visas, there is some relevant gatekeeper to be scrutinized and potentially regulated, sanctioned or prosecuted.\(^{204}\) The Treasury’s expansion of anti-MLRE regulations to title insurance companies – which, as we saw in

\(^{203}\) Author interview, summer 2021. Although Vittori is personally skeptical of the HDN demonetization idea, her scholarly work does not deny the importance of cash for illicit financial flows. For example, in a recent article for the Council of Foreign Relations, she notes that “In addition to the high-volume transfers through U.S. banks, illicit funds flow through alternate means such as trade-based money laundering and bulk cash smuggling” (Vittori 2018: 39). She addresses bulk cash smuggling at more length in an earlier book, and though she doesn’t mention currency denomination explicitly, her analysis clearly mirrors that of HDN demonetization advocates: “Smuggling cash has the advantage that it is easy to convert into any other needed resource, readily accepted, entirely fungible, and completely anonymous. Moreover, given the unregulated or underregulated banking systems in many parts of the world, cash is still king, and the purchase of expensive items with suitcases of cash is entirely legitimate and will not raise suspicions. Nevertheless, bulk cash has some substantial disadvantages. Large quantities of currency are difficult to conceal, and if the courier is caught, this could lead Terrorist Financing and Resourcing investigators to begin to unravel other aspects of the organization” (Vittori 2011: 31-32). This last point recalls Sands’ argument that HDNs in particular (because they are relatively easier to conceal, in addition to cash’s advantages Vittori enumerates above) are the ideal technology for illicit finance.

\(^{204}\) These would consist, respectively, of the realtors and title companies associated with real estate purchases, the administrators responsible for elite private school and college admissions, the banks and lawyers setting up shell companies, and the corrupt governments selling visas to the highest bidder.
the last chapter, was partially inspired by the activism of the NGO sector – exemplifies this approach.

But in addition to its apparent methodological incompatibility with the prevailing conventions of the NGO sector, the proposal to eliminate the $100 bill may have suffered from inauspicious timing and public perceptions that, rightly or wrongly, discolored the HDN demonetization approach. Specifically, Vittori observed how the Indian demonetization of 2016 – a policy arguably bungled in both design and implementation\(^\text{205}\) – appeared to discredit the demonetization approach within NGO / policy circles addressing illicit financial flows: “There was some discussion, but, in part, I think, after the Indian one went so badly, there were a lot of lessons learned from that. I really haven't seen much, since the Indian demonetization, with cash taken seriously anymore.” At the same time, rising attention to illicit financial flows via cryptocurrencies also served to shift attention away from cash (and high denomination notes). As Vittori observed, “there's a lot of focus in cybercurrency because, yes, you can still carry suitcases of cash, but you can also just bitcoin it. And there are plenty of cryptocurrencies that have been designed that work well for illicit financial flows.” While conceding the importance of cash in some illicit contexts, Vittori argued that the issue of cash \textit{denominations} is ultimately “just not that important compared to all the other

\(^{205}\) As indicated in Chapter 2, the Indian case of 2016 was very much a \textit{hard} demonetization, bearing little practical resemblance to what has been proposed in the US context. But my point here is not so much to adjudicate the exact relevance of the Indian case to soft HDN demonetization proposals as to document how \textit{perceptions} of commonality between the two may have tarnished proposals to discontinue production of the $100 bill. Certainly demonetization antipreneurs have encouraged such perceptions for rhetorical purposes, as in the following example from \textit{Reason} magazine: “The Indian experiment was a failure. Yet a group of politicians, academics, and do-gooders continues to dream about a cashless world where black markets would shrink and tax coffers would grow” (Luther 2018).
issues” – especially when considering the massive volume of illicit financial flows in the form of virtual/electronic money.

Finally, Vittori suggested some potential reasons why demonetizing HDNs might actually go against the agenda of the broader activist / NGO community (i.e., not just anti-corruption/illicit finance NGOs but those concerned with democratization, human rights, good governance, etc.). In Vittori’s view, the focus on entry-points to the formal economy is partially out of a recognition that many less-developed countries are highly cash-based, and that demonetizations might impose collateral damage on democratic protestors or others with legitimate reasons to hide money from authorities: “Many NGOs around the world work in so many Third World countries that are cash-based economies, where there is very little legitimate banking, or banking that can often be used for authoritarian oppression. Cash is recognized as something that’s needed anywhere and cash is particularly needed in those countries.” The collateral damage in making HDNs less available to those with legitimate purposes would outweigh the benefits of making them less available to illicit actors: “there's a lot of other lower hanging fruit that would be less likely to hurt the poor, or anybody else for that matter.” Finally, shifting to the domestic US context and the cost-benefit analysis of discontinuing the $100 bill from the perspective of American citizens, Vittori argued that there are legitimate reasons for making anonymous cash purchases and cautioned against the potential slippery slope to a cashless society and complete government surveillance of individuals’ economic

---

206 For example, “someone who wants to buy a Christmas gift for their spouse and not have them see what they bought them on the credit card bill.”
activities. “It’s a creepy level when you track everything, as China is demonstrating right now.”

Whether out of simple de-prioritization, political caution, or active skepticism, the NGO community’s reluctance to embrace HDN demonetization may be part of the explanation for the Treasury’s continued production of the $100 bill. Certainly a comparison with the anti-MLRE case, where anti-illicit finance NGOs have been active advocates of expanded regulation, would lead to this conclusion. At the same time, a comparison with the case of targeted financial sanctions would appear to dispel the inference that NGO support is a necessary condition for Treasury policymaking against illicit financial flows. As explored in Chapter 3, the post 9/11 consolidation of targeted financial sanctions as a preferred AIF approach had much to do with the policy entrepreneurship of bureaucrats within the Treasury itself, eager to expand the Treasury’s influence and mission. The comparison to that case presents the question of whether the HDN demonetization approach might be similarly favorable from the perspective of bureaucratic self-interest.

A Non-Marketable Policy

The chapter on targeted financial sanctions suggested that the Treasury’s pursuit of that approach was instrumental, indeed intended, for a certain bureaucratic self-justification. As described in Zarate’s insider account, the Treasury was “struggling to remain relevant to national security issues” and the development of targeted financial sanctions gave the department a key role in the policy agenda surrounding the unfolding
war on terror. The virtually unlimited set of bad actors to sanction implied not only continual stream of work to be done, but also a large reservoir of potential “markers” of “success,” which would then justify more work in a positive feedback loop. Imagining a hypothetical discontinuation of the $100 bill through this lens, it is unclear how the demonetization approach would produce any similar advantages from an internal bureaucratic perspective. The approach of HDN demonetization is designed to reduce illicit finance in general; it is not particularly conducive to the narratable success stories (such as those generated through interventions against specific criminal suspects). To the extent that HDN demonetization does not permit such “ritualistic performance” (Andreas 2000: 11), it would presumably be less attractive to Treasury officials tasked with the prosecution of illicit financial flows.

The Structural Obstacles

In June 2016, the Wall Street Journal published an article entitled, “End the $100 Bill? Uncle Sam Says No.” The article briefly summarized the position of HDN demonetization advocate Peter Sands, and then offered some explanation for why “the U.S. government isn't ready to give up its Benjamins.” There was no official explanation, per se, as the statement specifically attributed to the Treasury provided no more detail than the Treasury website on “denominations,” and the subsequent reasons outlined were attributed to an underspecified assortment of different government agencies. But the
article may be useful for providing a general flavor of the attitudes within the US
government and orienting our analysis to follow:

A spokeswoman for the Treasury Department said the agency has no plans to
drop the $100 bill, and several agencies, including Treasury, the Federal Reserve
and the Drug Enforcement Administration, outlined reasons for sticking with the
C-note.

The $100 bill is important globally. There are 11.1 billion $100 bills in
circulation, and about 75% of them are held in other countries, in part because the
U.S. dollar is the dominant international reserve currency. Retiring it would have
a ripple effect beyond the U.S.

Replacing the bill would be expensive. It costs 14.3 cents to produce a $100
bill. The next largest denomination, the $50 bill, costs 10.6 cents, but twice as
many would have to be printed, at a higher cost overall. (The $100 bill is more
expensive to make because of its security features.) Transporting a greater number
of smaller bills would also cost more. And some seigniorage -- the profit made by
the government by issuing currency -- would be forfeited.

The U.S. has already retired its largest notes. Until 1969, the U.S. issued $500,
$1,000, $5,000 and $10,000 bills for circulation. For a time, it even issued
$100,000 bills, which were used to facilitate transactions between Federal
Reserve Banks. Those large notes were retired for lack of use, according to the
Bureau of Engraving and Printing.

Regular Americans use $100 bills. Some automated-teller machines even
dispense them. (That said, the numbers are small. A report by the Federal Reserve
Bank of Boston found that on a typical day, only 5.2% of U.S. consumers carry a
$100 bill.)

Even if the U.S. did drop the $100 bill, several government agencies predicted
criminals would simply gravitate to whatever denominations were available
(McGinty 2016).

As suggested by this list, the reasons for the defense of the $100 bill may have both
international and domestic, as well as both principled and pragmatic, components.
The $100 Bill as Global Public Good

Short of a current, *official* explanation from the Treasury as to its position on the costs and benefits of maintaining the $100 bill, I begin with an approximate piece of evidence: interview comments207 from the former Secretary of the Treasury, Jack Lew, who held the position from February 2013 to January 2017. While not directly disputing the costs associated with the $100 bill (i.e., its application for illicit financial flows, as described by demonetization advocates), Lew pointed to at least two benefits of the denomination, both of which emphasized the role of the C-note as a global public good.

Lew’s primary justification for continuing production of the C-note was a logistical one: because of the dollar’s role as the world’s reserve currency, central banks and other legitimate financial institutions throughout the world require large quantities of US currency to maintain as reserves. The Treasury is responsible for servicing this vast demand, which it does by shipping pallets of $100 bills to the relevant foreign locations when the necessary reserves run low. Were the Treasury to discontinue the $100 bill and offer one of its smaller bills as the most valuable denomination for reserve purposes, the shipping and storage costs would multiply – indeed, if the Treasury discontinued both the $100 bill and the $50 bill, as some have proposed, the $20 bill would be left as the dollar’s highest denomination, effectively quintupling the amount of space needed to ship and store US currency. Doing this would impose an ongoing additional cost/inconvenience on the US and foreign central banks, and – as noted by Lew in a worst-

207 Author interview, summer 2021
case scenario – might hasten foreign countries’ search for alternatives to the dollar as the reserve currency. Even replacing the existing demand for $100 bills with the $50 bill would risk annoying the dollar’s high-volume users: “The question really is what range of currency denominations satisfies the greatest number of needs, and the considerations of the dollar as the world’s currency are just a little bit different. If you doubled the amount of storage and shipping costs for the dollar – I’m not saying there would be a rapid shift from the dollar as the world’s reserve currency – but you do have the obligation to consider those impacts as you manage what is a public good.”

We might notice that the appeal of the $100 bill, in the above frame, resides in one of the same qualities that makes that $100 bill (or other HDNs) attractive to smugglers and other illicit financial actors, namely, a relatively high value-to-mass ratio. As a piece of technology or infrastructure provided by the state, fiat currency is “dual-use” (Gilman et al. 2011): whatever convenience associated with a specific denomination is enjoyed by both licit and illicit users. But given the large volumes of $100 bills held in foreign central banks, legitimate institutions would arguably suffer the bulk of the nuisance imposed by demonetization. Lew’s remarks thus flesh out the hypothetical “ripple effect” suggested in the WSJ article above: while not likely to provoke a “rapid shift” away from the dollar, discontinuing the $100 bill would nonetheless alienate the dollar’s many international customers, long accustomed to the efficiency of that denomination.208

208 It is worth noting here how Lew’s argument for maintaining the $100 dollar bill is similar to his publicly expressed concerns about the overuse of targeted financial sanctions (see Chapter 3). In both cases, Lew is essentially advocating for the subordination of the Treasury’s AIF mission to its primary organizational mission.
As a secondary justification, Lew alluded to the $100 bill as a global public good intended to benefit foreign individuals living under excessively confiscatory or inflationist governments. In this related framing, the $100 bill serves as an alternative store-of-value for private economic actors who have legitimate reasons to avoid keeping their money in their local banks and/or currencies: “There’s no doubt that the stability of the dollar, that makes it the world’s reserve currency, makes it an attractive medium of value storage in places where currency values are volatile and security of banks unreliable. There’s also informal storage, but that’s not all illicit. If you’re in a country where your concern is that your own currency is going to lose value, you might store $100 bills rather than put money in the bank, losing value, even if it’s legitimate. So I think it’s important to distinguish between legitimate uses of currency and abusive uses of currency.”

Once again, the reasonable assumption is that these legitimate cash hoarders would prefer, ceteris paribus, a higher denomination note to a smaller one when hiding money under the proverbial mattress. (This high value-to-mass ratio would be combined with the anonymity conferred by the $100 bill – a feature that pertains to cash more generally, and another aspect of its attractiveness for illicit use.) Though the continued production and export of the $100 bill might facilitate illicit financial flows for the same set of reasons, the Treasury would view that as an unfortunate and unavoidable side effect of its larger international responsibilities. As Lew summarized, the decision-making around denominations was ultimately a matter of maximally satisfying the legitimate needs of dollar holders, and the $100 bill remained the appropriate option after weighing all the different considerations: “Sure, there is a question of how do you
monitor money laundering and the movement of money – obviously the reporting of cash movements is something we were vigilant about…(but) the trade-offs were such that we thought that the hundred dollar bill remained the right maximum denomination for the currency.”

These quasi-official justifications make logical sense and have a certain prima facie plausibility, but do they tell the whole story? In the context of a wide variety of additional/alternative explanations for the Treasury’s decision, the foregoing explanations seem selective, if nothing else, and (perhaps unsurprisingly) calculated to paint the preservation of the C-note in the most flattering technocratic terms. At the same time, as Lew frankly acknowledged, the denomination policy was at least partially couched in the long-term geopolitical interest of the United States, specifically the preoccupation with supporting the dollar as the global reserve currency. Indeed, the explicit rhetorical anchoring of the $100 bill (qua global public good) to its high value-to-mass ratio and anonymous store-of-value potential concedes much to the critics of the denomination, who have called critical attention to the appeal of seigniorage revenue in the context of international currency competition.

Before addressing that possibility, we might consider one other logistical justification for maintaining the $100 bill, from the perspective of the US government: the use of the $100 bill by the US military (and other security agencies, such as the CIA) for “ghost money” or off-the-books payments in the context of military or covert operations. Similar to the practical arguments for the $100 bill vis-à-vis the international demand from central banks, it might be that a high denomination note is preferred by the US military (or its contractors and allies) for the sake of expediency. A US Army veteran
who served in both Iraq and Afghanistan offers the following by way of personal recollection: “I have experienced one large reason the US utilizes HDNs overseas during my deployments, namely, that it is the most cost-effective means to procure goods and services in a foreign economy, especially when the area is prone to conflict or some other condition which results in a lack of availability, confidence in or demand for local or regional currencies. While in Iraq, I had direct contact with a regional contractor (local Iraqi) and the US officers who arranged payment for his services, and the payments amounted to roughly $1 million per day. $100 bills were the means for those payments, preferred both by the contractor for their utility in paying his employees and acquiring materials, as well as the US for the potential traceability (Treasury worked with DoD to provide serial number sequences of shipped bills) and the (relatively) simpler logistics. Approximately three months’ worth of services from this major contractor could be shipped on a single pallet ($100 million per pallet), and fairly easily added to a planned shipment of other military supplies on one of the many (many) air force cargo shipments into Iraq.”

The utility of cash in the context of warzones and post-conflict reconstruction is fairly straightforward: hard currency is typically the most convenient and widely accepted means of payment in situations where the local banking system is unreliable, insecure or perhaps completely destroyed. Adding to these considerations, the soldier observes the additional convenience offered by high denomination notes for large volumes of ad hoc (or, in some cases, routinized but informal) payments. Finally, the

---

209 From correspondence with the author.
soldier mentions the traceability of $100 bills (although this should theoretically pertain to smaller denominations, which are also serialized).

Of course, the cost-benefit calculations of making large off-the-books payments in HDNs may begin to look different when one considers some of the endemic problems encountered by the US in both Iraq and Afghanistan. As demonstrated there, the convenience of cash for discretionary payments by military and national security personnel on the ground obviously comes with a dark side: transacting in bags of cash tends to facilitate corruption, both among US personnel themselves and among those nominally cooperating with US operations. Related to this corruption issue is the possibility that large volumes of US currency end up in the wrong hands and ultimately serve to finance counterinsurgency or acts of terrorism against the United States. Again, for critics of the $100 bill, such risks follow from the anonymity of cash, and are exacerbated by higher denominations thereof. But the possibility that payments of $100 bills inadvertently facilitate counterinsurgency and terrorism would seem to raise the stakes beyond a general concern with illicit financial flows.

With respect to this last possibility, it should be noted that much of the risk derives from the character of the parties in the exchange, as opposed to the monetary

---

210 This is perhaps especially so after the recent, tragic denouement of the US intervention in Afghanistan, although concerns about the wisdom of such payments have been expressed for years. As noted by a New York Times article from 2013, “For more than a decade, wads of American dollars packed into suitcases, backpacks and, on occasion, plastic shopping bags have been dropped off every month or so at the offices of Afghanistan’s president — courtesy of the Central Intelligence Agency… there is little evidence that the payments bought the influence the C.I.A. sought. Instead, some American officials said, the cash has fueled corruption and empowered warlords, undermining Washington’s exit strategy from Afghanistan” (Rosenberg 2013). The article does not mention the specific denominations employed, but the common usage of $100 bills for such operations has been confirmed elsewhere (Zarate 2013; Author interview with Jodi Vittori, summer 2021).
medium per se. Not all the discretionary payments by US personnel in the Iraq and Afghan conflicts took the form of payments to locals already cooperating with US operations and objectives (e.g., as exemplified by the veteran’s interaction with the Iraqi contractor). In other instances, cash payments were essentially used as bribes to placate potentially hostile local powerbrokers. As noted by former US diplomat who served in Iraq, it was sometimes necessary to make large, ad hoc cash payments to various stakeholders on the ground, so as to secure immediate cooperation with US objectives. The US had to manage local sheiks with the ability to threaten American soldiers and contractors; as the former diplomat observed, “Money is a weapon of war,” and sometimes one simply has to “get cash out so that people don’t shoot at you.” This was often done with a handful of $100 bills accompanied by some verbal confirmation of the meaning of the exchange (e.g., “do we have an understanding”).

Without further evidence, we cannot assess whether these military and quasi-diplomatic uses of the $100 bill have been important to the Treasury’s deliberations over the future of the denomination. However, this apparently extensive earmarking of $100 bills for military and/or covert applications may be representative of a certain class of arguments for maintaining the $100 bill – arguments that might very well be influential to policymakers steeped in realpolitik, while also being somewhat awkward for public expression (hence the taboo noted at the beginning of this chapter).

---

211 Author interview, summer 2021
The Lure of Seigniorage

I now turn to allegations that the Treasury’s motivations are somewhat more cynical (or perhaps simply “realist”) in nature: i.e., that seigniorage – especially the international seigniorage derived from overseas dollar holdings – leads the Treasury to accept the disproportionate presence of the $100 bill in illicit economies. As noted in Chapter 2, Sands (2016) and Rogoff (2016) concur that this seigniorage revenue is significant, and, from the perspective of monetary policymakers, perhaps the “biggest counterargument to phasing out cash” (Rogoff 2016: 80). In another article, Rogoff (2014) somewhat bluntly concludes that, “currency should be becoming technologically obsolete. However, in no small part due to its association with the underground economy, it is not.” The argument here is by no means limited to HDN demonetization entrepreneurs, but has also been made by those broadly critical of the modern US-led AML regime.212 For an uninhibited expression of this critical interpretation, Naylor (2003: 265) is worth quoting at length:

Across the world, U.S. notes, especially the $50 and $100 denominations, are greatly in demand for conducting covert transactions, for hiding international financial transfers, and for underground savings parked in a safety deposit box, stuck in a wall safe, or buried in a garden. By the late 1980s, it was estimated by the Federal Reserve that perhaps 75 per cent (by value) of all U.S. $50 and $100 notes were in circulation outside the United States. That presented a golden opportunity. The cost of printing a $50 or $100 note is a few cents. Therefore, exporting cash has been by far the cheapest way to finance U.S. government expenditures. As other countries suffer increases in black marketeering and tax evasion, as they watch their own currencies displaced and, along with them, the

212 For such scholars, the point is not to advocate for HND demonetization as such but to expose a certain hypocrisy/complicity among HDN-issuing governments who are otherwise nominally committed to reducing illicit financial flows. As Naylor (2003: 265) observes with respect to foreign-held HDNs, “the export of U.S. currency makes U.S. anti-laundering initiatives more difficult.”
ability of their national governments to finance public-works expenditure through the printing press, the benefit pours into the U.S. Treasury at a rate of $10-20 billion per annum – the amount in interest that the United States would have to pay on the equivalent amount of borrowed money. This neatly returns to the U.S. government a good chunk of the money it pays out in foreign aid to poor countries whose tax cheats and smugglers are particularly hungry for U.S. dollars.

Naylor’s analysis alludes to at least two different ways of conceptualizing seigniorage – “issue seigniorage” and “opportunity cost seigniorage” as described by an expert on the topic (Feige 2013). Issue Seigniorage (IS) refers to the difference between the face value of a note and the cost of producing it. This form of seigniorage has been practiced since the dawn of state-issued coinage in antiquity, as sovereigns progressively debased their coins (i.e., with inferior metals) and reissued them at the same face values. As both Naylor and Feige observe, the quasi-alchemical magic of issue seigniorage is far greater with respect to modern paper currency – the production of which costs a mere fraction of its face value. Ceteris paribus, this disproportion increases with the size of the denomination produced.

Consider the issue of a $100 bill whose production cost is roughly ten cents. The issue seigniorage (IS) profit from the introduction of one extra $100 bill is $99.90 (the difference between the face value of the note and its cost of production), representing the highest profit margin of virtually any conceivable business venture (Feige 2013: 5).213

Somewhat more subtle is the notion of “Opportunity Cost Seigniorage” (OCS), or the interest that the public foregoes by holding the currency (i.e., as a liquid medium of exchange and/or store of value) rather than investing it in interest-bearing securities.

---

213 Of course, the ceteris paribus condition invoked here is not strictly accurate, insofar as the additional security features on larger bills tend to add a few cents to production costs per unit. But these added costs pale in comparison to the additional face value, and thus issue seigniorage, derived from HDNs.
From a technical, accounting point of view, the total volume of currency held by the public constitutes the liabilities of the central bank, or an interest-free ‘loan’ from the dollar-holding public to the US government. As Feige (2013: 5) explains:

The central bank also receives opportunity cost revenue (OCR) from the interest earned on its portfolio of government securities. These interest-bearing securities purchased with the proceeds obtained from the public’s holdings of the outstanding currency supply are the backing for the bank’s currency liabilities. In effect, the public makes an interest free loan to the central bank and voluntarily pays an opportunity cost tax, equal to the central bank’s (OCR) revenue. The public willingly pays this tax because of the non-pecuniary benefits (reduced transaction costs) it obtains from using the fiat currency as a medium of exchange and a store of value.

But because the central bank periodically returns whatever profit (i.e., revenue minus operating expenses) it generates to the Treasury, the whole process “boils down to the same thing as if the government just purchased goods directly with its money creation” (Rogoff 2016: 82).

Indeed, this last observation may help us arrive at a more straightforward and general definition of seigniorage. Most essentially, and regardless of the particular form it takes, seigniorage is “a government’s capacity to appropriate resources via money creation” (Cohen 1998: 123). While most obviously apparent on a domestic basis (where the bulk of government expenditure takes place), the same phenomenon applies at the international level insofar as the nation’s currency ends up abroad after having been exchanged for some real good or service. As Cohen (1998: 123) goes on to explain,

Now foreigners too are a source of revenue to the extent that they are willing to hold the money or use it outside of its country of origin. Expanded cross-border circulation generates the equivalent of a subsidized or interest-free loan from abroad – an implicit transfer that is a real-resource gain for the state as a whole.214

---

214 Indeed, Feige (2013: 12) considers such international seigniorage to be the chief perquisite for a reserve currency issuer: “The greatest gains to a nation with a highly desirable currency such as the dollar
Once again, the idea might be rephrased in simpler terms, as Thomas Friedman did in an 1994 *New York Times* article: “As long as these foreigners can be induced to hold these dollars, either in their mattresses, their banks or in their own circulation, Americans have exchanged green paper for hard goods.”

But let us briefly return to the more specialized definitions in order to consult some estimates of existing US seigniorage revenue near the height of HDN demonetization policy entrepreneurship in 2016. Rogoff (2016) provided estimates of both US issue seigniorage and opportunity cost seigniorage. With regard to the former, “between 2006 and 2015, the US Government earned 0.40% of GDP per year by printing new notes and spending them,” or roughly 70 billion per year (in 2015 dollars) (81). Opportunity cost seigniorage is a bit more complicated to estimate insofar as it depends on the real interest rate for government debt (which is always changing). On this score, Rogoff (2016: 83) calculated that US govt. accrued roughly $56 billion annually in nominal seigniorage (or $28 billion in real terms).

---

and the euro arise from the transfer of net resources from overseas holders of the currency to the domestic public who benefit from the seigniorage earnings paid by the opportunity tax on foreign holders.” We might notice here that the notion of international seigniorage shifts the definitions of benefactor and beneficiary from those implied in a purely domestic variant of the phenomenon. Domestically, the government benefits from seigniorage vis-à-vis its own citizens, who eventually “pay” for it as an indirect “inflation tax” within the US market. Internationally, the entire American population (both government and citizen) benefits from seigniorage vis-à-vis foreign dollar users – either as a partial externalization of the inflation tax mentioned above (i.e., assuming the dollars are repatriated to the US market as a claim on real goods and services), OR as a more total “transfer of real resources” (i.e., assuming they are never repatriated). To be clear, the “transfer of real resources” modality is also possible, though less common, on a purely domestic basis. For example, we might imagine a government contractor or public employee who supplies the government with some real good or service, and then indefinitely hoards his or her compensation in cash form. But Americans with superior access to local commercial banks and the national economy have less incentive, when compared with foreign savers, to hoard dollars in cash form.
Of course, any estimate about the seigniorage lost through a hypothetical demonetization of a particular HDN would require assumptions about how much of the former demand for the HDN would be replaced by demand for smaller denominations.\footnote{Here we should recall that the very argument for HDN demonetization imagines a different world with a reduced public demand for cash. The central premise is that criminals cannot transact the same volume of illegal activities with less efficient smaller bills, so aggregate illicit financial flows and the demand for cash should decrease in tandem as HDNs become less available. To the extent that this central premise of HDN demonetization advocacy is correct, the government would necessarily lose more, both in terms of issue and opportunity cost seigniorage, than the issue seigniorage lost in a hypothetical 100\% replacement of larger denominations with smaller ones.} Sands (2016: 46), assuming a figure of $24 billion of annual opportunity cost seigniorage from the $100 bills in circulation, suggested that 75\% of the total demand for $100 bills could be satisfied with smaller notes. This would have implied an (arguably insignificant) $6 billion annual loss of OCS to the US government – though some issue seigniorage would have been lost as well, given the additional costs necessary to replace that 75\% of $100 bills with smaller denominations.\footnote{According to the current data supplied by the Federal Reserve, a $100 note costs 14.2 cents to produce, whereas a $20 note (which has fewer security features) costs 11.5 cents per note – hence, 57.5 cents to produce the same total 100 dollars. In a world where every $100 note was replaced by the equivalent of five $20 notes, the government would still be losing 43.3 cents of IS for each C-note replaced. See Federal Reserve, “FAQs: How much does it cost to produce currency and coin.”}

As the foregoing summary might suggest, “there is no single universally accepted notion of ‘seigniorage’” (Feige 2013: 5), and much of its policy significance depends on the conceptualization and measurement applied.\footnote{For a more extended treatment, see Reich (2011, 2017).} As an advocate for HDN demonetization, Sands tends to minimize the potential fiscal losses associated with the approach,\footnote{Along with Rogoff (2016), Sands (2016) suggests that increased tax revenue (via the presumed decline in HDN-facilitated tax evasion) would compensate for much of the seigniorage lost in a hypothetical HDN demonetization.} but as he also acknowledges, the estimation of \textit{international} seigniorage
enjoyed by the US must increase dramatically when we consider that a large portion of
the dollars held overseas may never return to the US as a claim on real goods or services.
Incorporating that assumption would make the effective seigniorage enjoyed by the US
closer to Rogoff’s issue seigniorage estimates noted above.

In any case, definitively estimating US seigniorage revenue is somewhat less
important, for our present purposes, than simply assessing whether seigniorage was a
relevant factor in the Treasury’s calculations regarding the possible demonetization of the
$100 bill. The WSJ article posited a concern by unspecified policymakers that “some
seigniorage…would be forfeited.” But while the Treasury may be reluctant to comment
publicly and explicitly on recent demonetization proposals, perhaps certain key pieces of
available historical evidence may help us draw appropriate inferences. As a paper
published by the Federal Reserve in 2003 observed,

The large volume of dollars held overseas represents a windfall to US taxpayers
in the form of billions of dollars in seigniorage revenue. However, the
international use of the dollar also presents challenges, including the
responsibility to ensure that the dollar is used for legitimate purposes and not for
illicit trade or activities (Botta 2003: 153).

Consideration of this basic trade-off – between maximizing seigniorage, on the one hand,
and minimizing illicit financial flows, on the other – has appeared on several historical
occasions where policymakers deliberated on the issue of HDNs.

“Other Reasons Could Be Given” - The 1969 Deliberations

We alluded earlier to the Treasury’s 1969 announcement (made jointly with the
Federal Reserve) that then-existing denominations larger than the $100 bill would
gradually be withdrawn from circulation. That announcement (largely mirrored in the current language found on the official Federal Reserve website\textsuperscript{219}) is reproduced in full below:

The Treasury Department and the Federal Reserve System announced today that the issuance of currency in denominations of $500, $1,000, $5,000, and $10,000 will be discontinued immediately. Use of these large denominations has declined sharply over the last two decades and the need for them appears insufficient to warrant the added cost of production and custody of new supplies.

The large denomination notes were first authorized primarily for interbank transactions by an amendment to the Federal Reserve Act in 1918. With demand for them shrinking, printings of new notes of these denominations were discontinued in 1946, and the supply that was on hand at that time has now diminished to the point where continued issuance of such notes would require additional printings. Surveys have indicated that transactions for which the large denomination notes have been used could be met by other means, such as checks or $100 notes.

Under the decision announced today all existing supplies of large denomination bills at the Federal Reserve Banks will be turned over to the Treasury for destruction as will circulating notes that find their way back to the Federal Reserve Banks in the normal course of business.

The Federal Reserve will continue to issue notes in denominations of $1, $5, $10, $20, $50, and $100. Currency comprises only about 25 percent of the nation's money supply, the vast bulk of which is made up of demand deposits (checking accounts).

The official explanation, as clear from the above, was couched in rather mundane terms (i.e., “Use of these large denominations has declined sharply over the last two decades and the need for them appears insufficient to warrant the added cost of production and custody of new supplies.”) However, evidence from the meeting minutes

\textsuperscript{219} See Federal Reserve, “About the Fed, Chapter 5. Federal Reserve Notes, 50.05 Denominations.”
of the Board of Governors of the Federal Reserve\textsuperscript{220} suggests that the \textit{main} impetus for the decision was indeed a longstanding concern that high denomination notes were being disproportionately used for crime:

A memorandum of April 18, 1969, from the Division of Federal Reserve Bank Operations, in which the history of the question was developed, pointed out that the Board had decided in 1946 against any further printings of such notes, apparently on the grounds that such notes were not needed for hand-to-hand circulation, that large denomination currency lent itself to undesirable uses such as black market transactions and other illegal purposes, including evasion of income and other taxes, and that any legitimate need for such currency could be met by other means. In 1963 the Treasury had expressed the view that the large-denomination notes were being used almost exclusively by persons engaged in illegal activities, but a decision to discontinue the issuance of such notes was withheld when questions were raised with regard to how such a decision would be explained. As Reserve Bank supplies dwindled, the Presidents recommended, first in 1965 and again currently, that the matter be taken up with the Treasury.

At the same time, the meeting minutes reveal that the policymakers present were already well aware of the trade-off inherent in the demonetization of large denominations: the potential benefit for crime control had to be weighed against the lost seigniorage corresponding to the foregone public holdings of the HDNs in question. Perhaps especially given the speculative nature of the alleged benefit, some members of the board were inclined to assign a greater weight to the cost of demonetizing the HDNs:

Discussion of the matter revealed skepticism on the part of Board members that unavailability of the large-denomination currency would serve as a significant deterrent to activities such as had been cited by the Board in 1946, and it was noted by some members that \textit{such currency, to the extent it remained outstanding, represented interest free public debt}.\textsuperscript{221}

\textsuperscript{220} These documents were obtained through FOIA request, 12/17/21.
\textsuperscript{221} This last formulation (italics mine) expresses the notion of “opportunity cost seigniorage” defined in the foregoing.
Though the perceived benefit of demonetization apparently outweighed the cost, the deliberators felt that *neither* the perceived benefit *nor* the corresponding cost was suitable for public discussion. So the Fed and Treasury veiled much of their cost-benefit analysis behind the more anodyne reasons proffered in their July 14, 1969 announcement. The “shrinking demand” explanation was likely plausible to the broader public unaccustomed to the use of the high denominations. But, the explanation wasn’t quite true (per the Fed and Treasury’s internal communications), and at best was something of a red herring with respect to the actual motivations for the policy change. As the meeting minutes frankly put it (following directly from the last quote), the “Question was raised as to whether other reasons could be given to justify discontinuing the issuance of such notes, and comments by the staff related principally to operating problems involved for the Reserve Banks, with some attendant cost” (italics mine). Indeed, the Board of Governors’ subsequent letter to Treasury Secretary David M. Kennedy (May 12, 1969) already showed a marked difference in tone, with Fed Chairman William McChesney Martin downplaying the earlier-expressed crime control motivations for the demonetization and intimating superior talking points for the public announcement:

222 While Fed’s data showed that the total circulation of all four higher denominations ($500, $1,000, $5,000, and $10,000) had indeed declined from 1945 to 1965, the data from 1967 and 1968 suggested that the demand for the (relatively more plentiful) $500 and $1,000 notes was actually increasing (i.e., as more notes were being issued, and less were being redeemed – thus depleting the Fed’s existing stocks.) Indeed, this uptick in demand appears to have precipitated the issue, from the Fed’s perspective, as noted by the minutes: “some Board members noted that unless it was decided to discontinue the issuance of the large-denomination notes, sufficient supplies should be printed to satisfy whatever demands existed for them at the respective Reserve Banks.” This interpretation is further corroborated by Chairman Martin’s earlier (2/6/64) letter to Douglas Dillon (the Treasury Secretary who had broached the HDN issue in 1963). Martin seems to have anticipated that either a reissuance or a demonetization announcement would eventually be necessary, given the depletion of the Fed Member Banks’ HDN stocks: “In the past calendar year, our net usage of $500 and $1,000 notes was considerably greater than in previous years.”
I might add that the recommendation of the Conference of Presidents does not appear to have been based on any concern that the large bills are being used for undesirable purposes, but rather on a feeling that the real need for the large denominations is not sufficient to warrant the added cost of the production and custody of new supplies. It is understood, for example, that new plates might cost between $50,000 and $100,000.

That the Treasury and Fed would be deterred from the reissuance of the higher denominations on account of this “attendant cost” (i.e., of making new engraving plates) seems implausible, given the compensation of added seigniorage revenue that could have been expected from a reissuance of those notes (as acknowledged from the Fed’s earlier meeting minutes). The more plausible interpretation comes from the internal discussion recorded in the May 6 meeting minutes, where the Board “contemplated that an announcement would be made in order to minimize any adverse public reaction and eliminate the need for explanatory statements by individual Reserve Banks.” The “other reasons” given in the announcement served this public relations purpose.

“Jumbo Notes” – the 1998 Congressional Hearing

The issue of HDNs resurfaced around the turn of the millennium, and this time deliberations were more visible to the public. As members of the European Monetary Union prepared to issue their new currency, the euro, US policymakers had to confront a potential rival to the dollar’s worldwide hegemony. Rogoff claims that his original paper on HDN demonetization (published in 1998) inadvertently inspired concerns by then Treasury Secretary Robert Rubin and his staff that, “the new 500-euro notes might challenge dominance of the United States’ $100 bill in the global underground economy”
(2016: 2), and that “the US Treasury apparently flirted with issuing a $500 bill to compete.” Whether educated by Rogoff’s scholarship or not, US policymakers did indeed discuss this possibility in a Congressional committee hearing on October 8, 1998 (U.S. House of Representatives, Subcommittee on Domestic and International Monetary Policy, Committee on Banking and Financial Services, “Will Jumbo Euro Notes Threaten the Greenback?”). In the hearing, Representative Michael Castle, the Chairman of Subcommittee on Domestic and International Monetary Policy, argued in favor of reissuing the larger notes (or, at the very least, making preparations for that possibility):

> When you look at the value in thousands of money outside the United States in $100 bills, it is striking and because we do earn money from that, or we don't have to pay interest on money we don't have to borrow, it is, I think, very important that we try to protect that franchise and to be thinking in advance, and the euro clearly introduces another element.

Castle also provided some hard estimates of opportunity cost seigniorage and issue seigniorage to buttress his argument:

> The grand total of U.S. currency held abroad appears to be $250 billion…this should equate to a rough interest savings to the Treasury of almost $10 billion per year. At least this figure and in addition some percentage of the $28 billion or so annual earnings booked by the Treasury from currency and coinage may be placed in jeopardy by the European action.

In their responses, both the Federal Reserve official, Theodore Allison, and the Treasury official, Gary Gensler, openly acknowledged the tradeoff between maximizing international seigniorage revenue and mitigating illicit finance. As Allison observed,

> There is that argument in favor of reissuing a $500 bill. There is at the same time a pretty good argument on the other side, on the law enforcement side. And indeed the discussion always tends to polarize along these lines on the issue of high denominations. But in general, I can only agree that we need to pay attention to the possibility of unnecessarily losing revenue.

Gensler essentially reiterated this cost-benefit analysis, stating that,
If...higher denomination euro notes were used instead of the dollar, it would increase the Treasury's need to raise money publicly and that is something that is on one side of this discussion. On the other hand, there are a number of law enforcement considerations that we think are important for any considerations for possibly issuing higher denomination notes than we already have.

The fact that the Treasury (in coordination with the Fed) medium demonetized all notes larger than the $100 bill in 1969 – and then resisted calls to reissue them in 1998 – indicates that, historically, its policy on currency denominations cannot be reduced to seigniorage-maximizing calculations. Indeed, in both 1969 and 1998, its deliberations were ostensibly motivated by the very reasoning invoked by those more recently calling for the discontinuation of the $100 bill: that HDNs are at best unnecessary for legitimate economic activity, and at worst a boon to illicit finance. Given that the association between HDNs and crime had become more publicized in the years between 1969 and 1998\textsuperscript{223} – and that the deliberations in 1998 were at least partially in the public view – the Treasury also had to consider the reputational “audience costs” in the latter moment. That is, to actively reissue the larger denominations, once their illicit associations were a matter of public record, would have likely exposed the Treasury to accusations of cynically “skirmishing over seigniorage” (as Larry Summers later publicly accused the Europeans of doing with the 500 and 200 euro notes).\textsuperscript{224}

At the same time, the evidence from both episodes suggests that seigniorage considerations were taken seriously in policymakers’ cost-benefit analyses, and, indeed,

\textsuperscript{223} On earlier examples of HDN demonetization advocacy, see Chapter 2.

\textsuperscript{224} Summers gave this retrospective description of his private negotiations with his European counterparts in his 2016 \textit{Washington Post} op-ed calling for multilateral HDN demonetization. As suggested by Cohen (2003: 7), this interpretation of the Eurozone’s planned HDNs had already been publicized by several academics in the late 1990s, although the contemporaneous official statements from the US were “studiously neutral, avoiding provocation.”
comprised the best argument for preserving or reissuing the “jumbo notes.” The question, for our purposes, is whether similar seigniorage considerations became more consequential with respect to Treasury’s recent policy inaction vis-à-vis the $100 bill. Contrasting the earlier status of the jumbo notes with the contemporary status of the $100 bill reveals significant differences; such disanalogies support the assumption that seigniorage was likely more important to the Treasury’s internal deliberations in 2016.

First, and most importantly, the contemporary circulation of the $100 bill dwarves the circulation of the higher denominations (as recorded by the Fed in 1969) by several orders of magnitude. Whereas the combined total circulation and official stocks of the higher denominations in 1969 was somewhere around a million notes, the total circulation of the $100 (as recorded by the Fed in 2016) was a whopping 11.5 billion notes (Federal Reserve, “Currency and Coin Services, Currency in Circulation: Volume”). Losing the seigniorage from the jumbo HDNs gave the US policymakers some pause before going ahead with demonetization in 1969, and yet the seigniorage lost in that instance was negligible compared with a potential demonetization of the $100 in 2016 or today. This point would hold true even while accounting for the softer nature of the proposed $100 demonetization (i.e., discontinuing new production of $100 bills without actively withdrawing them over “the normal course of business,” as in the 1969 decision); given that the outstanding volume of $100 bills has increased dramatically in recent years, merely ceasing new production and issuance in 2016 (or, a fortiori, subsequent years) would have sacrificed seigniorage from billions of notes.225

225 Per the Fed’s data, the total circulation of $100 bills increased by almost 5 billion notes (i.e., half a trillion dollars) or 42.6% between 2016 and 2020.
Second, and as we will elaborate in Chapter 9, the vast majority\(^{226}\) of these notes are apparently in foreign hands, diminishing whatever fiscal argument might be made in favor of retiring the $100 bill. Modern HDN demonetization advocates have touted the potential increase in tax revenue that would presumably accompany a declining supply of HDNs (and thus compensate for lost seigniorage revenue). The same argument figured on the “benefits” side of the ledger when policymakers demonetized the higher denominations in 1969; that is, gradually removing the jumbo notes from circulation would deprive tax-evaders of a convenient and clandestine store of value. Indeed, such reasoning motivated the original decision by the Federal Reserve Board and Treasury to curtail production of new jumbo notes back in 1946:

This action was taken because the large denominations were not needed for hand-to-hand circulation, lent themselves readily to undesirable uses such as black market transactions and other illegal purposes including the evasion of income and other taxes, and because any legitimate need for large denomination currency could be met by other means (italics mine).\(^{227}\)

But today, to the extent that $100 bills are largely held by foreigners, whatever tax evasion they facilitate is chiefly suffered by foreign governments – not the U.S. And at least some portion of this technically illegal activity (as defined by foreign jurisdictions)

\(^{226}\) According to a 2018 study by the Federal Reserve Bank of Chicago, perhaps 80% of outstanding C-notes were held abroad (Haasl et al. 2018). In a 1996 study published in the Federal Reserve Bulletin it was observed that “growth in foreign demand for U.S. currency—especially for hundred-dollar bills ($100s)—is far stronger than growth in U.S. demand. On average over the 1990s, the overseas stock has been growing at about three times the rate of growth of the domestic stock” (Porter and Judson 1996: 883). I have not found estimates of the relative proportion of US jumbo notes held abroad in 1969, but considering that the $100 bill was the largest widely available dollar HDN in the 1990s (and extrapolating backward from the trend noted by the authors) we can tentatively assume that the foreign holdings of US HDNs were smaller (as a proportion of total circulation) in 1969 than they were in 2016 or today.

\(^{227}\) Federal Reserve Board of Governors’ letter to Treasury Secretary David M. Kennedy, May 12, 1969. (Document obtained through FOIA request, 12/17/21.)
would be considered *morally justified* by the Treasury, assuming Sec. Lew’s earlier remarks on the legitimate hoarding of cash (i.e., for foreigners living under excessively inflationary or confiscatory regimes) can be taken as representative.

The 1969 and 1998 deliberations demonstrate that the Treasury has long understood the tradeoff inherent in its choice of denominations: the larger the denomination, the more seigniorage…but also the more illicit use. In that *formal* sense, the basic cost-benefit analysis facing the Treasury has remained the same over the years, permitting a triangulated interpretation of the Treasury’s likely reasoning in 2016. However, as indicated by the last two paragraphs, the precise *content* of the cost-benefit analyses in 1969, 1998, and 2016-present has very much changed. In addition to being a smaller, and much more globally circulated denomination (compared to the earlier “jumbo notes”) the hundred dollar bill is worth far less today, in real terms, than it was in 1969, or even 1998. But acknowledging those differences only brings us back to the opposite puzzle noted at the outset of this chapter: given long-term inflation, wouldn’t the Treasury’s cost-benefit analysis eventually favor the reissuance of larger notes?

**An Alternative Reading of the Case**

Earlier in this chapter, we discussed the possible influence of those I referred to as HDN demonetization “antipreneurs.” For many of these commentators, HDN demonetization approaches such as the proposal for retiring the $100 bill are but one part of a larger, and essentially nefarious, “War on Cash” pursued by power-hungry
governments along with various allies from the corporate, NGO and academic worlds. As summarized by McRee (2020: 10) in his aptly titled book, *The War on Cash*,

Powerful forces are at work, and they are not working for your personal benefit. All over the world, including in the United States of America, governments, certain academics, banks and civil service organizations (including large non-governmental organizations [NGOs]) are cooperating to stop you from using cash. Within this antipreneurial oeuvre, specific proposals to demonetize HDNs are generally regarded as little more than a trojan horse to condition publics towards the eventual elimination of cash *in toto*.

Of course, given the failure of recent proposals to demonetize the $100 bill, the allegations of the antipreneurs are likely to appear hyperbolic, if not paranoic. But from a certain perspective, HDN demonetization advocates may be (very gradually) winning the “war,” despite losing the particular “battle” over the $100 bill. Key to this alternative reading of the case is an understanding of the long-term effects of inflation, which have dramatically reduced the real purchasing power of *all* existing dollar denominations over the past few decades. As observed by White (2018: 479),

The largest U.S. dollar currency note has remained the $100 bill since the $500 bill was eliminated in 1969, but the $100 bill today buys less than the $20 bill did in 1969. It is because of the war on cash that the United States has not reintroduced a $500 bill to keep up with inflation.

For White and others228 calling for the reissuance of larger denominations (e.g., the $500 and $1000 bill), progressive inflation – absent provision of those larger denominations –

---

228 See, for example, the essays from the August 2018 issue of *Cato Unbound* (https://www.cato-unbound.org/issues/august-2018/cash-crime-civil-liberties/). To be fair, not everyone in favor of reissuing higher denominations invokes the same libertarian rationale. Zagorsky (2017), for example, frames his argument primarily in terms of disaster preparedness.
is *functionally equivalent* to HDN demonetization. They would therefore likely dispute this chapter’s characterization of the proposal to discontinue the $100 bill as a case of “failed” policy entrepreneurship *per se*, arguing that the agents of the “War on Cash” have in fact succeeded in a gradual, less visible form of *de facto* policy implementation. Indeed, such a rhetorical stance may enjoy some additional plausibility at the current moment, insofar as the Treasury has expressed no intention of reissuing jumbo notes, despite the high inflation rates not seen for several decades.

As acknowledged at the beginning of this chapter, to entertain the foregoing interpretation might be seen as “shifting the goalposts” of the comparative analysis, redefining policymaking or policy “implementation” so broadly as to empty the concept of all analytical precision and usefulness. I would suggest that we needn’t go so far: that is, we can maintain our original, more technically precise reading of the case as an example of policy inaction while also appreciating that this alternative reading has something interesting to tell us about the broader political terrain. After all, though “shifting the goalposts” may be impermissible for social science, it is often the very essence of political debate, as the constructivist emphasis on “framing” confirms.²²⁹ Implicit in the suggestion that HDN demonetization advocates have succeeded with their broader goal, despite apparently losing with respect to the C-note, is the idea that their

²²⁹ For example, a popular introductory textbook on IPE has the following to say in its chapter on “constructivism”: “Framing is the process of defining what the essence of a global issue is: what is causing it, who is involved, what its consequences are, and what the best approach to addressing it is. All actors frame through language, reports, propaganda, and storytelling…Frames make us see a problem in a certain way as opposed to another” (Balaam and Dillman 2019: 100).
efforts have in fact shifted the terms of the popular debate, and the range of the politically possible, in their favor.

To further explore this idea, it may be useful to refer to the “Overton Window,” a model of the spectrum of policy possibilities with respect to any given issue, and which tends to shift over time. As introduced by Lehman (2010):

When social and political forces bring about change, the window of political possibility shifts up or down the spectrum and can also expand to include more policy options or shrink to include fewer. The window presents a menu of policy choices to politicians: From their point of view, relatively safe choices are inside the window and politically riskier choices (or bolder ones, if you prefer) are outside.

Let us return to the claim of the HDN demonetization antipreneur: “It is because of the war on cash that the United States has not reintroduced a $500 bill to keep up with inflation.” In other words, the HDN demonetization advocates have shifted the Overton Window such that demonetizing large bills – even in the context of continual inflation – appears sensible (or at least less radical), while opposite proposals to reissue supernotes – once again, in an inflationary environment where such calls might otherwise have a prima facie sensibility – are likely to appear radical (e.g., cynically self-entitled for libertarian citizens or opportunistic for the government). In either case, the status quo of simply keeping the existing denominations is preserved. But to the extent that HDN demonetization advocates have erected a taboo around the reissuance of supernotes, they succeed in gradually eroding the high value-to-mass attribute of HDNs…even if the $100 bill remains in production indefinitely.

In a sense, the Treasury may have earlier set the terms of the public debate – or the Overton Window – with its reasoned (and publicly transparent) cost-benefit analysis
provided in Gensler’s testimony at the 1998 Congressional Hearing on Jumbo Notes.

Much like contemporary advocates for reissued supernotes, Chairman Castle raised the issue of inflation to support his argument:

Obviously going back 20 or 30 years, you know, a $100 bill is equal to about a $500 bill… I mean, it would seem—you give another three years of inflation. It would seem to me by then you can almost make a very compelling argument that even for use within the United States it might be wise to start to think about $500 bills here.

But as a rejoinder to this inflation argument – and its corollary insinuation that American citizens were entitled to (or even particularly interested in) higher denominations – Gensler could once again refer to the practical obsolescence of the $100 bill for most Americans in the legitimate economy:

As the Chairman said, and I think it is probably true for most of us in this room, that we don't tend to see $100 bills even in our own usage. So the American people tend to use the $20 and the $5 and the $1 predominantly. And so it is, as you say, a phenomenon offshore primarily and then these very important law enforcement considerations that we will weigh and balance as we go forward.

The observation of average Americans’ infrequent usage of the $100 bill was at least implicitly connected to the same historical process noted in the joint Treasury-Fed demonetization announcement in 1969, which in turn reiterated the rationale of the Federal Reserve Board of Governors in 1945. Namely, technological advances were making the means of electronic payment progressively more convenient and secure, such that large denominations were no longer necessary for legitimate economic activities. While inflation had increased in secular terms, information and telecommunications technology had progressed as well, making electronic payments the norm for large transactions. And of course the same argument and counterargument might be
extrapolated to 2016 and later: with every passing year, the $100 bill is both *worth less*, due to inflation, yet also *less necessary*, given the proliferation of digital payments applications.

It is worth emphasizing that the Treasury and Fed officials at the 1998 Congressional hearing expressed no definitive opposition to the possible reissuance of higher denominations, but only concerns as to the potential costs, timing, and implementation. Chairman Castle repeatedly sought reassurance from the monetary technocrats that the reissuance of the $500 bill would be taken seriously as a policy option moving forward: “So I raise that issue with you. I mean, is it some place on the radar screen if not on the planning boards?” To which Gensler responded, “Well, Mr. Chairman, I think that your holding the hearing is timely and the question is timely. It is on the radar screen and as Mr. Allison said, the committee we serve on, the Advanced Counterfeit Deterrence Steering Committee, we talk about subjects just as this.” And then Allison: “I would just echo that. It is discussed from time to time. I wouldn't say it is a front burner item, but it is on the top of the stove. And it will continue to get some attention.”

Castle then took up Allison’s metaphor, quipping “I guess we have got to move it from the top of the stove, from back burner to front burner.” But with HDN demonetization policy entrepreneurship politicizing the $100 bill by 2016, the Overton Window had perhaps shifted once again, preemptively tarnishing calls for reissued supernotes – a few years before abnormally high rates of inflation might have made such
calls appear otherwise sensible. Today, whether one calls for the discontinuation of the $100 bill or the reissuance of the $500 bill, one is met with the same laconic response from the Treasury:

The present denominations of our currency in production are $1, $2, $5, $10, $20, $50 and $100. The purpose of the United States currency system is to serve the needs of the public and these denominations meet that goal. Neither the Department of the Treasury nor the Federal Reserve System has any plans to change the denominations in use today (U.S. Department of the Treasury, “Resource Center: Denominations”).

Leaving Well Enough Alone

Of course, only time will tell if inflation puts more political pressure on the Treasury to reissue larger notes, or if the Overton Window has definitively turned against them. But before concluding this much-too-long analysis, it is worth reflecting on another nuance of the 1998 Congressional hearing. We recall that Chairman Castle framed his proposal for reissuing larger denominations in terms of “protecting the franchise” of the dollar in the international market for currencies. We see in the following remarks how Allison redirected Chairman Castle’s concerns about losing international seigniorage (i.e., due to the availability of larger European HDNs) to focus on the existing advantages of the dollar – in other words, the benefits of leaving well enough alone. Allison had already argued that the worldwide appeal of US currency as a reliable store of value was intimately tied up with the perception of its stability and near universal acceptability:

---

230 Indeed, we might speculate that the 9/11 terrorist attacks had already shifted the Overton Window, on some tacitly but broadly understood level, away from the potential reissuance of larger denominations.
We have a strong history of political stability, the most enviable in the world and the dollar has held its value reasonably well over a long period. So the worldwide demand for the dollar as a consequence is based on this unusually favorable combination of wide acceptability, political and financial continuity and esteem. The euro may in time earn a similar kind of status. It seems likely, though, that any major substitution of euros for dollars as a trusted store of value would take place fairly gradually.

Allison conceded the substance of Castle’s arguments, confirming that, “two-thirds of the value of outstanding U.S. notes is in $100 bills. That heavy concentration suggests that there may well be some unmet demand for a more efficient and more convenient higher denomination.” But he also implied that meddling with the dollar’s existing “brand” might well prove short-sighted and indeed counterproductive in the long-term:

A final consideration, for people who have chosen to commit a very large proportion of their lifetime savings to cash, and to U.S. cash in particular, and who might consider using an alternative for that purpose, is the likely perception that they have about the ability of those notes to withstand counterfeiting. It is not necessarily that they would fear that the notes that they have in their possession might be counterfeit. It is more a concern that the next person, when they plan to spend those notes, might not find them as acceptable as some alternative. If the $500 note were issued again, it would have to be seen as highly secure in order to be accepted.

Gensler supported Allison’s sentiment that it was more prudent for the US to adopt a wait-and-see approach with respect to seigniorage competition from Euro HDNs. In particular, he observed that – in spite of competition from several already existing HDNs much more valuable than the $100 bill – the worldwide demand for C-notes was growing rapidly, and not likely to abate, given the dollar’s unique and attractive qualities:

U.S. currency already has competition from high denomination notes. Germany, Canada, and Italy amongst the G–7 all have high denominations notes. For instance, Germany has a DM1000 note at this point in time. Canada, of course, has a $1,000 Canadian bill at this time. And while the euro might lead to a different type of competition, I just wanted to note that a number of countries
within Europe and in Canada, of course, already have high denomination notes. Within that framework, our currency usage overseas has grown dramatically. Over the past ten years, demand has grown at about 5 percent a year for $100 bills.

Allison and Gensler thus suggested that the $100 bill had already achieved the proverbial “sweet spot” on multiple fronts, adequately promoting both the long term enjoyment of international seigniorage revenue and popular perceptions of the US as the reputable purveyor of a global public good. To reissue larger denominations to keep up with the upstart Eurozone would have been, in some fundamental sense, undignified. The global ‘franchise’ of the dollar was not dependent on the size of it denominations, as Castle mistakenly assumed, but on the tremendous ‘esteem’ it commanded. The $100 bill was the flagship product of the brand, stashed (as Allison and Gensler noted) in mattresses around the world. Foreigners were accustomed to putting their trust in it – indeed they couldn’t seem to get enough of it. It was almost as if the Benjamin told foreigners a particularly seductive story about American freedom, prosperity and stability. With the currency doing all the talking, the Treasury could afford to remain silent. We return to both of these observations in Chapter 9.
Chapter 6 – Narratives

The Treasury of Stories

In a March 2022 interview for *60 Minutes*, then Deputy National Security Advisor (and former Treasury official), Daleep Singh, commented on the Russian invasion of Ukraine and the Western financial response. Dismissing Putin’s show of force as anachronistic power politics, Singh emphasized how geopolitical success ultimately relies on a compelling *narrative*: “In this century, our view is power is much more closely tied to your economic strength, your technological sophistication, and your *story*: can you attract ideas and talent and good will” (*60 Minutes* 2022a: 7:12). Singh’s remarks seemed to confirm a growing appreciation among IR scholars that, as Daniel Drezner (2021b) put it the *Washington Post*, “narratives matter.”

Such a view was recently echoed in a different but related context by the Treasury Secretary herself. In a December 2022 interview (once again on *60 Minutes*) we see the same journalist (Norah O’Donnell) accompanying Janet Yellen and US Treasurer Lynn

---

231 As Assistant Secretary of the Treasury for Financial Markets from February 1, 2016 to January 20, 2017, Singh helped implement earlier sanctions against Russia. *60 Minutes* introduced Singh as “the white house official who designed the current plan to batter nearly every facet of Russia’s economy” (*60 Minutes* 2022a: 0:44).

232 Recent examples of the discipline’s attention to narratives include Krebs (2015), Subotić (2016), Homolar (2022), and Miller (2021) (this last which inspired Drezner’s remark).
Malerba to the Fort Worth Bureau of Engraving and Printing, to inspect the first batch of US currency bearing their signatures. After narrating some of Yellen’s biography and past achievements, O’Donnell calls attention to the historic significance of the new series: “You’ve had many firsts – the first female head of the Fed, the first female head of the US Treasury, and now to see your name on these dollar bills, what does that mean?” “Well, I’m immensely honored by it,” Yellen replies. “But, our currency is really about our values and our sense of ourselves as a nation. And they signify a sound economy, a strong financial system, and a country’s able to produce currency that really is the standard around the world” (60 Minutes 2022b: 12:20).

By deemphasizing her personal accomplishment – or even its broader significance for women’s equality – Yellen’s response shrewdly recentered the symbolic power of the currency in the nation itself. The dollar was essentially a text, Yellen implied, and what mattered was not so much the identity of the particular signatory in the office of the Secretary, but rather the power and consistency of the story that the currency was designed to express. That sacred “promise to pay,” though confirmed by Yellen’s signature, was ultimately backed by the “full faith and credit of the United States” – that is, by the American economy itself.233 To have unduly inscribed her personal identity on

233 On the significance of the signature for early American paper currency, see, e.g., Kamensky (2008: 14 passim) and Goodwin (2003). Tschachler (2010: 10), among other scholars, has viewed paper fiat currency as a secularization of the Catholic doctrine of transubstantiation: “the combination or representation and value – its ideal or mental form – stems from the signature of the authority issuing it, just like the combination of representation and value in the Christian Eucharist stems from its being backed by God.” Mihm (2009: 313) documents how this observation appeared in Congressional debates over the Treasury’s original issuance of the greenback in 1861: “‘The whole argument used in favor of the issue of these legal tender notes,’ proclaimed Representative Owen Lovejoy, ‘is based upon precisely the same foundation as the old theological dogma, crede ut edes, et edes —believe that you eat the real flesh of Christ in the wafer, and you do eat it. Believe that this piece of paper is a five dollar gold piece, and it is a five dollar gold piece.’”
such a transcendent signifier would have represented a dangerous precedent for the
issuers of the nation’s money. But rather – in archetypical fashion – it was as if Yellen
had been tempted with the sin of pride, and had handily passed the test.234 “Be gone,
Satan! For it is written, ‘You shall worship the Lord your God and him only shall you
serve’” (Matthew 4:10-11).

I grant this comparison of Janet Yellen’s exchange with Norah O’Donnell to the
story of Jesus’ encounter with Satan in the wilderness – this talk of symbols, archetypes
and biblical narratives – may appear gratuitous at first glance. But if there is madness in
such allusion, there is also method in it, as I hope will soon be evident. In the preceding
chapters, I provided case-by-case explanations for the Treasury’s policy actions (or
nonaction), primarily focusing on the policy entrepreneurship and interactions of the most
relevant actors. In this chapter and those that follow, I make use of a growing academic
literature on narratives to offer a more synthetic and generalizable explanation for the
examined variation in Treasury action against illicit finance. I rely especially on insights
from the Narrative Policy Framework (NPF), a recent methodology in social science that
takes storytelling seriously and helps us organize/interpret political narratives in a
systematic way.

---

234 My political theological reading of Yellen’s interview is inspired by Edinger’s (1972: 146-154)
Jungian interpretation of the biblical narrative recounting Jesus’ forty days in the wilderness. The story
ends with Jesus’ successful resistance of the Devil’s three temptations – two of which are designed to bait
the protagonist into unholy pride (or, to use Edinger’s serendipitously apt terminology, “ego inflation.”)
From Homo Narrans to Agora Narrans

While long central to literary studies and the nearby humanities, the concepts of “narrative” and “story” have received increasing attention, in recent years, from disciplines claiming the mantle of science. At issue is the apparent ubiquity of narrative storytelling as the primary tool by which we understand the world; indeed, modern neuroscience may suggest “an explicit connection between our narrative capacity and human evolution” (Mayer 2014: 66). The human is, in essence, the narrativizing animal. As Rosenberg (2018) observes in How History Gets Things Wrong: The Neuroscience of Our Addiction to Stories, “We humans have an insatiable appetite for stories with identifiable heroes, the tension of a quest, obstacles overcome, and a happy (or at least emotionally satisfying) ending.” Rosenberg’s work takes a critical approach to narrative history, suggesting that our storytelling does more ill than good, encouraging false assumptions of causality and, even more gravely, stoking past grievances into current conflicts. As an antidote to such narrative delusions, Rosenberg recommends more science – “Narrative history is almost always wrong in a way that science has managed to escape” (11), he claims – and yet, as he simultaneously laments, “The same science that reveals why we view the world through the lens of narrative also shows that the lens not only distorts what we see but is the source of illusions we can neither shake nor even correct for most of the time” (3). Gottschall’s The Story Paradox: How Our Love of Storytelling Builds Societies and Tears them Down is another, similarly fatalistic, work about the dark consequences of our innate affinity for stories: “It isn’t ignorance or meanness that leads us to demonize one another, it’s instead a naturally paranoid and
vindictive narrative psychology that leads us to become suckers over and over (and over) again for simplistic stories of the good guys fighting the bad” (2021: 15).

Books such as the above have provoked some fairly bitter controversy, with critics perhaps reasonably arguing that – rather than attempting to discard stories entirely – the remedy for poor and simplistic narrative explanations should be better and more sophisticated ones. But whatever one’s normative position regarding narratives, all can agree on their centrality to politics. Narratives are the primary means for “swaying” an audience – an epiphany at once “banal and interesting” in Gottschall’s view (2021: 6). As it turns out, contemporary pop neuropsychology may be late to the game from the perspective of at least one strand of political science, where stories have long received their proper analytical due. As observed by scholars working within a recent incarnation of this tradition – what they call the Narrative Policy Framework –

It doesn’t take more than a casual scan of the policy communication environment to reveal that narratives are a major focus of politicians and strategists. Why? Because at least among political operatives, it is widely accepted that how a story is rendered is as important to policy success and political longevity as what actions are undertaken (McBeth et al. 2014: 225).

235 Brooks (2022) provides another useful, recent overview of the “narrative turn” in medicine, economics and other fields. A literary critic who himself helped pioneer the modern study of narratives in the 1980s, Brooks similarly regrets “the kind of narrative takeover of reality we appear to be witnessing in the early twenty-first century, where even public civic discourse supposedly dedicated to reasoned analysis seems to have been taken hostage” (4). Scholarly misgivings about narratives have also been apparent in recent analyses of populism, where the demagogic manipulation of compelling stories is seen to auger an era of “post-truth.” (See, e.g., Polletta and Callahan 2017.)

236 For example, Gottschall’s book earned him a caustic review from noted historian Timothy Schneider (2021), who took the book as an attack on the very discipline of History.

237 For earlier overviews, see Patterson and Monroe (1998); Czarniawska (2004).

238 In their introduction to NPF, McBeth et al. (2014: 225), “recognize that the NPF is hardly the first to arrive on the policy communication scene,” with forebears in the study of rhetoric, communication psychology, marketing, and other fields.
Earlier work in the subfield of “political communication” had already established an affinity between political narratives and myths. Murray Edelman’s (1964) book The Symbolic Uses of Politics was a seminal work in a research program continued over several decades, exploring the related concepts of narrative, myth, spectacle and propaganda. In his second book, Politics as Symbolic Action, Edelman claimed that political myths fall into a small number of archetypical patterns, though they vary widely in detail. Either they define an enemy who is plotting against the national interest and may need to be exterminated; or they define a savior-hero-leader of a popularly or divinely sanctioned social order who is to be followed and obeyed and for whom deprivation, suffering, or sacrifice are gratifying. All sorts of specific political concerns are translated into these forms (1971: 15).

As for the “forms” or “archetypical patterns” of political narratives/myths, different scholars have produced different taxonomies according to their preferred levels of granularity. Frederick Mayer (2014) suggests four basic ideal types, the first two “tragic” and the second two “triumphal.” Tragedies, for Mayer, can generally be categorized as either “The Fall,” or “Dust to Dust,” whereas triumphal narratives follow the forms of “Genesis and Exodus” and “Resurrection.” The biblical origin of these archetypes is perhaps unsurprising given the deep-rooted psychological influence of the Bible, as a treasury of stories, on Western culture.

---


240 Students of literature have long debated the list of basic story lines. Booker (2004), Polti (1916), and Tobias (2012) argue that there are 7, 36, or 20 plots (or “dramatic situations”) respectively. Like Mayer (2014), I suspect that the number of these suitable for use as political myth is much smaller (certain comic forms, for example, might not qualify).

241 As the most widely published and disseminated text in many locales (Riches 2022), The Bible had a formative role in the simultaneous development of mass literacy and national identity in Western societies.
Exodus—the escape from slavery in the symbolic hell of Egypt and the long journey to the Promised Land—and the Christ story—the birth, death and resurrection of Jesus—are clearly the most important. Many other Biblical stories are also deeply ingrained: Adam and Eve, Noah and the Ark, David and Goliath, and the Good Samaritan, to name just a few (Mayer 2014: 104).  

In a fascinating, if somewhat tendentious, work, Feuer (1975) highlights the importance of the Mosaic archetype in Western culture. “Every ideology in some fashion repeats the Mosaic myth – the dramatic story of the liberation of the Hebrew tribes by Moses,” Feuer (1) claims, citing examples ranging from American abolitionism to fascism, Bolshevism and post-colonial nationalism. But while Feuer’s critique focuses on grand ideological narratives (“metanarratives”), Mosaic tropes can often be found in more banal forms of political communication. For example, the attentive reader may have noticed that Juan Zarate’s memoir examined in Chapter 3 was itself essentially constructed according to the Mosaic form, with the author (and a vanguard of likeminded policy entrepreneurs) heroically leading his oppressed department through the desert of 

(Appelbaum 2013). Anderson (1983) famously theorized the importance of printed materials to the standardization of national languages unifying an “imagined community” far beyond the scope of personal contacts. Slezkine (2019: 44) comments further on the resulting process of national-religious identity formation. “What started out as a nationalization of the divine ended up as a deification of the national. First, it turned out that the Bible could be written in the vernacular, and that Adam and Eve had spoken French, Flemish, or Swedish in Paradise. And then it became clear that each nation had had its own prelapsarian golden age, its own holy books, and its own illustrious but foolhardy ancestors.”

The biblical referents for nation formation were perhaps even more salient in the American context, going back to the Puritans’ close identification with the exodus narrative and conception of their colony as a righteous “New Israel” or “City on a Hill” (referring to the biblical Jerusalem). Both more celebratory historical treatments (e.g., Johnson 1997; Oren 2007) and more critical ones (e.g., Stannard 1992; Zinn 2005) have generally concurred on this point.

242 In the case of George W. Bush’s post 9/11 narrations, we will see that a religious inspiration was fairly explicit; however, to follow the logic of Mayer’s analysis, American elites need not be religious themselves to rely on biblical archetypes for political persuasion. Even in their more secular garb, American nationalistic narratives tend to retain a certain religious foundation, as will be explored in the second half of this chapter.

243 For a fascinating history of the Mosaic/biblical/Millenarian foundations of Marxism and Bolshevism, see Slezkine (2017, esp. chapter 3).
budgetary privation and bureaucratic reorganization, and into the promised land of national security relevance. To quote Zarate’s own summary of the book,

This is…the story of the small group of officials from the Treasury Department and other government agencies who engineered this new brand of financial power. These strategies were designed under the radar, with the clear mission to revamp the way financial tools were used. They served also to resurrect a Treasury Department that was struggling to remain relevant to national security issues. From the bowels of an emasculated Treasury Department, bureaucratic insurgents – guerillas in gray suits – envisioned a new national security landscape in which the private sector could be prompted to isolate rogue actors in line with US interests. With the help of bankers and financial institutions, the Treasury Department led a campaign to protect rogues from the financial system. We envisioned a day when the Treasury Department would become central to core national security debates, and that’s exactly what happened (xi).

In its implicit invocation of the culturally resonant Mosaic archetype, Zarate’s account of the “Treasurys War” epitomizes how policymakers’ – or anyone’s – retrospective narrativization of their actions is bound up with a deep human need for social approbation and justification. As explained by Mayer (2014: 78),

When we enact narrative, we just as inevitably seek to cast ourselves as acting appropriately, legitimately, and morally. And as with intelligibility, we not only use narrative to justify our actions, we act in ways that can be justified by a story in which our character did the right thing.

But while policymakers’ memoirs undoubtedly highlight the centrality of narrative to political history, perhaps the true political importance of narratives has to do with their functions in the present – that is, the ways they are strategically deployed on behalf of a given policy or program.

In attempting a more systematic theory of the influence of narratives on politics and policymaking, NPF scholars McBeth et al. (2014: 228) have emphasized the formal structure of compelling stories, described in depth below. (Here, “structure” is to be
understood more broadly than form/plot, the latter constituting only one of several structural elements):

The four policy narrative core elements are as follows:

1. Setting: Policy narratives always have something to do with policy problems and are situated in specific policy contexts. As such, the setting of a policy narrative consists of policy consequential phenomena such as legal and constitutional parameters, geography, scientific evidence, economic conditions, agreed-on norms, and other features that most actors agree are part of the considerations one must come to terms with when dealing in a particular policy area. As in a stage setting for a theatrical play, the props (i.e., laws, evidence, geography, etc.) are often taken for granted; at times, however, they also become the focal point of the policy narrative.

2. Characters: Policy narratives must have at least one character. As in any good story, there may be victims who are harmed, villains who do the harm, and heroes who provide or promise relief from the harm and a solution to the problem (Ney 2006; Stone 2012; Verweij et al. 2006).

3. Plot: Establishing the relationships between characters and situating the characters within the policy setting, the plot provides the arc of action and typically has a beginning, middle, and end (Abell 2004; Somers 1992).

4. Moral: Policy narratives also promote a policy solution. In narrative terms, we refer to this solution as the moral of the story (Stone 2012; Ney and Thompson 2000; Verweij et al. 2006).

Having thus established the “core” or universal elements of narratives, the NPF examines how political actors (e.g., elected officials, bureaucrats, advocacy coalitions) leverage specific narratives in order to realize their policy preferences. In the context of adversarial interests, the NPF focuses on the dynamic interaction of competing/contradictory narratives, including the production of causal mechanisms to assign blame and the rhetorical strategies of the “angel shift” and “devil shift.” The “angel shift” is to exaggerate the good qualities, actions or intentions of a particular actor in a clash of narratives, whereas the “devil shift” is to perform the opposite caricature (McBeth et al. 2014: 241-2). Following the influential work of E. E. Schattschneider (1960), NPF scholars are also interested in how these rhetorical strategies are combined with attempts
to either limit or expand the scope of political conflict. For example, unsatisfied groups may be more likely to disseminate a conflict to a larger audience – oftentimes through the explicit or implicit villainization of some hitherto inconspicuous or apparently innocuous actor.

We should note here that the processes described above technically refer to only one level (the “meso-level”) of the NPF’s possible applications. The NPF posits three levels at which policy narratives operate: the “micro” (i.e., individual opinion), the “meso” (i.e., the realm of political contestation over specific policies), and the “macro” (i.e., “cultural and institutional policy narratives that condition and permeate social bodies over long periods of time” [Pierce et al. 2014: 36]). As Jones et al. (2014: 15) explain:

While the NPF’s assumptions are aimed at the structure and function of policy narratives and the micro-level homo narrans postulates address the processing of policy narratives at the individual level, the meso level of the NPF—agora narrans—concerns itself with the role of policy narratives in a policy system... The NPF brings to the fore the idea that effective action at the meso level of policy systems requires communication. Those in ancient Greece deeply understood this linkage. The agora was the physical and public space where communicative action designed to achieve a desired policy goal could take place, principally through reasoned, impassioned narratives. Thus, agora narrans is NPF’s meso-level examination of the strategic construction and communication of policy narratives to achieve a desired policy goal.

My own application of the NPF invokes all three levels, beginning with the macro level as it pertains to each of the cases, and then investigating how concrete policy narratives were formed and deployed at the meso level. The meso level receives

---

244 This level roughly corresponds to what other scholars (e.g., Roe 1994) have referred to as “meta-narratives.”
particular attention in my analysis of anti-MLRE policymaking, where the public contestation of competing policy narratives was most clearly relevant to the gradual evolution of the Treasury’s policy stance. The micro level comes into play both in terms of public opinions (as measured by available polling data) and the expression of individual opinions from the memoirs, ethnographic materials, and interviews examined herein.

Methodologically speaking, applications of the NPF have typically relied on quantitative data (e.g., from public surveys), although, as Pierce et al. (2014: 36) remark in their contribution to a flagship edited volume on NPF, “there is a definite role for qualitative case study applications to play as the NPF continues to develop.” Gray and Jones (2016) provide an example of such an application in their article, “A qualitative narrative policy framework? Examining the policy narratives of US campaign finance regulatory reform.” In an analysis sharing much in common with certain aspects of my own investigation (to be elaborated in Chapter 8 on narratives and anti-MLRE policy), the authors “show how campaign finance regulation stakeholders engage in a narrative battle rooted in two competing democratic values: equality and individual expression.” Their exercise, though based on a single case, serves to demonstrate that “the NPF is quite compatible with its interpretive, inductive and qualitative roots” (Gray and Jones 2016: 196).

In the following chapters I apply the NPF to each of the three cases in the study, ultimately confirming the framework’s basic hypothesis that, “Variation in policy narrative elements helps explain policy learning, policy change, and policy outcomes” (Shanahan et al. 2011: 549). To briefly summarize, I find that the Treasury’s policy
action against illicit finance is strongest where the villain (i.e., in the policy narrative calling for greater action/regulation) is most unambiguously foreign and other. Where the villain (or villain’s accomplice) is more proximate, the Treasury’s policy action is more limited and tentative. (Here, the policy action appears to rely on the success of “devil shift” rhetoric from the advocacy coalition recommending it.) And where policy narratives calling for Treasury action implicitly villainize the Treasury itself, the Treasury opts for policy inaction in service of the status quo – either strategically ignoring the criticism or defending its reputation through a counternarrative “angel shift.”

**Securitization**

To help orient the discussion of policy narratives to the cases in the study, it may be useful to consider a related concept commonly associated with post 9/11 counterterrorist policymaking in America and elsewhere. In Chapter 3 we briefly described the collective indignation, national solidarity, and heightened trust in government constituting the post 9/11 policy window. While some form of government action against terrorism was probably inevitable given such circumstances, the details of that action were not predetermined. Rather, the specific response to 9/11 issued from a particular narrative interpretation of the events in a process sometimes referred to as

---

245 *Otherness* is here conceived in broad terms, encompassing various dimensions (e.g., cultural, ethical, ethnonational). I hasten to add that my analysis along these lines is a description or interpretation – not a celebration or normative endorsement – of the way perceived otherness functions in American politics (or elsewhere).
“securitization.” While this term has been used in various ways, it generally denotes the invocation of some existential threat, by a “securitizing” actor, vis-à-vis some target audience to be protected (Makarychev 2014: 410). The success of such an endeavor is rarely a foregone conclusion, but “depends upon vocabularies (frames, storylines, and rhetoric tools such as analogies, metaphors, emotions, stereotypes), communication strategies, as well as contexts” at play.

As stressed by Balzacq (2010), the notion of securitization implies that there is always some partially arbitrary aspect to the definition of a problem or threat. Indeed, the framing of the threat/problem is usually bound up with the solutions offered by the securitizing actor:

The very way threats are tackled depend upon how they are perceived which is not always commanded by the objectives features of what is called a ‘menace’. Instead, the social design of a security problem conditions and legitimates the kind of means used to stop it. Thus, defining a menace is a normative political act…threats are also the product of their entrepreneurship (Balzacq 2010: xiii).

Epistemologically, it is evident that the notion of securitization has much in common with the assumptions of narrative analysis. As Dryzek (2009: 194-5) summarizes the latter,

The facts never “speak for themselves.” For example, a story about rape and murder amid ethnic conflict could be told by a nationalist demagogue in terms of violated ethnic innocence and collective ethnic guilt of its perpetrators. The same facts could also support a story of violation of basic human rights and universal principles of humanity. The action consequences of each story would be vastly different.

In the next chapter, I explore how a particular narrative interpretation of the 9/11 attacks, articulated by the President and then amplified by the media and throughout the federal government, led directly to the Treasury’s innovation of targeted financial
sanctions. The conception of Islamist terrorism as an *existential* threat – as an enemy “at war” with America – effectively “securitized” the financial system (along with airports, borders and other national infrastructure). Emergency powers were invoked to overcome the normal obstacles of due process, whether in terms of physically detaining suspected terrorists or surveilling / freezing / forfeiting their bank accounts.\textsuperscript{246} My present aim, however, is to simply highlight the narrative basis for the war on terror, as many scholars have already done by way of counterfactual history.\textsuperscript{247} For example:

Consider the story told by President Bush in the immediate aftermath of 9/11…in his telling, the attacks that leveled the World Trade Center Towers and damaged the Pentagon were an act of war against America, and not, as was logically possible, a criminal action by a band of fanatical extremists. So framed as an episode in the American story, in which America was clearly the victim and “terror” the villain, the response of war became the patriotic interest, as those who counseled restraint quickly realized. As Brands (2008) has documented, once we were a “nation at war,” as the scroll at the bottom of the television news feeds trumpeted, opposition to war was considered close to unpatriotic (Mayer 2014: 93-4).

We might observe here that the same partially arbitrary quality to the characterization of the terrorist threat held true with respect to those areas of life to be securitized. The hypothetical targets of future terrorist attacks were virtually limitless, and the existential threat of terrorism (thus defined) called for a *general* increase in preventative security measures. But how were these measures to be prioritized? Would full body scanners only

\textsuperscript{246} See Chapter 3 herein on the President’s use of the 1977 International Emergency Economic Powers Act for executive order 13224.

\textsuperscript{247} As Carroll (2012: 294) summarizes, a certain narrative impelled the “post-9/11 rush to war — as opposed, say, to strategies based on court-supervised law enforcement.” Krebs (2015: 146) concurs that “The Terror narrative’s dominance hid from view that there were other conceivable and plausible narratives, revolving around different portraits of agent, purpose, and scene, and that these alternative narratives were swiftly marginalized after 9/11.”
be implemented in airports and federal buildings, or would they also be necessary in stadiums, shopping malls or schools? With respect to CFT, the options were similarly open-ended. Certainly, the 9/11 attacks suggested a general need for reform, including a broader understanding of the diverse mechanisms by which terrorists might finance their operations. As observed by Senator Paul Sarbanes in a September 24, 2001 Congressional hearing (where provisional versions of the Patriot Act were considered), “The existing requirements that banks report suspicious activity to regulators should be extended to other types of financial institutions, such as stock brokers, insurers, and even casinos…a bank-only focus is too narrow” (U.S. Government Publishing Office, “The Administration’s National Money Laundering Strategy for 2001”). With the passage of the Patriot Act, cross-border movements of cash were also securitized, although (as described in Chapter 2) the denominations of US currency were not. And the provisional securitization of real estate financing was soon undermined by the strategic deployment of a countervailing policy narrative.

The Nationalist Narrative Canon

As explored in the next chapter, the “Terror narrative” offered by the White House after 9/11 achieved dominance on the “meso” level, in part, because of its successful application of cultural and mythological material from the “macro” level as defined by the NPF. President Bush’s interpretation and response to the events drew liberally from pre-existing nationalist narratives bound up with American identity. In this
section I provide an overview of this “nationalist narrative canon,” which includes such related ideations as “American Exceptionalism,” “American Civil Religion,” and the “American Dream.” But first it may be helpful to consider the notion of nationalist narratives in more general terms.

In a recent work reflecting on the decades long enmity between the United States and Iran, Banai et al. (2022) argue that,

Every nation and nation-state has a narrative, a story that defines what the nation is—its origins and history, characteristics, claims to legitimacy, values, mission, and destiny. These defining stories are an essential component of nationalism, sometimes contrived by a state needing to establish its bona fides, sometimes more gradual and organically grown. They typically convey a sense of belonging, pride, and unity. In all cases, narratives are “socially constructed,” often filled with fictitious claims, populist in tone, and readily manipulated by elites to gain some political advantage.

We see from the above that nationalist narratives have a quasi-religious quality: they bring together a given polity through the production of romantic myths and render the resulting “imagined community” an object of shared veneration.248 Malone et al (2017: 2) concur that “a national narrative rationalizes and is supported by the nation’s identity,” while emphasizing that, “These narratives need not be true (and often have untruthful elements in them), but they unite people and create loyalty to the nation.”

The United States is by no means exceptional in having a nationalist narrative, but its particular narrative of “American exceptionalism” is unusual – if not exceptional – in the exceptional goodness it imputes to America in ontological contrast to other nations.249

248 The word “religion” derives from the latin religare – i.e., “to bind.”

249 As satirized by a modern (and clearly envious) British observer, “God is a very fine American because he is such a fantastic success...he is unbelievably enormous and powerful and so is the United
This self-regard was, from the beginning, fueled by an understanding of the nation as uniquely blessed by divine providence. As evident from the two sides of the Great Seal of the United States – both of which appear on the reverse of the one dollar bill – the appeal to national unity and the claim to God’s favor function as complementary scripts. The construction of a new national identity out of people from disparate backgrounds (*e pluribus unum*, or “out of many, one”) is reinforced by the faith that the national project is itself ordained by a higher power (*annuit coeptis*, or “[God] favors our undertakings”). Fontelieu (2014: 1-2) provides a brief overview of this age-old American nationalist narrative,\(^{250}\) as understood by a few of its more well-known exponents:

American exceptionalism, as described by the French historian Alexis de Tocqueville (1840), is based on the notion that “the position of the Americans is quite exceptional, and it may be believed that no other democratic people will ever be placed in a similar one” (pp. 36-37). Tocqueville echoed earlier voices, such as John Winthrop’s sermon on the eve of the Puritan’s landing in Massachusetts, “that wee shall be as a Citty upon a Hill, the eies of all people are upon us” (as quoted in Hodgson, 2009, p. 1). Exceptionalism has been reiterated by many other leaders, including Abraham Lincoln, who envisioned America as “the last best hope of earth” (1862, para. 3) and Barack Obama who stated “America must always lead on the world stage” (2014, para. 25).

The above formulations emphasize the special, divinely appointed role of the United States as a moral exemplar for the rest of the world. The objects of American exceptionalism, in this facet of the phenomenon, are the foreigners who benefit from the States, which makes it logical that he should have a special place for the country in his heart” (Eagleton 2013: 108).

\(^{250}\) For an exhaustive treatment, see Tyrrell (2022). As the author states in his introduction, “American exceptionalism is a historically contingent and slippery idea. This malleability does not make it unimportant, however, because the idea has deeply influenced behavior. It can even be argued that ‘America’… has been exceptional only because so many have believed it to be so” (4). “Exceptionalism has also structured the way that American political figures and opinion makers have understood the world” (18).
authoritative leadership of the United States. But the same factors that make the United States worthy of emulation are also enjoyed by Americans as a matter of course.

“American exceptionalism is a core belief based on the notion that America is fundamentally different from other nations because it was formed out of a revolution without an antecedent base in feudalism” (Fontelieu 2014: 2). Thus, in addition to obvious geographic blessings, the United States from the beginning enjoyed a relatively egalitarian abundance of economic opportunity, in contrast to the average situation in the ‘Old World.’ If the outward-facing expression of American exceptionalism is an arrogation of special authority to lead, instruct, or dictate to the rest of the world, the inward-facing expression is the cultural celebration of the (real or supposed) freedoms and opportunities enjoyed by Americans on account of the nation’s natural abundance and relatively egalitarian/non-aristocratic origins. American exceptionalism is thus bound up, in this more inward expression, with the “American Dream” – that promise of material prosperity and upward mobility for those who work hard and take advantage of the nation’s unique opportunities.252

251 “Relatively” is a very necessary qualifier here, the foundational limitations on the equality of opportunity (especially according to race and gender) being now well-known. But “white” men, even of ignoble birth, enjoyed opportunities (e.g., higher wages and/or the potential ownership of land) relatively less accessible in Europe. (See, e.g., Allen 2022; Foner 1970).

252 Here I follow Tyrrell (2022: 11) in regarding “American exceptionalism” and “The American Dream” as closely related, but not identical narratives: “This idea [The American Dream] became, after World War II, almost interchangeable with modern American exceptionalism, but not quite. Instead, it served as a secondary support for exceptionalism, a tantalizing yet vague dream to inspire Americans to believe in the promise of the nation.”
American Civil Religion

Returning, for a moment, to the Great Seal of the United States: that the subject “God” is not actually specified in the phrase “annuit coeptis,” but implied by the “eye of providence” (a traditional imagery for God’s omniscience) below the phase (Wikipedia, “Annuit cœptis”) indicates the close relation of American exceptionalism to “American Civil Religion.” Originally theorized in sociologist Robert Bellah’s 1967 article of the same name, American Civil Religion (ACR) referred to the plethora of non-denominational (but vaguely Judeo-Christian/deist) religious references in public life, from the pledge of allegiance and coins proclaiming “In God We Trust,” to the virtually de rigueur expression of religious faith by every American president since the founding of the republic. American Civil Religion represented a certain compromise between enlightenment tolerance and spiritual triumphalism – a rejection of the denominational squabbles and persecution that would simultaneously harness and channel religious fervor into national unity. As explained by McDougall (2016: 29),

If Americans had ever fallen to quarreling over the identity of their national God, the Union could not have survived. So the Articles of Confederation and Constitution were silent about religion, not because the American Revolution was secular, but because it was too religious. Therein lay the secret of the First Amendment. By prohibiting Congress from establishing any particular religion, it silently established a civil religion to which all sectarian believers must bow.

At the same time, McDougall (30) argues that the continual reference to a higher power (defined in this strategically ecumenical way),

distinguishes civil religion from nationalism and ideologies of state worship. Americans did not worship their government, a fact made palpable by the checks and balances of their Constitution. They worshiped a deity who made them one

241
out of many \textit{(e pluribus unum)} and a new order for the ages \textit{(novus ordo seclorum)} and who has blessed their undertakings \textit{(annuit coeptis)}.

This invocation of divine sanction through American Civil Religion serves to inculcate a simplistically binary or Manichean worldview in the consciousness of Americans. Eagleton (2013: 132) observes that, “A certain self-righteousness is never far from the American soul” – a generalization likely defensible regardless of variations in popular religious affiliation, partisan loyalty and metaphysical belief. Even when turned inward and couched in nominally secular terms, American political discourse tends to retain the righteous indignation of religious dualism – the prophetic “Jeremiad” being a recurring narrative form.\textsuperscript{253} Of late, the limitations of the American Civil Religion have perhaps become more apparent, with partisan tribalism now taking on the characteristics of the religio-fundamentalist intolerance the ACR was designed to contain and repress.\textsuperscript{254} But the same Manichean proclivities have the potential for \textit{uniting} broad majorities of the American population…that is, when a compelling \textit{external} enemy happens to present itself.

\textsuperscript{253} For example, John McWhorter (2021) has laid bare the religious underpinnings of the recent “Antiracism” in America, situating it in a longer history of evangelist social movements.

\textsuperscript{254} On recent hyper political polarization in the United States, see, e.g., Walter (2022), Greenblatt (2022), and especially Gorski (2017), who identifies such polarization with the breakdown of American Civil Religion.
Ontological Security and the “Need for Enemies”

Our earlier discussion of the Narrative Policy Framework emphasized that successful policy narratives tend to have a certain structure and cast of characters (“As in any good story, there may be victims who are harmed, villains who do the harm, and heroes who provide or promise relief from the harm and a solution to the problem”). “Character Theory” (CT), a recent method in sociology, has confirmed these insights, further integrating the social scientific and literary theoretical interests in narrative form.

As summarized by (Bergstrand and Jasper 2018: 229),

Diverse genres such as myth, fiction, advertising, and politics offer familiar characters, especially the villain, victim, and hero (Clément, Lindemann, and Sangar 2017). Villains focus blame, provide a clear target for action, intensify negative emotions, and solidify group identities. A correctly cast victim—good, innocent, and in need of protection—can also motivate action and encourage recruitment to a cause; it can help to increase perceptions that a particular problem is an injustice worth combatting. Heroes form a rallying point, increase agreement among members, and boost commitment to a cause. Villain-victim-hero is the “essential triad” of protest, mobilization for war, constructing social problems, and many other instances of political oratory (Jasper et al. 2018). Minions—malevolent but weak—are less central, but they are useful tropes for ridiculing opponents.

If national identity depends on a good narrative, and a good narrative requires a good villain, we are left with a rather tragic fact of international politics: that nations largely depend on their enemies for their internal cohesion. Georgy Arbatov, the founder of the Soviet Institute of USA and Canada, famously expressed this paradox to a Western audience at the end of the Cold War: “We are going to do something terrible to you—we are going to deprive you of an enemy.” Indeed, external enemies have long been understood as promoters of in-group solidarity— a phenomenon perhaps especially
appreciated by societal elites who might otherwise become targets of mass discontent. As argued by Finlay et al (1967: 97), “A major dimension of the idea of the enemy concerns the politics of ideological justification, that is, using the enemy to rationalize, explain, or legitimize actions and events and to mobilize energies toward the maintenance or achievement of certain goals.” Enemies are often instrumentalized by elites to push forward some preexisting agenda – an interpretation widely applied, for example, to the George W. Bush administration’s Iraq war. But while undoubtedly vulnerable to elite manipulation, the social-psychological need for enemies appears to go much deeper in human psychology, even constituting a key component of the “ontological security” necessary for stable group/national identity.

Perhaps most of us not only derive a satisfaction and comfort from an enemy’s existence, but also find the possibility of his abolition extremely disturbing. For on whom, then, could we so conveniently vent our hostilities and aggressiveness? It seems we have always needed enemies and scapegoats; if they have not been readily available, we have created them” (Finlay et al 1967: 7).

For Jasper et al. (2020), this inherent tendency of (all) nationalisms to generate enemies is exacerbated, in the American context, by the theological basis of American exceptionalism described in the foregoing. Powerful, threatening villains are in fact

---

255 For example, Jennifer Mitzen (2006: 342) has used this concept to explain how long antagonistic nation-states may persist in internecine conflicts: “Even a harmful or self-defeating relationship can provide ontological security, which means states can become attached to conflict. That is, states might actually come to prefer their ongoing, certain conflict to the unsettling condition of deep uncertainty as to the other’s and one’s own identity.”

256 The invidious side of American exceptionalism also finds expression in the national seal. As explained by Davis (2022: 25, 53), the bald eagle was selected for epitomizing the defiant militancy of a nation conceived in rebellion: “The adult bald is an apex predator perched on the uppermost link of the food chain…a gourmand of others and the plat du jour of none…Although cousin eagles had long appeared on European coats of arms…None of those other birds was the bald eagle – itself an original like the United States, a native of North America, claimed by no other land.” The source of “annuit coeptis” was also an
necessary as a matter of theodicy – i.e., as an explanation for evil and imperfection in a world supposedly guided by divine providence and benevolence:

Americans may have clung to traditional images of heroes and villains more than Europeans have. Perhaps this is because they are more religious than Europeans, with one third of Americans believing the Bible is the unerring word of God. Dualistic religions view the world as a continual struggle between evil and good, or villains and heroes. This is a perfectly logical theodicy, or account of suffering, as long as evil and good are relatively balanced, but Christianity began to have logical difficulties when it combined dualism with its view of God as omnipotent. In a world of innocent victims who suffer terribly, God cannot be both completely good and completely powerful. Perhaps this logical gap explains Christianity’s long obsession with identifying great evildoers who can almost rival God (Jasper et al. 2020: 144).

Thus, Mazarr (2007: 19), echoing other scholars (e.g., Bacevich 2005; Brands 2008) suggests that the Bush administration’s response to radical Islamism after 9/11 in part reflected an “apparent wish or need on the part of the United States for a new enemy to battle after the Cold War, for new dragons to slay in the name of strength and credibility and heroism.” The Islamist terrorist was the perfect candidate for the role of diabolical villain in a next incarnation of a timeless nationalist narrative. At the same time, the domestic political benefits of the war on terror confirmed the earlier insights of scholars writing during the Cold War. As Hunt (1987: 190) had remarked some two decades prior, no longer the battleground over which issues of nationality were once fought, American foreign policy in its days of greater global assertion has in the main served to affirm the received definition of nationality, to override divisions at home, and to proclaim American virtue and destiny. Domestic trends over the last century have accentuated this nationalist function of foreign policy. In contrast to

intimation of the nation’s theologized pugnacity, being derived from a passage in the Aeneid where the protagonist’s son prays to Jupiter before slaying an enemy.

Pace Jasper et al. – and per the concept of American Civil Religion – this would be the case whether a third of Americans believed in the bible or not. That is, the exaggerated need for villains would ultimately derive from the nation’s Manichean worldview, originally (and still ceremonially) attached to an ecumenical faith in divine providence, but not dependent on faith in scripture per se.
domestic issues, which have an inherent tendency to be divisive, foreign policy has the potential to promote solidarity in the face of a common external problem or danger. As politics at home has become increasingly dominated by the seemingly petty, at times even sordid, squabbling among competing interest groups, foreign affairs has retained a nobility and grandeur appropriate for the expression of national purpose. Consequently, a single-minded foreign policy has provided a symbolic counterweight to a pluralistic domestic political system that, in the exasperated words of one recent president, seems to involve nothing more than "handing out goodies." Moreover, foreign-policy ideas have offered a sense of continuity for a nation apparently in constant flux, a steady set of reference points for nationalists hard pressed to find a solid, unchanging, inspiring core of Americanism at home.

The outward, foreign policy expression of American exceptionalism, especially when focused on a compelling enemy, is thus an ideal means for deflecting internal class or interest group conflict. Here, Hunt’s reading confirms the insights of Banai et al. (2022), that “While national narratives and nationalism are made up of bits and pieces of cultural things, their purpose is almost always political—defining and legitimating a politically powerful class, using symbols but not being merely symbolic.” Buesink (2012: 222) takes this critical reading a step further, suggesting that both a militaristic American exceptionalism and an illusory faith in the American Dream function to keep the American population in a state of perpetual false consciousness:

Militarism and the American Dream have become intertextualized, over time, as products and defenders of freedom, thereby producing, sustaining, and working to keep concealed, a rather astonishing paradox in America between endless pronouncements about liberalism and freedom, and the insidious culture of ritual and sacrifice to the addictive gods of capitalism and militarism.

However, while plausible in general terms, such a one-sidedly critical reading would risk missing the countervailing possibilities in America’s nationalist narrative canon. As will be seen in Chapter 8, the “American Dream” has functioned not solely as a means of legitimating America’s capitalist status quo, but also as a means of criticizing
it (Churchwell 2018). As a myth and an ideal, the “American Dream” has always been partially fantasy, but (much like supposedly universal rights in American history) has served as a rallying symbol for those excluded from its realization. Here we see the more self-critical aspect of American Civil Religion: the quintessential American rhetorical form known as the “jeremiad.” Bercovitch’s (2012: xli) seminal study of the jeremiad defines it as,

a mode of public exhortation that originated in the European pulpit, was transformed in both form and content by the New England Puritans, persisted through the eighteenth century, and helped sustain a national dream through two hundred years of turbulence and change. The American jeremiad was a ritual designed to join social criticism to spiritual renewal, public to private identity, the shifting ‘signs of the times’ to certain traditional metaphors, dreams, and symbols.

The jeremiad partakes of the same Manicheanism inherent in American exceptionalism, while focusing on the internal corruption that threatens the nation’s righteous identity.

With respect to the post 9/11 narrative situation, Krebs (2015: 163) observes how both the Terror narrative, (which quickly gained dominance) and a more self-critical alternative narrative (a jeremiad that was quickly marginalized) derived from the nation’s biblical/religious traditions:

The ‘what have we done’ alternative was a jeremiad, a rhetorical form whose roots stretched back to colonial New England and whose secular variant had been invoked countless times over the centuries. Its always ongoing war between good and internal evil drew on evangelical eschatology and exceptionalism – long central to American discourse. It was no less familiar rhetorically than the ‘prophetic dualist’ tradition in foreign affairs, which represents global politics as an always ongoing war between good and external evil and from which the Terror narrative drew.
While the jeremiad was unlikely to succeed in the post 9/11 moment – as a nefarious external enemy naturally led to heightened internal solidarity\(^\text{258}\) – the form has had more purchase in other moments of American history, for example, during the Great Depression and New Deal era. Isetti’s (1996) article, “The Moneychangers of the Temple: FDR, American Civil Religion, and the New Deal,” explores how President Roosevelt employed the jeremiad in his public justifications of the government’s more aggressive regulation of powerful banks. “When FDR castigated evil businessmen and bankers in his speeches, he was following a time-honored liberal tradition, reaching beyond the Progressive and Populist movements back to the time of Andrew Jackson and his war against the Second Bank of the United States” (686). The president’s invectives made liberal use of biblical imagery in comparing the nation’s financial elite to the corrupt “moneychangers of the temple” from the Gospel narratives, and the nation’s economic hardship to the Israelites’ wanderings in the desert. The jeremiad had all the elements of a compelling policy narrative, including the hope of national resurrection. As Isetti (1996: 685) explains,

> Biblical stories and archetypes are often employed in public speeches... because they can become an effective literary means of expressing the depths of human experience. Explanations for the Great Depression, couched only in economic terms, would not have been satisfying to a people schooled in the Bible and its stories and conditioned, for better or worse, to think of political affairs in terms of the categories of good and evil. Technical talk of the gap between production and consumption, although appropriate, would not have assuaged primordial fears, instilled hope and confidence in the future, or placed the fate of the nation within the context of a transcendent mission and purpose. For the unemployed who wrongly blamed themselves for their plight, for those caught up in forces they could only vaguely understand, for those who worried about the

\(^{258}\) As Krebs (150: 160) remarks on the various interpretations of the 9/11 attacks as “blowback” for past American foreign policies and cultural insensitivities, “National self-flagellation is thus unlikely in the best of times – let alone in the wake of an attack on the homeland.”
future of the nation, it was reassuring to be told, as Roosevelt said in his first inaugural address, that "the people of the United States have not failed." The nation's soul was still sound; its spirit was still healthy; its values were still valid. The temple of American civilization had been profaned by the evil moneychangers, but its pillars still stood tall and strong. The task at hand was therefore one of purification, renewal, and restoration – in the name and spirit of our forefathers.

The jeremiad thus falls within the nationalist narrative of American Exceptionalism by accusing the nation – or rather more often, some element within it – of betraying or otherwise failing to live up to America’s lofty ideals. As Tyrrell (2021: 9) explains, “This type of critique may denounce American social and political institutions—yet reinforce belief in exceptionalism as reflective of history or future promise.”

Murphy (2009) provides a useful analysis of the jeremiad as a rhetorical form, suggesting three basic components. First, “Jeremiads identify problems that signal decline vis à vis the past. Jeremiahs claim that their societies have gone badly wrong, and offer vivid examples or statistics to back up these claims” (126). Second, “Jeremiads identify a point in the past in which the harmful idea or practice responsible for decline first made its appearance, and trace out the injurious consequences from its earliest inception to the present day” (127). Third, “Jeremiads call for reform, repentance, or renewal—a specific course of action to reverse contemporary decline and to reclaim the original promise of communal life” (127). Murphy also briefly mentions another common theme in the American jeremiad, significant for my interpretation of the policy narrative behind anti-MLRE. With respect to the 1960s civil rights movement’s invocation of the nation’s founding promises, Murphy observes that, “This promise was the American
birthright, and a birthright implies a story, a narrative. Indeed, the language of birthright is crucial when discussing the historical nature of the jeremiad” (134).²⁵⁹

As I elaborate in chapter 8, the concept of the “American Dream” is very much bound up with a conception of national birthright, insofar as the enjoyment of that dream is understood as meant, first and foremost, for American citizens (and then, perhaps secondarily, for immigrants with good-faith aspirations of citizenship). The birthright element of the jeremiad reveals how even ostensibly self-critical nationalistic narratives may be channeled into a quasi-nativist path of least resistance, where internal class (or other) contradictions are submerged in the common denunciation of an alien scapegoat. Indeed, if nationalistic narratives are ultimately meant to foster domestic harmony, then a foreign villain is always preferable to a domestic one; the Manichean impulses of American Exceptionalism are once again directed outward, and to the extent that fellow Americans are accused of corruption, they can be cast as villains’ accomplices (or “minions”) rather than the primary villains of the story. Thus, with respect to recent anti-MLRE policy narratives, shadowy, foreign investors in American real estate are the real threat to the American Dream…assisted, though they might be, by unscrupulous American real estate professionals.

²⁵⁹ For example, as Martin Luther King intoned in his famous Aug. 28, 1963 speech, “When the architects of our republic wrote the magnificent words of the Constitution and the Declaration of Independence, they were signing a promissory note to which every American was to fall heir… It is obvious today that America has defaulted on this promissory note insofar as her citizens of color are concerned.”
“Rebellion to Tyrants” – the Ambiguous “Illicit”

Andreas and Nadelmann (2006) have documented how various prohibitionist regimes have been internationalized through the efforts of hegemonic powers – especially the United States. America’s crusaders against various “illicit” practices and commodities, while beginning with a domestic focus, have often evolved into transnational moral entrepreneurs, using the nation’s military and diplomatic influence to impose uniform laws and regulations across the world. As already suggested by the foregoing discussion of American nationalistic narratives, these processes have often been imbued with a Manichean flavor – the American led “war on drugs” constituting a good example.

However, it is important to emphasize that the self-righteous moralism of American exceptionalism has never implied a consistent or thoroughgoing legalism. Rather, the essence of this exceptionalism is more akin to a glorified freedom of the will,

260 “It is a story of American exceptionalism insofar as... an empowered and emboldened United States internationalized its criminal justice efforts to an unrivaled and unprecedented degree, with profound consequences for countries across the globe” (Andreas and Nadelmann 2006: 105).

261 I use scare quotes here to emphasize the socially constructed, and historically contingent, nature of this designation, as emphasized by the authors.

262 As Andreas and Nadelmann explore in depth, the architecture of the preexisting US-led antinarcotics regime was put to new use following the 9/11 attacks and the global war on terror. In narrative terms, one might say that the jihadi terrorist surpassed the narcotrafficker/drug dealer as the central motivating villain, although there was an element of continuity between the two figures in their popular depictions as ethnonational other. (Anti-drug policies in the United States have often originated alongside racist/nativist moral panics, as documented by a now extensive literature. See, e.g., Bonnie and Whitebread 1974; Musto 1999; Hari 2015.)
ultimately transcending any reverence for law per se. As Eagleton observes in his satirically perceptive manner, this aspect of American exceptionalism also has theological roots: “If God’s freedom was to be perfect, it could not be confined by the world he created. If it was, he would not be all powerful… American ideology aspires to this Godlike freedom. There is a sense it which it is less concerned to worship the Creator than to take his place.” Historically, this divinely-inspired voluntarism has manifested itself in Americans’ pragmatic approach to the very definition of the “illicit.”

As Andreas documents in his revisionist work, Smuggler Nation, a certain laissez-faire attitude— including towards breaking laws in pursuit of material gain – has long defined the American national identity. Indeed, the libertarian ethos of justified tax and tariff evasion was foundational to the American revolution:

For better and for worse, smuggling was an essential ingredient in the very birth and development of America and its transformation into a global power…Take, for instance, the War of Independence. In many respects, the rebellion was a backlash against the militarized British crackdown on illicit trade (Andreas 2013: xi, 4).

The founding revolt was legitimated in highly theologized terms, per the development of American Civil Religion. One only need to read the Declaration of Independence, or, more succinctly, Benjamin Franklin’s suggested motto for the Great Seal: “Rebellion to Tyrants is Obedience to God.”

---

263 Lipset (1996) identifies this ideology as one of the key pillars of American Exceptionalism (while noting the semantic confusion it has historically inspired): “The United States is viewed by many as the great conservative society, but it may also be seen as the most classically liberal polity in the developed world… What Europeans have called ‘liberalism,’ Americans refer to as ‘conservatism’: a deeply anti-statist doctrine emphasizing the virtues of laissez-faire.”

264 The suggested imagery was also telling: “In Franklin’s rendition for the Great Seal, Moses stands beneath a pillar of fire in the sky and closes around Pharaoh and his army the waters that Moses had parted for the Israelites” (Davis 2022: 33).
This rebellious element in the nationalistic narrative canon ultimately provides the basis for narrative flexibility in the government’s response to transnational crime (or, more specifically, the Treasury’s AIF policymaking, as we will explore both in reference to the limited nature of its anti-MLRE regulations and its nonaction with respect to HDN demonetization). Indeed, as Andreas’ book details, the American state has historically vacillated between the active suppression of illicit activities and the “benign neglect” of them. Especially where foreign tyrants can be narratively invoked, the illicit behaviors (e.g., smuggling, tax evasion) of their subjects appear less reprehensible – perhaps even taking on the patina of justified rebellion, American style. After all: rebellion to tyrants is obedience to...

The variation in Treasury AIF policymaking cannot be reduced to some consistent or objective standard of what constitutes either a threat or an effective response. But, as the next three chapters illustrate, the variation is illuminated by a comparison of the relevant policy narratives, interpreted through this nationalistic canon.
Chapter 7 – Overcoming the Monster

On Sept. 20, 2001, President George W. Bush gave an address to a joint session of Congress, articulating the public indignation at the 9/11 terrorist attacks and laying out the moral justification for a martial reaction. The enemy was a new and virulent form of Islamist extremism –“the heirs of all the murderous ideologies of the 20th century” – attacking everything the nation held dear, “our freedoms -- our freedom of religion, our freedom of speech, our freedom to vote and assemble and disagree with each other” (The White House, President George Bush, “Address to a Joint Session of Congress and the American People” 2001). So the US would retaliate with all the tools at its disposal, and with complete confidence in its moral position:

Americans are asking: How will we fight and win this war? We will direct every resource at our command – every means of diplomacy, every tool of intelligence, every instrument of law enforcement, every financial influence, and every necessary weapon of war – to the disruption and to the defeat of the global terror network.

Indeed, as the President’s closing words assured, the American response would be sanctioned not only by secular principles of just retribution and national security, but by virtue of the nation’s righteous participation in a cosmic battle between good and evil:

The course of this conflict is not known, yet its outcome is certain. Freedom and fear, justice and cruelty, have always been at war, and we know that God is not neutral between them. Fellow citizens, we'll meet violence with patient justice -- assured of the rightness of our cause, and confident of the victories
to come. In all that lies before us, may God grant us wisdom, and may He watch over the United States of America.

With this final, piously nationalistic prayer, Bush returned to a religious framing already intimated in his TV address to the nation on September 11th. In that earlier communiqué, Bush quoted from the Psalms (23: 4) of David, that biblical hero who used his sling and stones to overcome the Philistine Goliath (then beheading the giant with his own sword). “Even though I walk through the valley of the shadow of death, I fear no evil, for You are with me” (The White House, President George Bush, “Statement by the President in His Address to the Nation” 2001).

I selected President Bush’s address to Congress to begin this chapter for perhaps obvious reasons. First, its widely recognized historical importance: Ikenberry (2006: 197) notes that the speech was “seen by some as the most important statement of American grand strategy since President Harry Truman’s Greece and Turkey speech of March 12, 1947, when the United States declared its determination to fight communism worldwide.” But more specific to my purpose in this chapter, the speech is unparalleled in its expression of all the core elements described by the Narrative Policy Framework, encapsulating the story that would animate and justify the government’s subsequent policy actions, including the Treasury’s innovation of targeted financial sanctions. The September 20th address was the quintessential recitation of the “Terror narrative,” which, as closely analyzed by Ronald Krebs (2015: 145), “imparted meaning to the shocking images by supplying a distinctive portrait of the drama’s chief protagonists, their motives, and the historical setting.”
Krebs’ (146) subsequent remarks reiterate the points made in the last chapter about the partially arbitrary quality of securitization in the context of multiple potential interpretations of a security threat: “The conjunction of narrative situation, institutional authority, and rhetorical mode again helps explain why and how the Terror narrative became dominant.” Mayer (2014: 120) similarly observes that,

Images of the collapse of the World Trade Center Towers and the attack on the Pentagon were terrifyingly clear, but what they meant was not. As Americans struggled to comprehend the meaning of what had just happened, Bush used narrative to persuade the American public of his interpretation of its interests.

For Boukalas (2014: 14), this was both a matter of timing and the inherent charisma of presidential leadership, “The first eloquent attempt to fill in this traumatic void of meaning was undertaken by President Bush. He produced an organised and increasingly comprehensive discourse which endowed the events with meaning.” While the president may not have spoken for each and every American citizen, the historical record shows that the narrative employed in the address was in fact widely supported by the American government and people at the time.\textsuperscript{265} This was perhaps unsurprising given the special role of the president as a national figurehead during moments of crisis. Indeed, “The President is the most inclusive and authoritative voice in politics, and claims symbolic links to the population unparalleled by any other actor (Boukalas 2014: 14).

\textsuperscript{265} Bush’s address received bipartisan applause throughout. Boukalas (2014: 14) observes that “the discourse of the President, was systematically reproduced by the entire administration.” Citing data from polls by Gallup and Pew, he notes that, “The war on terror discourse was a runaway success with the public, at least in the early post-9/11 period (roughly 12 months from the attacks) when the public had no resources to contradict the presidential narrative.” For the significant increase in Bush’s public approval ratings in the year following the attacks, see, e.g., Kinder and Kam (2010: 97).
Bush’s speech was instrumental – a “performative speech act” (de Goede 2012: 14) – ushering in the wide-ranging securitization of the US state apparatus, including the Treasury department.266 As we saw in Chapter 3, this was not strictly a top-down process moving from the cabinet to the executive bureaucracies; while Bush and his inner circle may have defined the new foreign policy objectives, it was up to policy entrepreneurs within the Treasury (as well as other departments267) to generate the specific counterterrorist innovations. However, the political justification derived from an original narrative, as exemplified by Bush’s address. And while bureaucratic self-interests may have largely motivated the later development of targeted financial sanctions, the critical innovations occurred in the immediate post 9/11 context (i.e., the first “moment” of the policy window, as described in chapter 3). The accounts of Treasury officials’ convey an apparently sincere identification with the Terror narrative in that moment. After all,

> When we are drawn into a story told by others, we may come to see ourselves as characters in the unfolding drama and that we are compelled to act, compelled to do the moral thing, compelled to do what our identity demands of us, compelled by the dramatic imperative of the narrative (Mayer 2014: 97).

The following sections examine each of the core narrative elements of the war on terror as articulated by Bush in his September 20 address and other public speeches given within a short time of the attacks. Viewed from the canon of American nationalist

266 Homolar (2022: 325), more generally, argues that, “Call-to-arms speeches are a particularly important class of security rhetoric, through which political leaders mobilize political support and legitimate the use of force.”

267 For example, Suskind (2004: 186) describes George Tenet’s pitch to the White House in senior policymaker meeting shortly after 9/11: “Tenet passed out a thick packet of intelligence documents on worldwide terrorism and the CIA’s plan for a covert war against terrorists, in Afghanistan and elsewhere. The plan focused on expanded powers for the agency and a kind of global charge – under which the agency could attack every aspect of terrorist networks using any means necessary without specific, case-by-case clearance from the president or other administration officials.”
narratives, these pronouncements consistently invoked the rhetoric of “American exceptionalism” – that, in addition to the sovereign right of self-defense, the US was uniquely justified in dictating the terms of a global conflict between good and evil. American exceptionalism was thus temporarily wedded with the “state of exception,” or the invocation of emergency circumstances to put forward protective/defensive policies that might otherwise be challenged on legal or moral grounds.268

As for the structure of the Terror narrative, there was nothing so exceptional about it. Quite the contrary: from a literary/anthropological perspective, it was a story as old as human history. Part of this chapter explores how the Terror narrative largely overlapped with an archetypical plot form known as “Overcoming the Monster,” in which a “protagonist sets out to defeat an antagonistic force (often evil) that threatens the protagonist and/or protagonist's homeland” (Wikipedia, “The Seven Basic Plots”). Booker (2004) provides an overview in his book The Seven Basic Plots:

The essence of the 'Overcoming the Monster' story is simple. Both we and the hero are made aware of the existence of some superhuman embodiment of evil power...Often it is threatening an entire community or kingdom, even mankind and the world in general. So powerful is the presence of this figure, so great the sense of threat which emanates from it, that the only thing which matters to us as we follow the story is that it should be killed and its dark power overthrown. Eventually the hero must confront the monster, often armed with some kind of 'magic weapons', and usually in or near its lair, which is likely to be in a cave...or some other deep and enclosed place.

This last element here perhaps most obviously resonates with the US military’s counterterrorist operations in Afghanistan (given the villain’s literal inhabitation of

268 See Agamben (2005) and de Goede (2012).
caves). But, with respect to this archetypical resonance of the Terror narrative, the Treasury added an important embellishment: targeted financial sanctions were the new and powerful “magic weapons” that would help the American hero defeat the terrorist monster. Especially on the “meso” level of policy narratives – where AIF policymakers from the Treasury had to defend their bureaucratic interests from skeptics and potential rivals during the second “moment” of the post 9/11 policy window – this plot element was repeatedly emphasized. The Treasury had a unique and necessary weapon, without which the hero could never vanquish the monster. And only the Treasury could effectively wield it.269

Setting

The setting implied by Bush’s narrative actually begins before the 9/11 attacks, a time during which the nation seemed to be enjoying unprecedented security. The post-Cold War period of the 1990s – that apparent “end of history” (Fukuyama 1993) characterized by the success of the American liberal-democratic/capitalistic model – represented a time of comfort and complacency for the nation. Americans had been going about their business, oblivious to the growing, foreign threat…and then, suddenly, the illusion was shattered. “Our nation has been put on notice,” Bush said in his 9/20

269 See Zarate (2013: 136-8) for an extended explanation of the Treasury’s unique AIF capabilities (as already described in Chapter 3 herein).
address. “We are not immune from attack.” History had begun anew. America was once again at war.

As some commentators later confessed, the immersion in this new, invigorating drama cast a retrospective pallor on the period before 9/11 (the original ‘setting’ described above). The 1990s’ were a time of comfortable boredom, in this reading, whereas the war on terror promised some sense of purpose and meaning. Robin’s (2004: 1-2) summary is worth quoting at length:

After September 11, 2001, writers tell us, an altogether different kind of fear drove a similar passage from passivity to feeling and action. Before 9/11, Americans were supposed to be in Eden, idling in a warm bath of social autism. According to David Brooks, the ethos of the day was to cultivate our “private paridises,” to bask, in the words of Don DeLillo, in “the utopian glow of cyber-capital.” At the time bliss seemed the glorious flower of peace and prosperity. In fact, many claim, it was the rotting fruit of decadence and decay. Suffering no difficulties, feeling no loss, we let our sense of the world go dim, our muscles atrophy. Holding up a mirror to our impoverished appetite for experience, Brooks notes that the most celebrated sitcom of the age was Seinfeld, “a show about nothing.” But 9/11, writes Frank Rich, was a “nightmare,” awakening us from a “frivulous if not decadent decadelong dream.” The fear it provoked, adds Brooks, was a morning “cleanser, washing away a lot of the self-indulgence” of the nineties. According to George Packer, it brought us “alertness, grief, resolve, even love”—experience itself. Packer cites, approvingly, the comments of an investment banker fleeing the World Trade Center on the day of the attack: “I’m not in shock. I like this state. I’ve never been more cognizant in my life.” Fear restored to us the clarifying knowledge that evil exists, making moral, deliberate action possible once again. What was to be dreaded was not a repeat of 9/11 but, according to Packer, a “return to the normality” that preceded it, for that would mean “instead of public memorials, private consumption; instead of lines to give blood, restaurant lines,” instead of civic attention, personal dissolution. 9/11 was not the end of the story. Like the saving fear of Adam and Eve, it was just the beginning.

In a retrospective collection of essays on the significance of 9/11, Martin Amis (2008: x) confessed a similar sentiment about the psychological silver lining of 9/11: “If September 11 had to happen, then I am not at all sorry it happened in my lifetime.”
A close reading of Bush’s September 20th address suggests two levels in its characterization of victims, heroes, and villains. The most obvious victims are those killed or injured by the attack, the various first-responders are the most immediate heroes in the narrative, and the hijackers themselves are the clear villains. The beginning of the address is couched at this (relatively superficial) level of characterization: “We have seen it in the courage of passengers, who rushed terrorists to save others on the ground…We have seen the state of our Union in the endurance of rescuers, working past exhaustion.”

However, it soon becomes clear that the more general (and politically important) victim in the narrative – the *Victim* (with a capital V, as I shall henceforth distinguish it) – is the entire American people (Krebs 2015: 153). Ultimately, it is the nation writ large that is threatened and victimized by the terrorist scourge. In parallel form, the hijackers themselves constitute only a particular, transient incarnation of the much larger *Villain* of global terrorism:

Americans have many questions tonight. Americans are asking: Who attacked our country? The evidence we have gathered all points to a collection of loosely affiliated terrorist organizations known as al Qaeda. They are the same murderers indicted for bombing American embassies in Tanzania and Kenya, and responsible for bombing the USS Cole.

But as Bush goes on to make clear, al Qaeda is only the tip of the iceberg. The villains of the story extend much farther than those directly responsible for the attacks. “Our enemy is a radical network of terrorists, and every government that supports them. Our war on
terror begins with al Qaeda, but it does not end there. It will not end until every terrorist
group of global reach has been found, stopped and defeated.”

With the Victim thus identified as the whole American people – threatened by a
Villain of global proportions – the US government must perform its role of protector, that
is, the hero.

We will take defensive measures against terrorism to protect
Americans. Today, dozens of federal departments and agencies, as well as state
and local governments, have responsibilities affecting homeland security. These
efforts must be coordinated at the highest level. So tonight I announce the
creation of a Cabinet-level position reporting directly to me -- the Office of
Homeland Security…the only way to defeat terrorism as a threat to our way of
life is to stop it, eliminate it, and destroy it where it grows. Many will be involved
in this effort, from FBI agents to intelligence operatives to the reservists we have
called to active duty. All deserve our thanks, and all have our prayers. And
tonight, a few miles from the damaged Pentagon, I have a message for our
military: Be ready. I've called the Armed Forces to alert, and there is a
reason. The hour is coming when America will act, and you will make us proud.

However, as the narrative continues to crystalize, the heroic roles of the first responders,
military and government officials are likewise ultimately submerged in the more general,
unifying characterization of the Hero. If the whole nation is Victim, then the whole
nation must also be the Hero…or, to add a bit of nuance, will become the Hero by
persevering in the noble mission set before it.

Great harm has been done to us. We have suffered great loss. And in our
grief and anger we have found our mission and our moment. Freedom and
fear are at war. The advance of human freedom -- the great achievement of
our time, and the great hope of every time -- now depends on us. Our nation -
- this generation -- will lift a dark threat of violence from our people and our
future. We will rally the world to this cause by our efforts, by our
courage. We will not tire, we will not falter, and we will not fail.
As we will explore in the next section, this dynamic character development is part and parcel of the plot form implied by Bush’s narrative. But returning to the element in question, what is arguably most important about the characterization in Bush’s narrative is the irredeemably evil and insidious nature of the villains (or Villain). The extreme villainy of the Villain, in the war on terror narrative, was such that extreme responses (by the government-Hero) were rendered more palatable in the realms of both public and official opinion. It is therefore worth considering the preexisting cultural context in which the Villain was characterized.

Bush’s September 20th address briefly compared the terrorists of 9/11 to America’s past enemies (e.g., nazis, totalitarians) to emphasize that the terrorists, too, would be inevitably be defeated. As a whole, however, the speech was able to rely on the widely-held image of the terrorist as a uniquely hateful and nihilistic figure, diametrically opposed to the nation’s values and way of life. “Why do they hate us? …They hate our freedoms -- our freedom of religion, our freedom of speech, our freedom to vote and assemble and disagree with each other…These terrorists kill not merely to end lives, but to disrupt and end a way of life.” Recent scholarship (e.g., Pinfari 2019) has explored the archetype of the terrorist as especially threatening and monstrous in the

---

270 Here, the “overcoming the monster” plot form is conceived as a variation on the ancient myth (or “monomyth”) of the “hero’s journey.” Jewett and Lawrence (1977: xx) argue that “whereas the classical monomyth was based on rites of initiation, the American monomyth derives from tales of redemption. It secularizes the Judeo-Christian redemption dramas that have arisen on American soil, combining elements of the selfless servant who impassively gives his life for others and the zealous crusader who destroys evil.” The American monomyth is especially apparent, the authors contend, in the pop-cultural “reliance on extralegal superheroes” (xxi).

271 “By sacrificing human life to serve their radical visions -- by abandoning every value except the will to power -- they follow in the path of fascism, and Nazism, and totalitarianism. And they will follow that path all the way, to where it ends: in history's unmarked grave of discarded lies.”
popular imagination – a phenomenon no doubt cultivated by many decades of media sensationalism.  

Booker (2004: 31) describes the archetypical monster accordingly:

> What is this monster which, since time immemorial, has so haunted the imagination and fantasies of mankind? ...The question may be put in the singular - speaking of one 'monster' rather than many - if only because the essential characteristics of this creature are so unvarying, regardless of the variety of outward guises in which he (or she) appears. For a start, throughout the world's storytelling, we find the monster being described in strikingly similar language. It tends, of course, to be highly alarming in its appearance and behaviour. It may be: horrible, terrible, grim, misshapen, hate-filled, ruthless, menacing, terrifying. As goes without saying, it is mortally dangerous: deadly, bloodthirsty, ravening, murderous, venomous, poisonous. It is a deeply deceitful and tricky opponent to deal with: cunning, treacherous, vicious, twisted, slippery, depraved, vile. There is also often something about its nature which is mysterious and hard to define. It may be: strange, shapeless, sinister, weird, nightmarish, ghastly, hellish, fiendish, demonic, dark. In other words, in its oddly elusive way, we see this 'night creature', whether it is a giant or a witch, a dragon or a devil, a ghost or a Martian, representing (often vested in a kind of dark, supernatural aura) everything which seems most inimical, threatening and dangerous in human nature, when this is turned against ourselves.

While many of these characterizations (e.g., “hate-filled,” “murderous,” “sinister”) were apparent in Bush’s September 20th address, others were developed in similar speeches from the time. For example, in his remarks on his Executive Order 13224 (delivered in

---

272 Such a viewpoint is supported by the recent controversy over Rukmini Callimachi, a New York Times journalist who was exposed for relying on dubious sources for her sensationalized — but hitherto popular and well-respected — coverage of ISIS executions. As observed in a later NYT editorial apparently intended to make things right, Callimachi’s “whole story seemed to depend on the credibility of a single character...whose vivid stories of executing men while warm blood ‘sprayed everywhere’ were as lurid as they were uncorroborated.” The author goes on to opine that, “the terror beat lends itself particularly well to the seductions of narrative journalism. Reporters looking for a terrifying yarn will find terrorist sources eager to help terrify. And journalists often find themselves relying on murderous and untrustworthy sources in situations where the facts are ambiguous. If you get something wrong, you probably won’t get a call from the ISIS press office seeking a correction” (Smith 2020).
the White House Rose Garden on September 24, 2001), Bush emphasized the deceit and
cunning of the terrorist enemy:

I've signed an executive order that immediately freezes United States financial
assets of and prohibits United States transactions with 27 different entities. They
include terrorist organizations, individual terrorist leaders, a corporation that
serves as a front for terrorism, and several nonprofit organizations. Just to show
you how insidious these terrorists are, they oftentimes use nice-sounding, non-
governmental organizations as fronts for their activities. We have targeted three
such NGOs. We intend to deal with them, just like we intend to deal with others
who aid and abet terrorist organizations (U.S. Department of State, “President
Freezes Terrorists' Assets” 2001).

Bush thus established the terrorist enemy as a “tricky opponent to deal with,” who would
could be expected to hide behind apparently legitimate organizations. The speech also
continued the characterization, inchoate in the September 20th address, of the terrorist as
“something… mysterious and hard to define” (per Booker, above). Once again, it was not
so much specific terrorists, but a shadowy terrorist network (with its anonymous allies
and financiers) that had to be extirpated.

Marco Pinfari’s recent work, Terrorists as Monsters: The Unmanageable Other
from the French Revolution to the Islamic State (2019), argues that two particular
monster archetypes have been most commonly associated with jihadi terrorists in the post
9/11 war on terror. The image of Frankenstein’s monster has often been used by critical
commentators highlighting America’s own role in creating Al-Qaeda (i.e., through the
earlier funding and recruitment of the mujahadeen during the Soviet-Afghan War). But
government officials (and media/academic commentators more sympathetic to the Terror
narrative) have generally alluded to a different monster archetype: the many-headed hydra.  

Although Frankenstein’s monster is a deformed but not inhuman creature, the other archetypal image that is used to describe global jihadism – the hydra – is a snake-shaped monster that is unequivocally perceived as a repulsive “other” and that carries with it the complex symbolism inherent in the metaphorical use of reptiles and dragons, including their association with deception and viciousness… the hydra allowed framers to highlight the multiple, yet interconnected, manifestations of networked terrorism— for instance, how “al-Qaeda may have been cut down in Afghanistan, but it is growing in Pakistan’s border area” (Economist 2008) (Pinfari 2019: 72-3).

While Bush did not explicitly invoke the hydra in the Rose Garden, his remarks were suggestive of metaphors that would reappear with frequency in both academic and policy narratives of the war on terror. In particular, one notices certain phrases likening the Treasury’s moves against terrorist finance to decapitation – an apt simile, perhaps, given

---

273 The terrorist-hydra metaphor appeared in the September 26, 2001 Congressional hearing on the Bush Administration’s National Money Laundering Strategy for 2001 (U.S. Government Publishing Office, “The Administration’s National Money Laundering Strategy for 2001”). More recently, the network between Hezbollah and various South American funding streams was described, in a 2016 Congressional hearing, as having “metastasized into a hydra” (U.S. Government Publishing Office, “The Enemy in Our Backyard: Examining Terror Funding Streams from South America”). An internet search of “terrorist finance” and “hydra” produces numerous examples of the metaphor employed in journalism, academic papers, and policy briefs. Juan Zarate himself has used it on several occasions, for example: “The vacuum created by the disintegration of al Qaeda’s central command is being filled by Qaeda ‘franchises’ -- spinoff or copycat branches of bin Laden’s original network, counterterrorism officials say. ‘The movement fueled by a common ideology has morphed into more of an AQ hydra, with the old core weakened but new franchises and inspired individuals taking on the global jihadi mantle,’ said Juan Zarate, a White House counterterrorism adviser to former President George W. Bush, referring to the multi-headed serpent of Greek mythology” (Hosenball 2011).

The Bible’s Book of Revelation – so central to the evangelical community with which Bush identified, and clearly inspiring the Manichean eschatology of the Terror narrative – provided another version of this mythical figure: “Monsters with comparable features also crepted into the Bible, especially in the book of Revelation; both the ‘red dragon’ and the first ‘beast’ that appear in chapters 12 and 13 have ‘seven heads’ like the Hydra. To the imagery of the Hydra, the monsters of the book of Revelation detracted one important feature— the ability to regrow its heads once they were severed” (Pincari 2019: 7). The first few years after 9/11 produced a number of scholarly works demonstrating the Christian fundamentalist inspiration for the war on terror, as well as Bush’s use of coded religious language in referring to it. (For a summary, see Phillips 2006: 204-8). Kimball (2002: 154) notes that, “As soon as the U.S. government was confident that Bin Laden and al-Qaida were responsible for the attacks, President George W. Bush dubbed him ‘the evil one’ and his network of operatives ‘evildoers’ – terms historically used for Satan and those who do his bidding.”

266
the etymological root linking the concepts of wealth, the head, and mortal punishment (Merriam Webster, “Capital”).

“And we know that these organizations cannot function if we're able to – the way they want to – if we're able to chop off their monies. And we intend to do so,” Bush remarked (italics mine). The president further employed the timeless monetary metaphor of “lifeblood” in his characterization of the asset freezes: “Money is the lifeblood of terrorist operations. Today, we're asking the world to stop payment.” Secretary of State Colin Powell extended the corporeal metaphor in an appearance at FinCEN not long afterward: “with this event, we build on success, success in starving terrorists of their money, for money is the oxygen of terrorism. Without the means to raise and move money around the world, terrorists cannot function” (U.S. Department of State, “President Freezes Terrorists' Assets” 2001).

With these initial sanctions, the Treasury had demonstrated its ability to vanquish specific terrorist monsters – like Perseus, the Treasury had frozen and decapitated the gorgon-headed Medusa, a miniature network of venomous snakes. But as Bush had already emphasized in the Rose Garden, this opening salvo in the financial war on terror was “just a beginning” – the true Villain, the global network of terrorism, was an infinitely larger hydra with innumerable heads to chop off. Indeed, the power of the mythological hydra to continuously regenerate itself, by growing new heads (i.e., new capital), meant that its metaphorical application to the terrorist villain expressed a certain polyvalence from the beginning. In a pessimistic reading, it meant that the war on terror

---

274 The metaphor of decapitation has a much broader use in military discourse, referring to targeted assassinations of enemy leaders (or other strikes intended to defeat the enemy by destroying its leadership or command infrastructure).
could never really be won, despite the best efforts of the counterterrorist hero.\footnote{For example, Pinfari (2019: 73) observes that, “Disagreements on policy decisions can also be reinforced by evoking specific attributes of this bestiary of snake-headed creatures. David Cameron’s description of the raids on Rakka, the Islamic State capital, as attempts to cut off ‘the head of the snake’ (McDermott and Pickard 2015) offered the chance for critics of his policies to reply that, because of the hydra-like nature of jihadist terrorism, ‘several of its heads have already been chopped off and it keeps growing bigger ones’ (White 2015).”}

That valence became more explicit several years after 9/11, when policymakers in the Bush administration began to speak more openly about the interminable nature of the war on terror. However, from the more faithful perspective of the Terror narrative as articulated in Bush’s September 20th address, the apparent resilience of the terrorist monster simply reinforced the implication that the hero would have to struggle mightily, and with exceptional methods, to achieve the final victory.\footnote{Stone (2012: 178) observes that, “In both art and politics, the most important feature of symbols is their ambiguity…ambiguity is central to political strategy.” If managed deftly by policymakers, the ambiguity in the symbol of the hydra is perhaps particularly conducive to the indefinite prolongation of ‘wars’ on impersonal phenomena (e.g., the ‘war on terror,’ ‘the war on drugs,’ the ‘war on crime’). On one hand, the many heads of the hydra offer many markers of success (i.e., individual heads to chop off). But insofar as “success” against the hydra is likely to be temporary, partial, and relative (because the hydra can be expected to regenerate itself), there is always more work for the government/hero to perform…although the hero could theoretically kill the monster if given more support and resources. Becker (1963: 157) provides a quintessential description of this paradox: “In justifying the existence of his position, the rule enforcer faces a double problem. On the one hand, he must demonstrate to others that the problem still exists: the rules he is supposed to enforce have some point, because infractions occur. On the other hand, he must show that his attempts at enforcement are effective and worthwhile, that the evil he is supposed to deal with is in fact being dealt with adequately.”}

In the meantime, the hyper-villainization of the terrorist monster was arguably abetted by a deep undercurrent of ethnoreligious chauvinism. While the formal structure
of the Terror narrative was basically universal (“overcoming the monster”), its specific content was also informed by an ancient “clash” – real or imagined – of civilizations.

**The Perfect Villain: The Islamist Terrorist as Utterly Other**

An amorphous global network of terrorism may have been difficult to visualize without assistance from implicit or explicit mythological imagery. But for Americans (both then and now), the terrorist is rarely a faceless abstraction.\(^ {277}\) The stereotypical terrorist had long possessed a particular foreignness— one well-suited to the role of radical villain in any winning policy narrative. From movies to comic books, the American public had long been conditioned to regard Muslims and Arabs as innately devious and sinister (Shaheen 1985, 1994, 2003), an image with deep roots in Western culture. Indeed, if the terrorist is always already other, the Muslim-Arab terrorist is especially so.\(^ {278}\)

One strand of critical post 9/11 scholarship saw the framing of the war on terror as infused with orientalism, a concept pioneered by Edward Said in his famous, eponymous book. As explained by Barkawi and Stanski (2014: 2),

The idea of a West at war with an East conceived as radically other is pervasive and longstanding. Edward Said’s seminal statement focused largely on a specific

\(^ {277}\) Corbin (2017) provides an in-depth analysis of American’s ingrained associations of terrorism with Muslims and Arabs, noting that such associations were present before (though also enflamed by) the Sept. 11\(^ {th}\) attacks.

scholarly tradition that arose in the eighteenth and nineteenth centuries, but orientalist tropes and themes have since proliferated to many sites and contexts. Public support for the war on terror, from this scholarly perspective, was fundamentally nourished by an orientalist meta-narrative (or, in the language of the NPF, a narrative at the “macro” level) that predisposed the public to a radical division of “us versus them.” “Orientalists fight war at the level of meaning,” Barkawi and Stanski (2014: 3) claim, “over which account of reality dominates opinion.”

Of course, Bush took pains in the Sept. 20 address to emphasize that America was not hostile to the religion or civilization of Islam per se:

I also want to speak tonight directly to Muslims throughout the world. We respect your faith. It's practiced freely by many millions of Americans, and by millions more in countries that America counts as friends. Its teachings are good and peaceful, and those who commit evil in the name of Allah blaspheme the name of Allah. The terrorists are traitors to their own faith, trying, in effect, to hijack Islam itself. The enemy of America is not our many Muslim friends; it is not our many Arab friends.

However, the extremely Manichean tone of the speech was read by many to be an implicit endorsement of the sort of “Clash of Civilizations” worldview that Samuel Huntington had described several years before in his book of the same title.279 As Huntington (1996: 209) had written,

Some Westerners, including President Bill Clinton, have argued that the West does not have problems with Islam but only with violent Islamist extremists. Fourteen hundred years of history demonstrate otherwise. The relations between Islam and Christianity, both Orthodox and Western, have often been stormy. Each has been the other's Other.

279 To Said (1997) and his followers, Huntington’s thesis was the epitome of orientalist theorizing.
In a recent, retrospective analysis, Beydoun (2018: 96) argues that, “President Bush’s speech, which specified that America’s target were terrorists who “practice[d] a fringe form of Islamic extremism,” was saturated with appeals to an ideological, cultural, and civilizational war—indeed, the very standoff Huntington wrote about in The Clash of Civilizations.” For Beydoun, it was the promise to defeat “every terrorist group of global reach” – rallying in the name of “freedom,” “progress,” “pluralism,” “tolerance,” and other purportedly “Western” values – that belied the president’s assurances that America’s response would be limited to Islamic extremists.

This war is dramatically distinct from its predecessors and unlike conventional wars in general. Its target is not a nation-state or empire, but rather the vague and amorphous concept of terrorism, conflated with Islam and the billions of its believers presumed to be sympathetic to or in cahoots with terror (97).

Indeed, such suspicions appeared to be vindicated quite early on, when Bush referred to the war on terror as a “crusade.” Woodward (2002: 94) recalls how the controversy unfolded:

‘This crusade, this war on terrorism is going to take a while,’ he [Bush] added. The characterization of the war as a ‘crusade’ would be recognized as a blunder because of its serious negative connotations in the Islamic world, where is still associated with invading medieval European Christian armies. Aides would later have to take back the comment and apologize.

Why was the term “crusade” especially provocative? The noted religious scholar Karen Armstrong (2001: ix) argues that “the Crusades were not a fringe movement in the Middle Ages; they were central to the new Western identity that was forged at this time and which persists to the present day.” And the new Western identity, in this reading, was mutually constituted by another – that is, the Muslim adversary in control of the “Holy Lands.” “Ever since the Crusades, the people of Western Christendom developed a
stereotypical and distorted image of Islam, which they regarded as the enemy of decent civilization” (Armstrong 2002: 186). If Armstrong’s psychohistory is correct (as many scholars would concur280), then the fundamental motifs of “the Crusades” should retain some narrative appeal in the Western psyche to this day…secular and enlightenment transformations notwithstanding.281 As Mayer (2014: 9) remarks, “stories that work are also those that resonate with the stories a community already holds in mind, the religious, historical, political, and popular mythologies of culture.” Carroll (2012: 293) comments further on the psychological significance of this narrative framing:

For President Bush, “crusade” was a natural point of reference…Christendom came into a sense of itself only through the centuries long war with Islam. From that first millennial trauma, Christendom’s legacy cultures, including America, had unknowingly not recovered. The Crusades…were the hinge around which our entire civilization turned, around which culture spirals still. It was practically inevitable that a U.S. president would think as Bush did. Holy war and jihad call to each other, and at the summons fighters engage without a first thought, much less a second. That is why, in the beginning of “this crusade” against terrorism, Americans could receive their apocalyptic, millennial president’s prescriptions so blithely, even as he then presided over a set of national reactions to 9/11 that unfolded over the remaining seven years of his administration.282


281 We might recall here how the Terror narrative served to unite otherwise antagonistic groups of Americans – religious fundamentalists (such as Bush) as well as secular atheists (e.g., Sam Harris, Christopher Hitchens) – in a common foreign policy cause. While both Harris and Hitchens disparaged religion tout court in their public appearances, their understanding of fundamentalist Islam as uniquely threatening allowed for at least a short-term marriage of convenience with Bush’s evangelical base. For a fascinating history of American conceptions of the Muslim world – predated President Jefferson’s confrontation with the Barbary pirates, and confirming the role of Islamophobia in the formation of a unifying American Civil Religion and nationalism – see Oren (2007). “The followers of this faith, generally called Musselman, were perceived by eighteenth century Americans as the ultimate Other” (Oren 2007: 41).

282 With respect to front lines of the war on terror, Carroll goes on to observe that “During the Bush tenure…the U.S. military fell under the sway of conservative evangelical Christianity in unprecedented ways, with commanders ordering their juniors to attend Bible study; with proselytizing chaplains seeking to bring troops to Jesus; and with many U.S. soldiers encouraged to think of themselves as modern-day Crusaders” (293-4).
Indeed, perhaps the political brilliance of the Terror narrative was its ability to simultaneously disavow and exploit this Western nostalgia for the Crusades. One might say that the formulations of the radical jihadism or ‘Islamism’ managed to sublate the West’s longstanding antagonism to Islam per se. The leader employing it could thereby establish/express his society’s tolerance – in enlightened, liberal fashion – to the alleged vast majority of peaceful Muslims around the world (including American citizens) while also preserving the archetype of the Islamic villain (i.e., the “Saracen”) and subliminally mobilizing its symbolic power.

Such an interpretation is fleshed out by Ian Haney López in his book *Dog Whistle Politics: How Coded Racial Appeals Have Reinvented Racism and Wrecked the Middle Class* (2014). With respect to Bush’s Sept. 20\(^{th}\) address and subsequent public communications, Lopez argues that Bush spoke in,

the register of a dog whistle, a way to advance a basically racial message while still maintaining plausible deniability. By deemphasizing biology and focusing instead on religion—on values and beliefs, rather than on physical essences—Bush could claim he was only criticizing a religion, or even more narrowly, the perversion of a religion (119).

This implicit ethno-civilizational identification of the “enemy” proved most useful, Lopez argues, when the Bush administration extended its “war on terror” to Saddam Hussein’s Iraq. But it also arguably enabled the whole spectrum of post 9/11 counterterrorist action by the US government:

---

283 My use of this term follows the common English translation of the German term “aufheben” as employed by Hegel: that is, “to negate or eliminate (something, such as an element in a dialectic process) but preserve as a partial element in a synthesis” (Merriam Webster, “Sublate”).
The transformation of those who perpetrated the 9/11 attacks into a generic, implacable Middle Eastern foe helped Bush rally the nation for a war against Iraq initiated on fraudulent claims. Perhaps here more than anywhere else, a subliminal racial message proved key to the administration’s aims. Yes, hyped weapons of mass destruction helped hoodwink the public. But even more fundamentally, it was the construction of an Arab Muslim threat that duped the majority of Americans into believing that Saddam Hussein and Iraq were deeply connected to Osama bin Laden and Al Qaeda. In turn, the racial and religious bigotry that justified the war also gravely tainted its conduct. Practices ranging from extraordinary rendition to torture could only have occurred at a state-sanctioned level, accompanied by broad public acquiescence, in the presence of widespread racist views about the nation’s foes. Ultimately, the Bush administration defined itself and indeed the whole country in terms of a global confrontation with an Arab Muslim enemy, a confrontation widely perceived as a racial and religious clash. Yet as presented publicly, religion and geography helped thinly obscure the racial element, allowing Bush to garner support for his actions on the basis of coded racial appeals (119-120).

While Lopez doesn’t explicitly mention the government’s actions against terrorist finance, his general argument is echoed by other critical scholars who have focused on that realm in particular. Marieke de Goede has perhaps done more than any other scholar to illustrate how post 9/11 CTF (both in the US and elsewhere) depended on the sort of narrative elements I have analyzed in the foregoing. Her book Speculative Security: The Politics of Pursuing Terrorist Monies (2012) suggests that the tropes present in the original Terror narrative provided the foundation for a “terrorism finance canon” – that is, a set of commonly recycled facts and narratives constructing terrorist finance as a security problem.

The stories thus collated and circulating, taken together, do not always give a balanced view of developments in this area— preferring sensationalist and sometimes unfounded items that confirm the urgency of the problem rather than the numerous reports and opinions that draw attention to the complexities and inefficiencies of fighting terrorism financing (16).}

---

284 De Goede’s analysis, it is important to note, does not deny that terrorist finance exists as a real phenomenon. But (similar to my application of the NPF here) de Goede wants to call attention to the ways
As she goes on to note, there was at times a genuine Islamophobia in the terrorism financing literature, whereby all Muslim monies become regarded as suspect and on their way into terrorists’ hands. Statements that one-third of all Muslim charities have ties to terrorists are not uncommon but are uncorroborated by actual investigations and criminal cases (25).

This implicit invocation of a nefarious global network – connecting otherwise disparate Muslim organizations – could be used to influence opinions in lieu of hard evidence. For example, De Goede (2012: xviii) relates the feelings of a juror, William Neal, in the high profile case of an Islamic Charity (the Holy Land Foundation for Relief and Development) accused of funding terrorists – in this case, the Palestinian Hamas. (The charity was among the organizations sanctioned in the original list drafted by the Treasury and issued by President Bush as Executive Order 13224):

According to Neal, prosecutors exploited a climate of fear in which the historically situated political struggles of Palestinian Hamas morphed seamlessly into a global jihadist terrorist threat: “A big factor in this case was fear. A lot of evidence that we saw was fear-based. If you’re ignorant, or if you have no idea about a certain political culture, and you don’t know that Hamas was, or still is, a political figure. . . . [They showed us] bomb-belts, and they showed us explosions of buses, and it’s fear. . . . Many times, at least a handful of times, they mentioned Osama bin Laden and 9/11.” This juror’s comments about the suggestive links drawn between Hamas and al Qaeda point to some of the wider political questions surrounding terrorism financing cases. One such question concerns the ways in which “association” becomes criminalized on the basis of notions of a new, networked terrorist threat.

in which narrative helps construct a particular form of illicit finance as deserving of special attention and government intervention: “We can argue that the terrorist finance canon is performative in the sense that it constitutes terrorist financing as a security problem in Western politics and culture through a set of repetitive and reiterative speech acts. This is not to say that all the elements, accusations, and statistics of the terrorist finance literature are entirely fictional or misleading. But it is to render explicit the contingency of the way in which a large diversity of historically and geographically situated financial–political issues—from undocumented migrants’ remittances to the facilitation of suicide bombings in Israel, from money laundering to Islamic banking—came to constitute a seemingly coherent and politically urgent policy domain called ‘terrorist financing.’”
De Goede attributes the “terrorist finance canon” to a “web of (mainly) Washington-based experts, consultants, and lobbyists works ceaselessly to collate, circulate, and reiterate particular stories with a view to promoting the political urgency of the problem” (16). This community would appear to include a few former Treasury officials themselves, among them former Under Secretary of the Treasury for Terrorism and Financial Intelligence, Jimmy Gurulé. Gurulé’s 2008 book *Unfunding Terror: The Legal Response to the Financing of Global Terrorism* is largely a plea to maintain the urgency of the CFT mission, with the book’s conclusion lamenting the dissipation of militant enthusiasm for the war on terror since the author left office. Devoting several chapters to the history of modern jihadism and al Qaeda, Gurulé’s analysis generally echoes the Bush administration’s depiction of Islamic extremism as a uniquely existential threat,

This ideology further rejects compromise, embraces martyrdom and demands complete victory. Effectively, bin Laden’s message is this: you are either a believer or a non-believer, a righteous Muslim or an infidel. With this message, bin Laden has inspired a movement that is intent on targeting the ‘non-believing’ world in the name of Islam (52).

**Secondary Characters**

Another important part of the Terror narrative was the identification of real or potential subvillains – that is *accomplices* or indirect facilitators of terror. In Bush’s September 20th address, this referred mainly to foreign states:

We will starve terrorists of funding, turn them one against another, drive them from place to place, until there is no refuge or no rest. And we will pursue
nations that provide aid or safe haven to terrorism. Every nation, in every region, now has a decision to make. Either you are with us, or you are with the terrorists. From this day forward, any nation that continues to harbor or support terrorism will be regarded by the United States as a hostile regime.

The same ultimatum was quickly applied to banks and other financial institutions around the world, however, as the Treasury began its contribution to the war on terror. In the Rose Garden address four days later, Treasury Secretary Paul O’Neill gave Bush’s message its financial application:

If you have any involvement in the financing of the al Qaida organization, you have two choices: cooperate in this fight, or we will freeze your U.S. assets; we will punish you for providing the resources that make these evil acts possible. We will succeed in starving the terrorists of funding and shutting down the institutions that support or facilitate terrorism. (U.S. Department of State, “President Freezes Terrorists' Assets” 2001).

It is worth noting in passing that Bush’s September 20th address also briefly identified a secondary victim in the story – those Afghan people with aspirations of modernism, secularism, and/or democracy, collectively under the thumb of the Islamist Taliban regime:

Afghanistan's people have been brutalized – many are starving and many have fled. Women are not allowed to attend school. You can be jailed for owning a television. Religion can be practiced only as their leaders dictate. A man can be jailed in Afghanistan if his beard is not long enough. The United States respects the people of Afghanistan -- after all, we are currently its largest source of humanitarian aid -- but we condemn the Taliban regime. It is not only repressing its own people, it is threatening people everywhere by sponsoring and sheltering and supplying terrorists.

---

285 Again, the September 24 Rose Garden address was given to accompany Bush’s first executive order targeting Islamic banks and charities with suspected links to Al Qaeda (The Avalon Project, “September 11, 2001: Attack on America Executive Order Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism; September 24, 2001”).
Identifying this character – typically represented as woman and child\textsuperscript{286} – opened up a potential subplot in the Terror narrative, bringing it ever closer to the “Overcoming the Monster” archetype. As Booker explains, “the monster often also has in its clutches some great prize, a priceless treasure or a beautiful ‘Princess’” (23). In addition to saving his own homeland from the external threat posed by the monster, the successful hero liberates the innocent captive in the prisoner’s own cave – thereby additionally demonstrating his selfless and voluntary exposure to danger for the sake of others. “We see the hero being drawn into the struggle not just on his own behalf but to save others: to save all those who are suffering in the monster's shadow; to free the community or the kingdom the monster is threatening; to liberate the 'Princess' it has imprisoned” (33).

While this characterization and plotline was a minor aspect – a subplot – of the Terror narrative as originally articulated, it subsequently became much more central with respect to Iraq – especially after the WMD story was debunked and the administration pivoted to the more moralistic justifications of “liberation” and “statebuilding.”\textsuperscript{287} But even from the beginning, the secondary victim gave the Terror narrative an additional moral fillip, further elevating the intentions of the hero and preemptively validating the inevitable ‘collateral damage’ – whether military or financial – of the hero’s noble mission.

\textsuperscript{286} In a close textual comparison of speeches by President Bush and Osama bin Laden, Lincoln (2006) finds that both figures employed the imagery of “children in danger who are menaced by one side and protected by the other.”

\textsuperscript{287} See Bacevich (2016: 239 passim) for summary.
Plot

As observed by one screenwriter, “few types of stories are as dominant throughout ancient, mythic and popular culture as “Overcoming the Monster” (The Screenwriter, “Overcoming the Monster”). Such a form would be of obvious interest to marketing specialists, creative writers, and – as NPF scholars remind us\(^\text{288}\) – politicians and policymakers as well. Whether by coincidence or deliberate design, Bush’s Sept. 20\(^{th}\) address aligned almost perfectly with this classic, and highly motivating, plot form. In the following, I juxtapose specific aspects of “Overcoming the Monster” (as summarized by Matt Davies [2018] in the italicized quotes below) with corresponding portions of Bush’s address to illustrate this interpretation:

“There is an evil force threatening the hero of the story. It threatens their world.”

On September the 11th, enemies of freedom committed an act of war against our country… These terrorists kill not merely to end lives, but to disrupt and end a way of life. With every atrocity, they hope that America grows fearful, retreating from the world and forsaking our friends.

“It threatens mankind.”

This is not, however, just America's fight. And what is at stake is not just America's freedom. This is the world's fight. This is civilization's fight. This is the fight of all who believe in progress and pluralism, tolerance and freedom. We ask every nation to join us…An attack on one is an attack on all.

\(^\text{288}\) For example, McBeth et al. (2014) assert that, “today’s policy environment encountered by the practitioner more closely resembles the business environment of marketing (McBeth and Shanahan 2004) than the “fact-based” scientific environment favored by scientists and policy analysts” (45)… “Policy marketers are interested in manipulating information and consequently use policy narratives that serve to influence public opinion in specific ways” (46).
“The hero must grow their skills and resources in the face of this adversity. Then, at some stage when they are strong enough, the hero must fight and destroy the terrible threatening monster.”

Americans are asking: How will we fight and win this war? We will direct every resource at our command -- every means of diplomacy, every tool of intelligence, every instrument of law enforcement, every financial influence, and every necessary weapon of war -- to the disruption and to the defeat of the global terror network.

“It certainly won't be easy and the odds will be stacked against the hero.”

This war will not be like the war against Iraq a decade ago, with a decisive liberation of territory and a swift conclusion. It will not look like the air war above Kosovo two years ago, where no ground troops were used and not a single American was lost in combat. Our response involves far more than instant retaliation and isolated strikes. Americans should not expect one battle, but a lengthy campaign, unlike any other we have ever seen… I ask for your patience, with the delays and inconveniences that may accompany tighter security; and for your patience in what will be a long struggle… Tonight, we face new and sudden national challenges.

“At some stage it will appear that this is an impossible fight to win. but eventually the hero will be triumphant. The evil will be overcome and the rewards will be huge.”

After all that has just passed -- all the lives taken, and all the possibilities and hopes that died with them -- it is natural to wonder if America's future is one of fear. Some speak of an age of terror. I know there are struggles ahead, and dangers to face. But this country will define our times, not be defined by them. As long as the United States of America is determined and strong, this will not be an age of terror; this will be an age of liberty, here and across the world… Fellow citizens, we'll meet violence with patient justice -- assured of the rightness of our cause, and confident of the victories to come.

Earlier we noted a certain sophistication in the Terror narrative’s characterizations. On one, more straightforward level, the US government assumed the role of hero/protector vis-à-vis the victimized American people. Yet on a more dynamic
(and ultimately compelling) level, the distinction between government and population would dissolve, with the American people themselves becoming Hero of the story. The metamorphosis of the Victim into Hero thus provides the story with its beginning, middle, and end. The protagonist of the story transforms from the innocent victim of an unexpected and unprovoked attack (at the beginning) to the heroic defender of the good (at the end, projected onto some future horizon). And the story is told from the temporal perspective of the middle (or perhaps the end of the beginning): the transitional stage inaugurated by Bush’s address, when the temporarily stunned and wounded nation resolves to avenge itself on its attackers and devote itself to the elimination of this new and evil menace, for the good of all humanity.

**Overcoming the Monster and the “War Paradigm”**

Booker (2004: 34) points out that the “overcoming the monster” story naturally lends itself to martial applications – indeed, this narrative has historically accompanied mobilizations for defensive war, from Churchill to Zelensky (English 2022). Recent works of reportage have explored the addictiveness of war as a source of drama and meaning. For example, Sebastian Junger has written poignantly about the difficulties veterans often face in returning to civilian life – the alienation from their formerly close-knit community of fellow soldiers, and the perceived meaninglessness of a safe and comfortable existence as compared with the single-minded purpose provided by war. “If war were purely and absolutely bad in every single aspect and toxic in all its effects, it would probably not happen as often as it does,” he argues. “But in addition to all the
destruction and loss of life, war also inspires ancient human virtues of courage, loyalty and selflessness that can be utterly intoxicating to the people who experience them” (2016: 77). Elsewhere, in his firsthand account of time spent with American soldiers in a remote outpost in Afghanistan, Junger admits that “the defense of the tribe is an insanely compelling idea, and once you’ve been exposed to it, there’s almost nothing else you’d rather do” (2010: 214).

John Taylor and Juan Zarate’s memoirs – entitled Global Financial Warriors and Treasury’s War, respectively – suggest that the war metaphor held some personal appeal for Treasury bureaucrats. Though of course not personally involved in combat, both men reminisced about their own trips to the front lines of the war on terror in Afghanistan and Iraq, proudly noting the dangers or privations they experienced along the way. After recounting a night spent on the dirty floor of a makeshift army terminal in Baghdad, Taylor (2007: xiv) recalls that “later my staff told me that making the effort to go to Iraq at that time was important for morale, and my unusual first night added icing to the morale-building cake by demonstrating that I too could put up with a little hardship.” But such symbolic acts of solidarity with common soldiers and lower-level bureaucrats were not only a way of fostering esprit de corps; apparently, they were also an opportunity for Treasury officials to more deeply embrace the narrative themselves. Uncomfortable hours spent in cramped in cargo planes and military vehicles confirmed the importance of personal sacrifice on behalf of the national mission – whether fighting with tanks and guns or “thick briefing books full of memos and background papers” as Zarate (2013: 16) described his only protection upon landing in Kabul.
Indeed, the war metaphor was kept front and center by the Treasury at the time, encouraging all the department’s employees to think of themselves as engaged in a noble national mission. “President Bush announced the freeze in the Rose Garden, and his words sent an important message to terrorists and to my team,” Taylor (2007: 13) recalls. “Listening to him, I realized that a new breed of warriors – global financial warriors – was about to enter the fight against the terrorists.” The frontispiece of Taylor’s book is a photo of a poster that was placed in the Treasury’s North Lobby soon after 9/11. The poster bore the vintage image of Uncle Sam, pointing directly at the viewer, with the message “We’re at war. Are you doing all you can?” Such a text evoked the sacrifices of earlier generations of Americans supporting just wars (perhaps especially World War II, where similar images and language were used on official propaganda posters) through their work on the homefront.\textsuperscript{289} Like the iconic “Rosie the Rivetter” of the “greatest generation,” ordinary workers at the Treasury could identify as the essential foot-soldiers in the war on terror. “There is no shortage of heroes and complexities to write about,” Taylor observes. “Indeed, thousands of well-trained, highly motivated ‘global financial warriors’ have been quietly fighting in many different ways in this war” (xii).

In a recent paper comparing various paradigms of counterterrorism, Jayes (2022: 6) argues that, “The use of the war paradigm in response to the September 11 attacks represented a departure from both international law and precedent, which understood

\footnotesize\textsuperscript{289} Deborah Stone (2012: 176) observes that the American proclivity for the war metaphor is itself highly bound up with American exceptionalism: “American politicians use the war metaphor so easily and frequently, according to sociologist Jonathan Simon, because only in the U.S. has any war – World War II – been associated with good times, national unity, high morale, and economic vitality.” Following in this vein, Taylor quotes the famous WWII general, George S. Patton (xxv), and refers to the heroic and self-sacrificing acts of US marines as inspiration for his efforts (2).
terrorism as largely a problem of criminal justice.” We already noted that the decision to frame the September 11th attacks as an act of war was replete with political significance, facilitating a whole series of interventions that would have been unlikely had the terrorist attacks been construed more criminologically. “The war metaphor sanctions draconian policy measures, such as zero tolerance policies in schools and mandatory long prison sentences for drug users,” Stone observes (2012: 176). Bush himself indicated as much in his September 24th address with Secretary O’Neill in the Rose Garden (“the Secretary of Treasury now has the option of providing some draconian measure”). But in the end, it was the radical otherness of the enemy – whether conceived in the more narrow, official terms (i.e., Jihadi terrorist) or broader orientalist ones (i.e., “Islam” as the “other” of “the West”) that called for truly radical measures.

Moral

Commenting on the importance of the financial front in the war on terror, David Aufhauser observed in a 2004 Congressional testimony that,

The man who straps a bomb to his chest as he enters a marketplace is implacable. He is beyond redemption and cannot be deterred. It would be the height of irony and a promise of future tragedy if we permit the orthodoxy of how we have organized ourselves in the past and how we have collected and acted upon intelligence in the past to deter us from responding in the future (U.S. Government Publishing Office, “An Assessment of Current Efforts to Combat Terrorist Financing” 2004).

Aufhauser’s remarks concisely captured how the moral of the Terror narrative followed directly from the characterization of the villain as implacable (or, per Pinfari’s
characterization, *unmanageable*). Unlike former villains in the gallery of America’s enemies – whether America’s Cold War rivals or non-state organized criminals or insurgents – the jihadist terrorist could not be deterred, for he was not a rational actor. His very identity called for an exceptional set of *preemptive* or *preventative* responses.

In an influential post 9/11 text, Agamben (2005) examines the juridical history of the “state of exception”/“state of war” – a temporary suspension of the legal order allowing the government to invoke emergency powers and go beyond its normal lawful bounds. While this was most visible in the administration’s legal innovations to permanently detain “enemy noncombatants” or perform “enhanced interrogations,” it also clearly manifested in the “Treasury’s War.” As in other spheres of the war on terror, the Treasury’s development of financial sanctions required a novel jurisprudence, constructed ad hoc to push the boundaries of legitimate government action.290 For example, as described by Treasury Secretary O’Neill, “[We] moved on…setting up a new legal structure to freeze assets on the basis of evidence that might not stand up in court . . . Because the funds would be frozen, not seized, the threshold of evidence could be lower and the net wider” (quoted in de Goede 2012: 157).

In the targeted sanctioning of financial actors with merely *suspected* links to terrorists – no less than the indefinite imprisonment of suspected terrorists in Guantanamo and elsewhere – the government relied on legal acrobatics291 that would

---

290 In “Post-9/11 America…spying became internal surveillance, defense became security, kidnapping became detention, and arbitrary acts became ‘executive decisions’ beyond the reach of law, justified by such terms as ‘security risk’ and ‘national security’” (Bilici 2012: 5). On the controversies over the White House legal memos facilitating the torture of suspected terrorists, see Fontas (2010).

291 Agamben’s (somewhat esoteric) history of the jurisprudence associated with the “state of exception” goes back to ancient Rome and devotes several pages (2005: 19-22) to the American context,
have scarcely been plausible in the absence of the original *narrative* behind the war on terror. To reiterate, it was essential that the 9/11 terrorist attacks be framed, first of all, as an act of *war*. As Agamben (2005: 21) observes,

> because the sovereign power of the president is essentially grounded in the emergency linked to a state of war, over the course of the twentieth century, the metaphor of war becomes an integral part of the presidential political vocabulary whenever decisions considered to be of vital importance are being imposed.

But as Bush *also* emphasized, the war on terror would be “unlike any other” – in contrast to former wars, there would be no political settlement, no *domestication* of the enemy (à la Germany and Japan)\(^{292}\) or rational negotiation (à la US-Soviet relations). Thus, the unique monstrosity of the terrorist enemy provided the ultimate justification for the state of exception, extended indefinitely into the future.\(^{293}\) Once again, Pinfari’s (2019: 47) remarks are apropos:

> Referring to the uncontrollable nature of the monster and its resiliency helps to rationalize at a symbolic level the failure of normal coercive measures and, as a result, can help public authorities manage the discontent of the targets and audience of terrorist campaigns for the recurrence of terrorist attacks. In this sense, the metaphor of the uncontrollable monster may be seen as one of the ways in which a political community responds to the attempts by “terrorists” to “alienate the authorities by portraying them as impotent in the defense of their citizens” (Neumann and Smith 2005, 577). Through this imagery, political authorities both acknowledge the threat and provide symbolic interpretative categories for understanding it, and therefore partially neutralize terrorist attempts at “spread[ing] chaos” (577). The fear of facing an uncontrollable threat also helps to justify a broader variety of policies when compared to the framing of “terrorists” as mere inhuman creatures. The response to an unmanageable monster focusing on various former presidents’ invocations of emergency powers – for example, Lincoln’s suspension of habeas corpus during the Civil War.

\(^{292}\) For a classic account of shifting American characterizations of the Japanese in WWII and afterward (i.e., from “subhuman” to “superhuman” monster, and then finally to reformed student of democracy) see Dower (1987).

\(^{293}\) “Bush is attempting to produce a situation in which the emergency becomes the rule, and the very distinction between peace and war (and between foreign and civil war) becomes impossible” (Agamben 2005: 22).
should arguably include not just the suspension of human rights, but also the imposition of a broader set of extraordinary military, legal, and political measures that should be as bold as the threat that the community is facing.

The state of exception (as the practical *moral* of the Terror narrative) also had clear policy implications for the secondary villains in the drama. Since the enemy was global in scope, the response would necessarily be global as well, with the United States recognizing no neutrals in the conflict. Those on the side of good would be expected to conform to US leadership in the strategy and tactics of the war; indeed, America’s victimization by the terror attacks only reinforced its preexisting will to unilateralism. Non-cooperative third parties would be treated as de facto accomplices of the enemy.

Pease (2009: 181-2) remarks on this mutually supportive relationship between the state of exception and American exceptionalism:

It was the putative threats that terrorism and rogue states posed to global interconnectivities that supplied the United States with the planetary enemy that it required to justify its positioning of itself as The Exception to the rules that it enforced across the planet. In justifying the U.S. monopoly over all the processes of global interconnectivity, the war on terrorism enabled the Bush administration to arrogate to itself the right to traverse every national boundary in its effort to uproot international terrorist networks and to defend the Homeland against incursions of Islamic extremists.

President Bush’s aforementioned authorization of “draconian measures” in his Rose Garden address referred not only to the first round of asset freezes, but also threatened consequences for European allies and banks reluctant to cooperate with the imminent weaponization of the global financial system:

294 “George W. Bush’s declaration of a Global War on Terror had extended the reach of the U.S. war mentality across the globe. It conscripted the Christian fundamentalists and the national militia to its war effort, and it incorporated what one Bush official described as the victim mentality of the Democratic Party within the emotional logic of the state” (Pease 2009: 204).
In Europe, for example, there are probably going to need to be some laws changed in order for those governments to react the way we expect them to. That's why I said in my comment, while we now – while the Secretary of Treasury now has the option of providing some draconian measure, we will look at it in on a case-by-case basis. We expect there to be a complete and full effort to join us in affecting terrorist organizations in all ways, shapes and forms.²⁹⁵

We might recall from the last chapter that while policy narratives revolve around the “Villain-victim-hero triad,” certain secondary villains may sometimes play an important role: “Minions—malevolent but weak—are less central, but they are useful tropes for ridiculing opponents” (Bergstrand and Jasper 2018: 229). As the financial front of the war on terror progressed, the “minions” characters would eventually take center stage as the object of targeted financial sanctions – or as the Overcoming the Monster archetype might call them, the Treasury’s “magic weapons.”

²⁹⁵ U.S. Department of State, “President Freezes Terrorists' Assets.” As told by Zarate (2013), the pressure on European counterparts to cooperate with the financial war on terror was largely focused on gaining access to SWIFT (which is based in Brussels). Farrell and Newman (2019: 65-6) document how the FATF had already attempted to use SWIFT for AIF purposes in the preceding decade, but was rebuffed due to privacy concerns: “SWIFT resisted government pressure for much of the 1990s, but succumbed after the September 11 attacks…In the years that followed, SWIFT secretly served as a global eye for the U.S. fight against terrorism, with the Treasury using the SWIFT system to monitor and investigate illicit activity (66)...Despite initial public protests, the dominant coalition in EU politics quietly approved of the U.S. use of SWIFT to create a financial data panopticon, so long as the United States was prepared to share the proceeds” (67).

Farrell and Newman’s account would thus seem to confirm a key argument of this chapter (as applied to the Europe’s post 9/11 response): that the exceptional menace of the villain in the Terror narrative provided the justification for exceptional countermeasures…including by European policymakers who might otherwise harbor concerns about US unilateralism.
The Treasury’s Magic Weapons

As this chapter has illustrated, the Treasury’s post 9/11 innovation of targeted financial sanctions was a concrete implementation of the Terror narrative articulated by the White House. The moral of that story was that new and exceptional means were necessary for fighting a uniquely monstrous enemy. Here, the Treasury’s participation in the Terror Narrative added another embellishment from the “overcoming the monster” archetype. We will recall from the earlier summary by Booker that a common trope in that story was the hero’s possession of special or magic weapons, giving a perhaps decisive advantage over the otherwise invincible monster. For example, Perseus’ decapitation of Medusa was performed with an adamantine sword from Zeus and a polished shield from Athena. Hermes – the Greek god of money, commerce, trickery and theft – loaned Perseus his winged sandals to fly across the sea to strike the gorgon from afar. From Hades, Perseus received the helmet of invisibility, so that – like the Treasury officials in the center of the modern financial “panopticon” – he could see without being seen.

296 Foucault’s famous work, *Discipline and Punish*, examines the physical structure (and psycho-political significance) of the panopticon as it was originally employed in prison facilities: “in the peripheric ring, one is totally seen, without ever seeing; in the central tower, one sees everything without being seen” (Foucault 1995: 202). As noted earlier, Farrell and Newman (2019) use the metaphor of the panopticon to describe the extreme capacity for unidirectional financial surveillance via the SWIFT system. Returning to the discussion of the nationalist narrative canon in the last chapter, one might argue that the Treasury’s arrogation of the financial panopticon exemplifies the aspiration to divine power – in this case, omniscience, as represented by the “all-seeing eye” on the reverse of the Great Seal – inherent in American exceptionalism. (The corresponding aspiration to military omnipotence was arguably captured by the notion of “full spectrum dominance” as defined by the Department of Defense in the early 2000s. See Engdahl 2009.)
The actual defeat of the monster is often couched in terms of exposure – that is, bringing the monster out of its dark refuge (where it has an advantage), and into the metaphorical light of justice. Just as vision literally atrophies in perpetual darkness, the monster is depicted as partially blinded by its own evil, and thus incapable of anticipating (or fully comprehending the potency of) the hero’s magic weapons. As Booker (2004: 33) describes the monster:

Despite its cunning, its awareness of the reality of the world around it is in some important respect limited. Seeing the world through tunnel vision, shaped by its egocentric desires, there is always something which the monster cannot see and is likely to overlook. That is why, by the true hero, the monster can always in the end be outwitted: as was the mighty Goliath by little David, who was able to stay out of reach of the giant's strength by using his little slingstones; as was the Medusa by Perseus with his reflecting shield, which meant he did not have to look at her directly…It is this fatal flaw in the monster's awareness which is ultimately its undoing.

A brief sampling of the language used by relevant policymakers will suffice to give a sense of the resonance between the use of financial sanctions and this archetypical narrative element. In his September 26, 2001 testimony to Congress (following Jimmy Gurulé), Michael Chertoff captured how the Treasury’s special powers would help turn the tables on the terrorists:

One of the features of this set of attacks we had two weeks ago is the diabolical way in which terrorists used our own technology and our own advanced society against us. They turned our aircraft into bombs. They use our financial system, our global system, as a way of fueling their own criminal activities. But we have an ability to turn that on them as well. If they need to use our global economic

---

297 For example, in a November 7, 2001 speech at FinCEN, President Bush announced 62 new asset freezes of suspected terrorist financiers and reminded the Treasury audience that, “We fight an enemy who hides in caves in Afghanistan, and in the shadows within in our own society. It's an enemy who can only survive in darkness. Today, we've taken another important action to expose the enemy to the light and to disrupt its ability to threaten America and innocent life” (U.S. Department of State, “President Announces Crackdown on Terrorist Financial Network” 2001).
system, we can police that system and start to dry up the streams of money that they rely upon (U.S. Government Publishing Office, “The Administration’s National Money Laundering Strategy for 2001”).

Another Treasury official commented on the terrorists’ apparent unpreparedness for the wave of sanctions: “I don’t think the terrorists were thinking so far ahead – That’s why the program that we ran with regard to SWIFT became so valuable, because they weren’t thinking that we could identify and follow them [when] they were using wire transfers.”\(^\text{298}\) The terrorists had perversely used the global financial system to terrorize and *paralyze* the American people. But now the American hero was stealthily decapitating the gorgon in its own cave. And, just as Perseus subsequently displayed the Gorgon’s severed head to the inhospitable King Atlas – turning the king to stone as punishment for his former non-cooperation with the hero’s mission – the publicization of the Treasury’s asset freezes and forfeitures served as a graphic cautionary example to international third parties disinclined to render assistance.

Of course, as described earlier in Chapter 3, the Treasury had another, more subtle weapon its arsenal. Freezes and forfeitures were relatively blunt instruments, and the list of thereby sanctionable targets was (at least as terrorist finance was concerned) finite. As David Aufhauser remarked on the limited applicability of asset freezes in a 2012 speech: “You know, it’s one thing to say they’re going to freeze their assets – most of these networks don’t have material assets in the US to freeze” (American Center for Democracy 2012). The Treasury thus began to experiment with its power to simply *name*

\(^{298}\) Author interview, winter 2023
and shame – i.e., its authority to designate foreign banks as “special money laundering concerns,” per Section 311 of the Patriot Act. It was here that the minions of the Terror narrative had a crucial part to play: if the Treasury couldn’t get at the terrorists themselves, it could at least make the reputational costs (of the slightest association with terrorists) prohibitive. Put differently, the Treasury could actually leverage the greed and self-interest of unscrupulous financial actors in its prevention of future terrorist finance.

As Aufhauser (2003) wrote for the Washington Institute for Near East Policy,

> while suicide bombers are implacable foes who are beyond deterrence, their would-be bankers are decidedly more cowardly. Such individuals often have a great deal to lose in prestige, money, and freedom, and they are no doubt apprehensive whenever the war on terror focuses on sources of money.

That the Treasury could pressure these potential minions of terror into cooperation with mere threat of ostracization was itself a testament to the central position of the Treasury in the international financial system, as described by Zarate in Chapter 3 and theorized by Farrell and Newman (2019) with their concept of “weaponized interdependence.”

As we saw, Treasury officials took great pains to market their unique capabilities – their

---

299 In contrast to liberal theorists of “complex interdependence,” who have generally associated financial globalization with the decentralization of state power, Farrell and Newman highlight the “asymmetric” quality of financial interdependence, “in which some states are able to leverage interdependent relations to coerce others” (2019: 45). Here we might emphasize that the coercive potential of SWIFT is not limited to the actual enactment of sanctions (i.e., Farrell and Newman’s “chokepoint” effect), but is already present in the perpetual possibility thereof, which derives from the “panopticon” effect as earlier theorized by Foucault. In the prison, the panopticon is designed to “induce in the inmate a state of conscious and permanent visibility that assures the automatic functioning of power…the perfection of power should tend to render its actual exercise unnecessary (Foucault 1995: 201). However, as Farrell and Newman argue with respect to the international financial system, the surveillance potential of SWIFT emerged more organically, through the interactions of private actors, and was only subsequently weaponized by the US and its European allies. “By building centralized networks, market actors inadvertently provide states, which are concerned with political as well as economic considerations, with the necessary levers to extend their influence across borders. Thus, structures that were generated by market actors in pursuit of efficiency and market power can be put to quite different purposes by states” (Farrell and Newman, 2019: 54).
magic weapons – to the national security community as the initial post 9/11 application of sanctions gave way to the potential redistribution of the Treasury’s AIF bureaus in 2002. And this same “mantra” (as Zarate described it) would be repeated in the years to come, even as the initial focus on terrorists broadened to a wider range of illicit financiers:

Treasury had tools, authorities, and resources to bring to bear on this problem, as we had for decades and would continue to have in the future. We could isolate rogue actors – drug traffickers, terrorists, or proliferators – unlike any other entity in the government, and we could do it globally and systematically. The Treasury Department worried about the integrity of the financial system, and our tools allowed the US government to have reach beyond its shores to affect the bottom line of our enemies. We also had ideas and potential actions to put on the table. We weren’t going anywhere (Zarate 2013: 143).

Indeed, the importance of the Treasury’s tools only increased as other, less palatable, innovations in the government’s counterterrorist repertoire proved to be either too expensive or of dubious practical value. As Aufhauser testified to the US Senate in 2004:

We know we cannot bunker and guard every school, marketplace, shopping center, airport, train station, or place of worship. So new elements of national power are required to prevent more killing and another calamity. None are more central to the prevention of a calamity than intelligence and the disruption of the lines of logistical support for terror. Money informs and defines both. It informs and defines both with a degree of integrity, reliability, insight, and impact that is without peer.

Many of you have heard me testify before that most of the intelligence and information we get in the war on terrorism is suspect, the product of treachery, deceit, custodial interrogation, and now we learn the product of torture. But the money records do not lie. They are diaries. They are confessions never intended to see the light of day and they lead to trails of plots not unlike the plot to use ricin in the London subway system which was stopped because of the exploitation of the money trail (U.S. Government Publishing Office, “An Assessment of Current Efforts to Combat Terrorist Financing” 2004).
“Safer But Not Yet Safe”

In a 2011 interview reflecting on the use of targeted financial sanctions, Zarate observed that, “By the time we got to 2009, there was a fundamental approach to our counterterrorism that, I think, the Obama administration has largely adopted” (“Friday Interview: Assessing American Safety Ten Years After 9/11”). Before closing this chapter, it is worth considering how an innovation originating in the Terror narrative of the Bush administration was preserved by Bush’s Democratic successor – despite the latter’s apparent criticism of that narrative. Krebs (2015: 274) observes that “Many saw in Obama a radical critic of the War on Terror, but he was no such thing.” While opposing the Iraq war as a blunder of US foreign policy, he preserved the basic characterization of the Islamist terrorist as a uniquely unmanageable threat, requiring a preventative response. Thus, key aspects of the original Terror narrative were preserved to justify the continued institutionalization of targeted financial sanctions described at the end of Chapter 3 – an appropriation that was perhaps already apparent several years beforehand, as the Democratic party regrouped from its 2004 presidential defeat.

In a recent, provocative work, Ackerman (2021: 103) argues that the basic preservation of the Terror narrative by the Democratic party helped lay the groundwork for the subsequent rise of right-wing populism resulting in the 2016 election of Donald Trump. “After their loss in 2004, Democrats adrift and shut out of power, found a way to make Islamophobia work for them,” he suggests. When the party regained control of Congress in 2006,
The Democratic agenda did not include withdrawal from Iraq, let alone abolition of the War on Terror. Instead elites, in and out of uniform, recast the overall War on Terror not as Bush’s theological crusade, but as a technocratic, salvageable struggle, guided by the hard-won rationality of its veterans and practitioners (107).

The problem, Ackerman claims, was that,

The longer the Forever War persisted, the more it fostered its nativist undercurrent, one that would never trust technocrats. However distrustful of the nativists the technocrats were, they would not accept that in a war fueled by outraged patriotism, their relationship to the nativists was symbiotic (107-8).

By perpetuating the War on Terror, the bipartisan Washington establishment continued to foster the “nativist undercurrent” of American politics, even if, as Ackerman argues, the Democratic party distanced itself from Bush’s original Manichean framing. At the same time, sanctions could never really undo their baptism in Bush’s post 9/11 “theological crusade.” Although the foreign villains were to take new (or, from a more cyclical perspective, old) forms, the apparently technocratic embrace of sanctions fundamentally relied on nationalistic narratives of us vs. them. Moreover, the symbol of the terrorist hydra could accommodate virtually any form of illicit finance, as apparent from the 2011 interview with Zarate. When asked: “Are we ever going to feel as safe again as we did Sept. 10, 2001?” Zarate replied as follows:

I don’t think psychologically, in terms of national security, in terms of how we view and sense the threats to the United States, we’re ever going to go back to a Sept. 10, 2001, mentality or psychology. I think the realities of terrorism in the 21st century — not just al-Qaida-driven, but other terrorist threats and other transnational threats — you look at drug trafficking networks, you look at the Mexican cartels and what’s happening in Mexico — I mean, these are threats that move beyond their locality, that impact the United States in ways that in a pre-9/11 context didn’t quite equate and didn’t quite calculate in terms of our national security. The reality is individual small cells have the ability to have geopolitical impact. There’s the means to have cataclysmic effect, and al-Qaida in many ways continues to try to inspire via its various heads, like a hydra, trying to inspire
attacks against the West (“Friday Interview: Assessing American Safety Ten Years After 9/11”).

Elsewhere in the interview, he more concisely summarized the situation: “I think it’s safe to say we’re safer but not yet safe.”
Chapter 8 – Expelling the Moneychangers

In Chapter 4, we saw how a loose advocacy coalition of journalists, NGOs, and sympathetic elected officials succeeded in putting anti-MLRE regulation back on the Treasury’s agenda, after over a decade of non-implementation. We argued that, politically speaking, anti-MLRE regulation had become something of a “policy surrogate” for the larger (and potentially much more contentious) issue of a growing housing affordability crisis – a conflation that was evident both in the (often nativist-tinged) public advocacy for expanded anti-MLRE and the Treasury’s own explanation of its decision to move forward with the geographic targeting orders. In this chapter, we focus more specifically on the policy narratives surrounding anti-MLRE – both the version employed by the real estate industry in 2002-2003 to secure an exemption from the Patriot Act provisions and the version advanced by the later advocacy coalition in favor of anti-MLRE.

In a work anticipating the Narrative Policy Framework, Roe (1994: 5) suggests that,

the way to undermine a policy narrative is not by trying to subvert it empirically…A better way to undermine a policy narrative is by creating a counternarrative…finding ways to "rewrite" dominant policy narratives, or engaging other dominant narratives that happen to run counter to the narrative being disputed.
This remark is not *entirely* representative of the clashing policy narratives around anti-MLRE, where there were attempts by either side to subvert the opposing narrative with appeals to empirical evidence. However, Roe’s basic insight captures the essential strategy of both the real estate industry and its eventual opponents. In the post 9/11 policy window, real estate lobbyists did occasionally question the practical significance of anti-MLRE with respect to CFT, but this was not their principal rhetorical strategy. Rather, per Roe’s recommendations, they found a way to “rewrite” the dominant policy narrative at the time by identifying key tensions within it and strategically emphasizing the aspects most favorable to the industry. The president had vowed to fight terrorism by all available means, but the Terror narrative also implicitly invoked the “American Dream” (and explicitly vowed to protect and promote the American *economy*). The real estate

---

300 A 2003 *New York Times* article describes this aspect of the conversation between FinCEN and the Real Estate Industry, as the former was then considering implementing anti-MLRE regulations: ‘To illustrate how real estate can be a conduit for illicit funds, FinCEN’s notice, published in the April 10 Federal Register, cited several criminal cases from the 1990’s that involved proceeds from illegal drug sales and a 1996 report published by the National Institute of Justice saying that ‘real estate transactions offer excellent money-laundering opportunities.’…But several lawyers said these examples were inadequate. Mr. Shepherd, who is chairman of a task force on the Patriot Act for the American Bar Association’s real property section, said in a telephone interview that FinCEN had failed to marshal any statistical evidence to show that the regulations were needed’ (Pristin 2003).

301 For example, a June 9, 2003 letter from the Escrow Institute of California to FinCEN argued that, “Regarding international money laundering activities, the general experience of the EIC membership is that real estate, being by nature an illiquid commodity, is not the kind of vehicle that money launderers generally use. Furthermore, in the experience of the EIC membership, there are no known transactions where terrorists laundered money through real estate transactions” (Financial Crimes Enforcement Network, “#35 Pothier”).

302 As examined in the last chapter, Bush’s September 20th address announced an all-tools approach to countering terrorist finance: “We will come together to give law enforcement the additional tools it needs to track down terror here at home.” At the same time, he promised a quick economic recovery, stating “We will come together to take active steps that strengthen America’s economy, and put our people back to work.”
industry could therefore capitalize on these symbols to resist anti-MLRE regulations within the framework of the dominant Terror narrative.

But over the course of the years, the “narrative situation”\(^{303}\) inevitably changed. While still partially operative (in more limited, technocratic form) the Terror narrative had receded from cultural dominance and public view, opening up the space for other possibilities with respect to both foreign and domestic policy. The unifying effects of the foreign terrorist enemy had dissipated, replaced by widespread disillusion over the Bush administration’s misadventure in Iraq and a growing populist mood. What’s more, the reputation of the real estate industry had been tarnished by the housing crisis of 2007-8.\(^{304}\) Its self-representation as a pillar of American prosperity – successful in 2002-3 – had been compromised by a housing market collapse in which trillions of dollars of home equity was destroyed, millions of Americans lost their homes, and “vulture capitalists” had still managed to come out ahead by buying properties on the cheap (Glantz 2019). As the housing market recovered in the early 2010s – indeed rapidly appreciating in some urban centers and displacing longtime residents – the narrative appropriation of the “American Dream” was shown to be a double-edged sword. The industry had employed a potent cultural myth in its earlier revision of the Terror narrative, but now that same myth would be used against it, as advocates of anti-MLRE constructed a compelling counternarrative from the same raw materials.

\(^{303}\) See Krebs (2015: 32 passim).

\(^{304}\) The associated banking and credit rating industries (especially in mortgage lending and the rating of securitized debt instruments, respectively) experienced similar reputational damage.
“The Economy” as Symbol

I ask your continued participation and confidence in the American economy. Terrorists attacked a symbol of American prosperity. They did not touch its source. America is successful because of the hard work, and creativity, and enterprise of our people. These were the true strengths of our economy before September 11th, and they are our strengths today (The White House, President George Bush, “Address to a Joint Session of Congress and the American People” 2001).

In the last chapter, we examined how the Bush administration’s framing of 9/11 was a clear communication strategy intended to explain and justify a fairly maximalist reaction to the terrorist attacks. This maximalism was reflected in the Treasury’s innovation of targeted financial sanctions, which went beyond existing precedents and tested the boundaries of legality. The Patriot Act, with its prodigious enumeration of new laws to advance homeland security and the war on terror, was the formal legislative expression of the Terror narrative. Like Bush’s September 20th address and surrounding statements, the Patriot Act established a Manichean framing whereby a dramatic threat called for dramatic reforms, including the application of the 1970 Bank Secrecy Act’s AML requirements to formerly unregulated sectors such as real estate.

Yet the anti-MLRE provisions in the Patriot Act were bound to clash with the popular mythology of the “American Dream” – that promise of prosperity won through Americans’ “hard work, and creativity, and enterprise” (as intoned by Bush in his address), and manifested most palpably in the rewards of individual upward mobility and home ownership. By mobilizing these potent cultural tropes – perhaps already in some tension with the president’s broader appeal to national sacrifice – the real estate industry
was able to refashion the Terror narrative towards its own interests. As Bush had already established (by exhorting Americans to return to work), to allow the attacks to damage the nation’s economy would be tantamount to letting the terrorists win. But wasn’t real estate a major part of the American economy? Wouldn’t cumbersome new anti-MLRE requirements make real estate transactions more expensive and difficult, adversely affecting the industry and resulting in layoffs and unemployment? And (perhaps most importantly, from a rhetorical standpoint), wouldn’t such consequences strike at the very cornerstone of the American dream – the ability of normal folks to buy a home?

Returning to the quote at the beginning of this section, we see that Bush’s Sept. 20th address invoked “the American economy” as “a symbol of American prosperity.” It seemed the terrorists chose to target the twin towers, where many high profile financial firms were concentrated, for these same symbolic associations. As columnist Michael Lewis (2001) elaborated on Bush’s framing several days after his address, “maybe it wasn't American bond traders specifically but the U.S. financial system in general that the terrorists were aiming at. But Wall Street long ago ceased to be a place and became an idea. You can't destroy an idea with a bomb. You can't even dent it.” Lewis then went on to suggest that this symbolic hit on the financial sector writ large should be embraced as a badge of pride: “the terrorists…believed that the bond traders are as critical as the U.S. generals and the politicians to extending liberty's influence in the world. They may be right. And that should make you feel proud.”

Indeed, the Bush administration placed a high priority on the rapid and publicly visible recovery of Wall Street so as to demonstrate to the rest of the world that the American economy was fundamentally beyond the terrorists’ reach. This sentiment was
shared by the Treasury Secretary himself, who wrote the following in his notes, “Striking at a symbol of our market system is a pathetic act of an evil mind that fails to understand that the genius of our system is in the hearts and minds of the people – not in the buildings we work in.” (Suskind 2004: 182 [quoting Paul O’Neill]). In a conference call concerning the reopening of the New York Stock Exchange, O’Neill stressed the symbolic importance of a decisive and visible reopening: “If it falters, or goes down again, the terrorists will have won. When it opens, it has to be clear that it’s not closing again” (184).

But while Wall Street’s recent victimization by a foreign enemy made it a suitable metaphor for “the American economy,”305 Bush’s address clearly made use of that larger abstraction as well. It is worth lingering for a moment on the history and meaning of this concept, since, as observed by a number of scholars, Americans one hundred years ago did not speak of “the economy” in the way we do now.306 “The Economy,” as used to today, is typically shorthand for the national macro-economy – that is, the aggregate value of all the nation’s goods and services – which necessarily implies some standard form of measurement. The abstraction of “the economy” is thus intimately bound up with the “gross domestic product” – a measure created during WWII to assist the American government with the war effort (e.g., to better rationalize tradeoffs between military production and domestic consumption). Indeed, the economic historian Zachary Karabell asserts that:

305 This was in contrast with more populist moments of American history – wherein “Wall Street” (i.e., financial speculation) is often unfavorably juxtaposed with “Main Street” (i.e., the ‘real’ economy).

306 For a brief and engaging summary, see the Planet Money, “The Invention of ‘the Economy.’” For more extended treatments, see Coyle (2015), Karabell (2014), Bregman (2017: 102-124).
The invention of GDP was one of the prime factors in winning the war. The ability to with some confidence be able to dedicate all these resources - because a lot of the reasons why America won the war wasn't because we fought particularly better than anyone else. It's because we had such a massive industrial machine that dwarfed the capacity of anybody else. And it was because we were able to use that with confidence that we weren't going to create huge domestic destruction (Planet Money 2014).

As Karabell and the Planet Money hosts go on to discuss, the concept/measure of the GDP spread rapidly after the war, soon becoming something of a fetish for a profession geared towards material prosperity through endless growth – as well as the basis for invidious national comparisons in the context of geopolitical rivalries. The twin concepts of “the Economy” and the GDP thus fit neatly into the preexisting cultural fabric of the American Dream, both in terms of its internal promise (i.e., more wealth for Americans) and its external posture (i.e., the nation as freer, and better off, than the nation’s enemies). With the help of an increasingly influential economics profession, the Economy achieved a semi-divine status in American culture, such that any threat to GDP growth was apt be regarded as a threat to American identity per se. As Bregman (2017:108) remarks in a recent, critical analysis, “The idea that GDP still serves as an accurate gauge of social welfare is one of the most widespread myths of our times. Even politicians who fight over everything else can always agree that GDP must grow.”

---

307 The idea also represents one of the most successful creations of the economics profession in terms of cultural consensus. For example, Daly and Cobb (1994: 62) note that while much of the American public rejects the market fundamentalist tendencies of mainstream economics, “with respect to growth as measured by GNP, there has been no major public dissent… the general public…accepts this view of economic health and is more likely to keep a party in power when it believes the economy – and that means chiefly the GNP – is growing.” (The GNP is of course technically different from the GDP – the former including goods and services produced by Americans abroad, while the latter restricted to goods and service produced within the nation’s borders – but, as aggregate measures for the “Economy” the two are largely interchangeable for the argument here, that is, the symbolic importance of national economic growth in the public consciousness.)
while a strong GDP/Economy is likely to contribute to any nation’s “collective self-esteem” (Wendt 1999: 236), it is perhaps especially intertwined with American nationalist narratives, given the history noted above.

Of course, to maintain a strong economy, in modern developed nations, ultimately depends on the maintenance of mass consumption. The terrorized American people could not afford to retreat from the commercial sphere or seek new meaning in the renunciation of materialism. Although the Terror narrative called for new sacrifices, reducing material consumption would not be one of them. De Goede (2012: 163) has captured this post 9/11 paradox:

In the wake of terrorist disasters, authorities have appealed to citizens to demonstrate resilience not through, for example, encouraging them to stay home with their families but through encouraging them to continue to shop, spend, invest, and commute. The “liberal way of life” to be rescued and reaffirmed through our particular understanding of the terrorist threat is intimately bound up with such notions of economy. As Bush phrased it in the wake of 9/11: “We must not let the terrorists cause our nation to stop traveling, to stop buying, to stop living ordinary lives.” Such “mobilization of consumption politics via the war on terror,” according to LeBillon, has the effect of redrawing “homeland security around the borders of the consuming self.”

The American Dream

A fairly sizable literature has explored the significance of the “American Dream” as a bedrock of national culture and identity. Hochschild (1995: xi) observes that “the American dream is and has been, for decades if not centuries, a central ideology of Americans.” While perhaps chiefly elevating prosperity, the dream also contains a strong
dose of Americans’ cherished notion of equality of opportunity: it is, as Hochschild goes on to explain, “not merely the right to get rich, but rather the promise that all Americans have a reasonable chance to achieve success as they define it—material or otherwise—through their own efforts, and to attain virtue and fulfillment through success.” Samuel (2012: 5), following the seminal work of sociologist Robert Bellah, points to the fundamental religiosity of these beliefs: “The American Dream can also be seen as a dominant theme in our civil religion or, perhaps, our civil religion itself.”

While different scholars have emphasized different nuances within the American Dream, they tend to concur on the centrality of *home ownership* as the dream’s quintessential expression. “Although the idea of perpetual progress (and, presumably, happiness) from one generation to another gives it a good run for its money, home ownership has to be the theme that most clearly symbolized the American Dream over the decades” (Samuel 2012: 6). Cullen (2004: 148), paying special attention to property’s appeal for immigrant communities, remarks that “Wherever they happened to live, Americans seemed united by an exceptional penchant for home ownership.”

---

308 Per my earlier discussion in Chapter 6, I would disagree with Samuel’s suggested conflation here, though his point is well taken: the American Dream and American Civil Religion have multiple overlapping elements and are clearly intertwined in what I refer to as a *nationalist narrative canon.*

309 Cullen (2004), for example, subdivides the “American Dream” into multiple elements: the “Puritan Dream,” the “Dream of Equality,” the “Dream of Upward Mobility,” the “Dream of Home Ownership,” and the “Dream of the Coast.” The close affinity between these last two items anticipates our subsequent discussion of the West Coast as a key site of political contestation over foreign investment in real estate: “like the Dream of Home Ownership, the dream I’m talking about here has a strong western orientation. It is a dream with roots in the South (specifically colonial Virginia) and one that traverses the mines, wheatfields, and deserts of the West. But its apotheosis is California. This American Dream is finally the dream of the Coast” (160-1).
In a recent analysis, Ackert and Mazzotta (2021) trace the ideal of home ownership back to the foundation of republic, and document how presidents of both parties have consistently paid (at least rhetorical) homage to it.\textsuperscript{310} George W. Bush praised America’s “ownership society” (Shiller 2019: 155), while Barack Obama identified “responsible homeownership” as the “most tangible cornerstone that lies at the heart of the American Dream” (Madden and Marcuse 2016: 74). The narrative has also influenced housing policy in material ways, such as the passage of the American Dream Downpayment Assistance Act, which (perversely coeval with financial deregulation and predatory lending) contributed to the housing bubble preceding the 2008 financial crisis (Shiller 2019: 154).

The American Dream continues to provide the cultural context whereby the real estate industry can harmonize its private commercial interests with the perceived “general interest.” As The National Association of Realtors (NAR) proclaims on its own website: “From its building located steps away from the United States Capital, NAR advocates for federal policy initiatives that strengthen the ability of Americans to own, buy and sell real property” (National Association of Realtors, “Federal Advocacy”). Shiller (2019: 155) concludes that the American Dream narrative “has probably boosted the real estate sector, both directly through consumer demand and indirectly via government support.”

\textsuperscript{310} “While the term ‘American Dream’ was not popularized until 1931, an American narrative tying happiness to homeownership began long before… In more recent decades, American leaders, both Democrats and Republicans, have reinforced the view that a home for every American is fundamental to the American way of life.” The authors use a natural language processing (NLP) framework to trace how the image of the American Dream of home ownership is increasingly correlated with feelings of hopelessness among younger generations who have come to regard it as unattainable. As we will explore momentarily, the growing housing crisis (and concomitant disillusion with the American Dream) has provided a more favorable backdrop for anti-MLRE policies (as contrasted with the period right after 9/11).
Johnson and Kwak (2011: 111) argue that Wall Street’s hyper-financialization of real estate in the early 21st century also took advantage of this homeownership ideology: “homeownership ranks alongside motherhood and apple pie in the firmament of American values, and helping more people buy houses is almost always seen as a good thing.”

The Small Business Owner

If material prosperity and home ownership represent the enjoyment of the American Dream, hard work and entrepreneurship are its ideological foundations – the celebrated mechanisms by which the dream is transformed into reality. Here, the small business owner figures prominently as a national icon. The successful small business owner not only achieves the American Dream for him or herself, but also makes it more possible for others: as proclaimed in a publication from the Harvard Kennedy School, “Small businesses are the backbone of the U.S. economy. They are the biggest job creators and offer a path to the American Dream” (Harvard Kennedy School, “Fintech, Small Business & the American Dream). 311 Samuel (2012) documents the historical association of the American Dream with the small business owner, providing various

---

examples.\textsuperscript{312} Remarking on the cultural influence of Horatio Alger’s “rags to riches” stories and the “the celebration of entrepreneurialism and upward mobility in general during the postwar years” (66), Samuel calls attention to the role of “Junior Achievement” clubs in the idealization of starting one’s own business:

The Horatio Alger mythology was a powerful one that provided a solid endorsement of America’s free-enterprise system. Adults were not just interested in following the principles of free enterprise but also committed to teaching them to young people during the postwar years, considered an ideal way to train the next generation to be good citizens (and consumers). Thousands of teenagers across the country received a tutorial in free enterprise via Junior Achievement, an organization offering actual experience in business. In 1960 more than a thousand boys and girls were involved in Junior Achievement on the North Side of Chicago alone, the budding entrepreneurs running more than a hundred small businesses (67).

As a political and cultural symbol, the small business owner is virtually sacrosanct;\textsuperscript{313} to genuflect to this symbol is de rigueur for both parties in Washington. “It seems everyone in Washington loves small business, or pretends they do,” says the National Federation of Independent Businesses (NFIB). “If you watch the news or listen to the ads, you’ll hear candidates on both sides of the aisle vow to help small businesses grow and create jobs” (Danner 2012). Such a reading is echoed in a NPR report on a “small-business tax cut bill” brought to Congress in 2012: “It's just the latest piece of legislation to focus on small businesses, which are widely praised in the political discourse as engines of job creation. The adoration is nearly universal — and it reflects

\textsuperscript{312} The association was promoted by cultural commentators (29, 107), the federal government (39), and civil society organizations (66) alike.

\textsuperscript{313} The archetypical significance of Benjamin Franklin (who achieved worldly success with his own print business) is worth noting here: “More than any other founding father, he embodied the ideal of upward mobility” (Cullen 2003: 62).
something beyond economic reality” (Keith 2012). The article goes on to cite the research of Frank Luntz, a famous (for some infamous) pollster and longtime political consultant for the Republican party:

“The small-business owner is always the good guy in the movies,” says Frank Luntz, a language specialist and a GOP pollster. “Being a small-business owner is the American dream. It's the epitome of success. People respect that individual.” Americans may have mixed feelings about big business and Wall Street, but Luntz says they identify with small business and Main Street — and politicians are keenly aware of it.

“I've tested language,” says Luntz, explaining some of the science behind the vocabulary. “I've tested 'small-business owner,' 'job creator,' 'innovator,' 'entrepreneur' and nothing tests better than 'small-business owner' because it represents all of those. It represents someone willing to take a risk. It represents hard work and perseverance.”

More recent polls have confirmed the stability of this cultural trope. The 2022 Gallup Confidence Survey found that “small business is once again the most trusted institution in the United States” (Buttle 2022). One analysis of the results observed that, by contrast, “Americans place far less trust in bigger financial institutions, with 27% having a great deal of confidence in banks, 26% in large technology companies, and 14% in big business” (Nguyen 2022). Interviewing Cindy Kam and Samara Klar, two contemporary political scientists specializing in political psychology, the article stressed that “Americans don’t really have a handle on what defines a small business, and romanticize small businesses as part of the American dream.” It would
seem that the vague conception of what actually/legally qualifies as “a small business” enables much political posturing and lobbying to capitalize on that symbol.

Indeed, the small business owner has also figured prominently in the victimology of the American Dream, as the impersonal forces of globalization and big business have made it difficult for small businesses to compete (Samuel 2012: 107). In policy narratives, the small business owner can operate as a hero, and/or a martyr/victim – depending on the economic circumstances as well as the framing of the narrator.

While “Wall Street” may have enjoyed a temporary boost in reputation following the 9/11 attacks (which, as Lewis noted, symbolically targeted the US financial sector), its public support has vacillated with the times, whereas the appeal of “small business” has been consistent and politically reliable. It follows that the real estate industry – while in reality comprising a broad spectrum of businesses ranging from large to small – would generally attempt to represent itself as a group of scrappy small business owners in its lobbying efforts against expanded anti-MLRE requirements. As a corollary, we would expect that if the political momentum for anti-MLRE were to reach the point where some sector of the real estate industry would have to accept new regulations, the relatively smaller actors might be better positioned to avoid regulations. Those sectors perceived as “bigger financial institutions” – e.g., title insurance companies – would be more likely to take the proverbial hit.

---

314 “The Small Business Administration generally defines small businesses as those that have less than 1,500 employees and pull in less than $41.5 million in revenue a year” (Nguyen 2022).

315 “‘Small businesses are so heterogeneous, I think it’s quite difficult to extract a stereotype of them, except for this idea that they are local mom-and-pops,’ Kam said. And that stereotype masks the possibility that businesses classified as “small” can be larger than we expect, still pull in millions of dollars a year, commit fraud or sell dubious products — just like any other business” (ibid.).
Let us now examine some of the real estate industry’s communications to the Treasury in 2003, when the Treasury was considering implementing the anti-MLRE provisions of the Patriot Act and solicited public comments as to their likely effect. The real estate lobby successfully invoked elements of the same narrative frame established by Bush in his public addresses, but inverted the significance in such a way as to highlight the potential further victimization of Americans and the US economy if Patriot Act provisions were applied to the real estate industry. In addition to employing the time-honored icon of the small business owner (heroically struggling against excessive government regulation) the real estate industry was able to invoke the master signifier of "the Economy" as deployed by President Bush. The President had presented 9/11 as an attack on America's freedoms – including its industry and private enterprise. The real estate lobby, in its public relations and letters to the Treasury, was able to invoke these same elements to shift the cost-benefit analysis of potential anti-MLRE regulation in the direction of postponement and exemption. Finally, the industry was able to rely on the deep-seated symbolism of home-ownership as the chief expression of the American Dream. To make buying a home more difficult – unnecessarily, as the lobby argued – was to betray that dream.

The arguments made by the real estate lobby were summarized in the financial press at the time. Some reflected the usual skeptical positions of potentially regulated industries: i.e., that additional regulation would be redundant, or ineffective for addressing the problem at hand:
Members of the industry argue that there isn't compelling evidence that money laundering in real-estate transactions is so pervasive as to warrant that the law apply to real estate. They add that real estate is less susceptible to money laundering because of its illiquid nature and the industry already has practices in place to combat money laundering (Smith 2003).

But rather than simply complaining about increased transactions costs for themselves (if the Patriot Act provisions were enforced), the real estate lobby plausibly sought to harmonize its private interests with the average citizens, and indeed, the greater national interest, as defined by the Bush administration. An article referring to the real estate industry as “one of the economy's strongest pillars” noted that:

Real-estate interests fear the financial and administrative costs of complying with the Patriot Act money laundering rules will be unreasonably high. Those costs, they say, would eventually trickle down to buyers and sellers of houses and condominiums, as well as buyers and sellers of commercial properties such as apartment buildings or shopping centers -- in the form of fees and other added expenses…“This could substantially increase settlement costs, stifling mortgage originations, real-estate transfers and capital formation, which would weaken an industry that has been a stabilizing factor in this time of economic uncertainty,” says Clifton E. Rodgers Jr., senior vice president of the Real Estate Roundtable, a Washington-based lobbying group (Smith 2003).

If arguably self-serving, such appeals to the real estate as a key pillar of the economy were not substantially incorrect. By the early 2000s, the real estate industry – along with the finance and insurance industries symbolized by the twin towers – already accounted for a significant chunk of US GDP. Collectively referred to as the FIRE sector,316 these industries accounted for 20% of US GDP in 2001 (Phillips 2006: 265).

---

316 The three sectors are grouped together under the common banner of “financial services” (Phillips 2006: 265-70)
In addition to its invocation of “the Economy” writ large, the real estate lobby stressed the potential victimization of the small business owner and the American homebuyer. As the article quoted above continued:

What's more, regulations will be costly to consumers, some in the industry say. "There is no doubt that additional costs [to comply] imposed on this industry will be passed on to home buyers and persons refinancing their homes," says Jonathan L. Kempner, president of the Mortgage Bankers Association of America, a Washington, D.C. trade group, in a letter mailed to the Financial Crimes Enforcement Network. "Moreover, extensive requirements will cause delays in real-estate settlements and closings," which he says could lead to a buyer losing his security deposit if a settlement deadline in a residential sales contract is missed or cause an interest-rate lock to expire, resulting in a higher interest rate for the borrower.

The National Association of Realtors concurred:

In its letter dated July 23, the NAR said it is "very supportive of the Administration's efforts to implement and enforce rules to detect and prevent money laundering schemes and the financing of terrorism." But the NAR also said it believes "it is inappropriate to impose law enforcement responsibilities on an industry comprised of small businesses that are not trained in such matters, such as real estate brokers."

““The practical problem is that the compliance costs would be high,” said Carl Fornaris, an attorney in the Miami office of Greenberg Traurig PA. For the most part, real estate brokerages and other companies in that industry "do not have a robust compliance culture," he said. Fornaris said real estate attorneys and brokers believe added costs "would be passed on to the consumer and would make residential real estate closings more expensive." Industry officials also are concerned that smaller residential and commercial brokerages might find it difficult financially and administratively to set up and run Patriot Act compliance programs, said Guy Trusty, president of Miami-based brokerage Lodging &Hospitality Realty Inc.

A June 9, 2003 letter from the Escrow Institute of California to FinCEN further emphasized that,
Most of the escrow companies licensed by the California DOC are small, women-owned and some are minority-owned businesses...Rules which are based solely on the ability of an illicit actor to launder money would be a hardship to small and minority-owned businesses and would have the potential for changing the way local real estate closings are processed throughout the United States thereby interfering with the orderly processing of settlement services without a reasonable certain benefit for FinCEN in its efforts to implement programs to detect and deter money laundering activities (Financial Crimes Enforcement Network, “#35 Pothier”).

Other industry associations likewise depended heavily on appeals to the small business owner. The Federation of Exchange Accommodators reminded FinCEN that, “The vast majority of FEA members are small businesses with 10 or fewer employees and the inclusion of qualified intermediaries within the definition of ‘persons involved in real estate closing and settlements’ would result in an unfair economic burden” (Financial Crimes Enforcement Network, “#49 Potter”). Even real estate attorneys got in on the action, invoking the same public interest arguments made by the broader real estate lobby, while throwing in the civil libertarian shibboleth of lawyer-client privilege. An editorial written by a representative of the American College of Real Estate Lawyers (ACREL), implored its members to take advantage of the Treasury’s solicitation of public comments to prevent the Patriot Act provisions from going into effect:

The Sept. 11, 2001, terrorist attacks may unfortunately take yet another toll on the American economy if the notice is transformed into a set of regulations that impose onerous anti-money-laundering requirements on the real estate industry. This issue is most acute with real estate attorneys, who run the risk of breaching ethical obligations to comply with a federalized real estate regulatory regime. The requirements would also chill the attorney-client relationship with marginal benefit to the fight against money laundering. Interested parties must make their voices heard on this important issue by submitting written comments to FinCEN by no later than June 9 (“Viewpoint – Federalizing Real Estate Transactions: Another Surprise under the USA Patriot Act” 2003).
Finally, as summarized by a letter from the National Association of Bar-Related Title Insurers (NABRTI):

Imposition of an AML Program Requirement on Real Estate Attorneys would be duplicative of other AML practices, delay closings and dramatically increase the costs of real estate closings and will make home ownership less affordable...

In addition to the adoption of the written policies and procedures which have been discussed above, a Section 352-type AML program for real estate attorneys would also require the hiring or appointment of a compliance officer, the ongoing training of employees, and the auditing of the effectiveness of the AML program. To achieve compliance with these minimum requirements, real estate attorneys would be required to spend significant time and expense – much of which that would be passed on to their clients. Real estate attorneys, like most attorneys in private practice in the United States, generally charge a fee for services rendered on the basis of the amount of time spent working on a real estate transaction. An AML program requirement that would require a real estate attorney to do some basic investigation on the identity of his or her client and then verify that identify, as well as the source of funds, would add to the time an attorney would take on a real estate transaction. This, of course, would result in an increase in the legal fee that a client would normally pay today for assistance with a closing. The increased legal fee would be particularly onerous for low-to moderate-income buyers or sellers of residential real estate (Financial Crimes Enforcement Network, “#50 Taylor”).

The real estate industry’s lobbying of the Treasury in 2003 thus epitomized the notion of the “angel shift” as used in the Narrative Policy Framework. The industry portrayed itself as a group of small business owners struggling to achieve the American Dream (and make that dream possible for others), while generally contributing to the post 9/11 economic recovery. The angel shift selectively appropriated aspects of the Terror narrative, while casting the government in a more ambiguous role. We recall from the last chapter that the Terror narrative simultaneously characterized the American government, and the American people, as hero of the drama. The government was hero by virtue of its protective role over the victimized American people, but the latter would also become

---

317…and the “advocacy coalition framework,” e.g., Vogeler and Bandelow (2018)
heroic by virtue of its recovery and resolve. To recover, however, was defined by the President himself in partially economic terms, creating a crucial tension in the narrative. To fight the terrorists aggressively meant preventing their access to the financial system, which meant expanding AML regulations to non-traditional illicit finance vulnerabilities. But expanded AML regulations implied further collateral damage to the American economy. Thus, the real estate industry’s auto-angel-shift suggested that the US government might be inadvertently making things worse – the government thereby becoming not a villain, per se, but a de facto (if highly indirect and unintentional) 
accomplice of the terrorist. NPF scholars Shanahan et al (2014: 72) capture this distinction as it pertains to policy narratives in general:

Purposeful action with intended consequences produces an intentional causal mechanism that typically depicts the villain as harming the victim through nefarious means or through ignoring the harm. Inadvertent causal mechanisms are those whereby the action of the character was purposeful, but the effect was not; this could be due to unforeseen consequences, carelessness, or ignorance. Here, responsibility is suspended.

The real estate lobby’s message to the Treasury amounted to the following: your intentions are noble, but your zeal in pursuing the financial war on terror is misdirected and counterproductive. Do not become responsible for further damage to the Economy and the American Dream.  

318

---

318 As summarized sardonically by Foer (2019) in The Atlantic, “Every House district in the country has real estate, and lobbyists for that business had pleaded for relief from the Patriot Act’s monitoring of dubious foreign transactions. They all but conjured up images of suburban moms staking for sale signs on lawns, ill-equipped to vet every buyer.”
After considering the input from its Advance Notice of Proposed Rulemaking,\textsuperscript{319} FinCEN announced that the temporary exemption of real estate professionals from the AML obligations established in the Patriot Act would continue indefinitely. As explained some years later by Jennifer Shasky Calvery:

> FinCEN has considered whether to issue rules for persons involved in real estate closings and settlements. In April 2003, FinCEN issued an advance notice of proposed rulemaking for the category of financial institution to solicit public comment on appropriate AML requirements and who they should cover. The advance notice stated that any rules likely would cover settlement and closing attorneys and agents, appraisers, title search and insurance companies, escrow companies, and possibly mortgage servicers and corporate service providers. Based on comments from the advance notice, FinCEN decided not to move forward until we better identified the money laundering risks and activities involved (Financial Crimes Enforcement Network, “Jennifer Shasky Calvery, Director,” 2015).

### The Anti-MLRE Policy Narrative

As we learned in Chapter 4, the Treasury’s decision to finally begin (tentatively) implementing the anti-MLRE provisions of the Patriot Act was the result of the cumulative efforts of an advocacy coalition counterweighing the influence of the real estate lobby. While the most direct political pressure in this coalition came from elected officials and NGOs, the role of journalists in bringing more attention to MLRE was paramount: Carl Levin’s policy entrepreneurship in Congress was originally inspired by a work of reportage, while the influential NGO letter to the Treasury in 2016 was largely

\textsuperscript{319} See the Federal Register (Vol. 68, No. 69 / Thursday, April 10, 2003 / Proposed Rules).
based on concerns raised in the New York Times “Towers of Secrecy” series. The crucial role of investigative journalism in shifting the Treasury’s political calculus suggests that the potential narrative framings of the issue had evolved in the decade in a half since 9/11.

Certainly, national security concerns had metamorphosized in the interim, setting the stage for new (or rather, familiar but temporarily forgotten) villains. As the perceived threat of terrorism began to recede, attention returned to more traditional geopolitical rivals, especially a rising China and a revisionist Russia. At the same time, problems engendered by the longstanding polarization of wealth in the United States were beginning to rise to the surface, fomenting a resurgence in populist politics. Whether on account of stagnant real wages or the increasing commodification of US real estate (i.e., as a speculative asset for an increasingly globalized investor class), growing numbers of Americans were to find themselves effectively priced out of the American Dream… all this as new skyscrapers, with luxury condos for rich, absentee owners, became a fixture of urban development in NYC and other major cities. In this new context, the real estate industry’s ability to present itself as an unqualifiedly legitimate pillar of the American economy had begun to ring hollow; rather, the industry looked like the accomplice in the prostitution of the American Dream to a dubious foreign elite. Even Americans of comfortable means had reasons to question the wisdom of a system leading to rapid appreciation, volatility, and displacement in urban markets.

As observed by a former Treasury official, the regulation of the real estate industry is inherently difficult due to the industry’s widely distributed lobbying influence. “Real estate is so central to the economy that creating speedbumps and points of friction
on the question of liquidity in such a market is sort of anathema to a middle American congressperson.” But from the perspective of policy narratives, at least, the last decade has seen the advantage shift to proponents of anti-MLRE regulation. As the former official went on to remark, “I think post the 2008-2010 crisis, the real estate financing industry was less holy, politically, and required more oversight. The extraordinary high cost of those billion-dollar penthouses in Central Park or down in Miami, and the strong pieces of intelligence that made their way to places like the front pages of the NYT – that this is not clean money, it’s dirty money – made it not only a ripe target for regulation and tightening, but also a politically correct and savvy thing to do. It’s all part of the increasing awareness of how unequal things are in the economy today in America. So, yes: $10 million purchases of properties in Miami should raise people’s eyes. On top of that, it’s common knowledge that it’s all foreign money.”

Whereas the real estate industry in the post 9/11 policy window had appealed to the nationalistic narratives of the Economy and the American Dream to evade regulation, the anti-MLRE advocacy coalition of the early to mid-2010s was able to use those same symbols in a new policy narrative, applied to changed circumstances. This new narrative implied a “devil shift” directed at both shady foreign investors in real estate (the chief villain) and their “enablers” in the real estate profession (the “minion” or secondary villain). Even non-animate objects – the luxury condos and skyscrapers of Manhattan and elsewhere – were subject to a devil shift of sorts. The archetypical and polyvalent

---

320 Author interview, winter 2023
significance of the tower was highly relevant to the anti-MLRE policy narrative, as a close reading of its key texts will show.

The Villainy of Foreign Real Estate Investors

As explained by Harvey (2012: 11), “In the United States it was accepted wisdom until 2008 that the housing market was an important stabilizer of the economy, particularly after the high-tech crash of the late 1990s.” Within that context, and especially during housing slumps, FREI was often regarded in benign terms: foreign purchasers could prop up demand and prevent real estate values from collapsing. For example, Saul and Story (2015, in the New York Times “Towers of Secrecy” series) recall that the Time Warner Center (“the archetype of the condo boom” in Manhattan) was “marketed during the real estate malaise that followed the terrorist attacks of Sept. 11, 2001,” and that “the towers were heavily promoted to an international clientele.” A recent article from the Miami Herald similarly acknowledges that, “After the Great Recession of 2008, it was foreign investors who lifted Florida's housing market. They readily pay in cash, often more than the market value.” The problem, from the perspective of local citizens, was that this foreign investment did not taper off after the housing market recovered, but continued to push real estate values to astronomical levels: “As the high-end market booms, developers focus on luxury condos to meet the demand of wealthy investors - sometimes from outside Florida - and lower-income families are priced out” (Dasgupta 2021a).
The sources presented in Chapter 4 suggested that calls for anti-MLRE regulation during the early to mid-2010s functioned as a “policy surrogate” for dealing with the larger issue of FREI. As we saw, the backlash against FREI combined elements of both right-wing and left-wing populism: not simply foreigners, but wealthy foreign investors were the implied object of resentment. However, the narrative villainization of this class of characters would have been incomplete without a further nuance examined here. The vignettes relied upon in the anti-MLRE/anti-FREI reportage often stressed the speculative nature of foreign purchases, as well as the tendency for foreign-purchased properties to be left vacant. The anonymous nature of the new absentee owners (and the provenance of their funds) was thus symbolically linked to the image of dark and unused buildings, transforming urban neighborhoods into ghost towns of pristine exchange value, while casting literal shadows on their surroundings.

New York City is especially important for understanding this nuance in the policy narrative leading to the Treasury’s movement forward on anti-MLRE. The transformation of the city by extreme FREI took place under the direction and policies of Mayor Michael Bloomberg (2002-2013). As Eleanor Randolph (2019: 229) observes in a political biography of the mayor,

The Bloomberg era would be remembered by many as a time when the city was built up, when skyscrapers aimed higher and higher, many of them so thin they looked like the narrow ‘chopstick’ buildings of Hong Kong. The very rich wanted apartments in these tall thin buildings, buildings with wraparound windows. Rich people from other nations, especially Russia and China, parked their money in apartments that could run $10,000 a square foot. Some real estate insiders referred to these palaces as the world’s largest safety-deposit boxes, each a high-end security with a fabulous view.
Michael Bloomberg’s enthusiasm for foreigners investing in new Manhattan luxury real estate was generally couched in the rhetoric of trickle-down economics. As he exclaimed in an interview, “If we can find a bunch of billionaires around the world to move here, that would be a godsend, because that’s where the revenue comes [from] to take care of everyone else” (Randolph 2019: 229). But as Randolph also documents, Bloomberg’s urban development policy was widely criticized for failing to deliver sufficiently on its supposed benefits of new jobs, businesses and other public goods (e.g., public parks promised by developers). The expected trickle-down spending and tax revenue from foreign billionaires did not materialize as it became apparent that “new owners spent only a few weeks a year in their plush Manhattan apartments” leaving parts of the city “dark and lifeless” (229). The foreigners were not actually moving to Manhattan, but only looking for a secure financial asset – a “safety-deposit box” in the form of luxury real estate. Stephanie Saul and Louise Story’s (2015) first article for the “Towers of Secrecy” series likewise noted the popular disillusion with the mayor’s conception of foreign real estate investors as net benefactors to the city’s economy:

As nonresidents, they pay no city income taxes and often receive hefty property tax breaks…The Fiscal Policy Institute, a nonprofit in New York, recently suggested a downside to the influx of billionaires who are in the city only sporadically. “In terms of the local economy, you don't have people who are going to plays, going to restaurants,” James Parrott, the institute's chief economist, said. “They're not spending at the dry cleaners, the grocers and all of that, so it deprives New York of all that local multiplier effect.” What is more, Mr. Parrott said, the skyrocketing prices of the pieds--terre are affecting the price of real estate in the city more broadly.

The foreign investors’ only contribution to the local economy, it seemed, was making real estate progressively less affordable – hardly the stabilizing phenomenon it
had been promised to be. But the displacement without compensatory economic benefits was only the *injury*, to which the erection of new luxury condominiums added multiple layers of aesthetic and symbolic *insult*. These latter were already apparent in what a 2013 *New York Times* editorial described as a surge of “populist fury” directed at the “out-of-town plutocrats buying zillion-dollar aeries” around Central Park. The author himself appeared to share this sentiment, beginning the article with the following disdainful image of the new skyscrapers built on or near the infamous “Billionaire’s Row” of luxury condos:

They’re arriving along 57th Street like a clutch of preening runway models, super-tall and skinny, the expensive playthings of Russian oligarchs and Chinese tycoons. A coupling of technology and wealth has bred this new, local hothouse species: leggy, cloud-piercing, sliver-thin residential towers. They capitalize on views of Central Park…over which these buildings will cast long, literal shadows (Kimmelman 2013).

**The Dark Tower**

In the last chapter’s discussion of the terrorist “hydra,” we mentioned an important insight from Deborah Stone (2012: 178): “In both art and politics, the most important feature of symbols is their ambiguity.” “The meaning of a symbol isn’t intrinsic to it, but is invested in it by the people who use it,” Stone observes. “In that sense, symbols are collectively created, maintained, and changed through being used” (160). Further, “Symbols allow coalitions to form when pure material interests would divide people. They enable leaders to assemble broad bases of support on divisive issues”
(182). The symbolic potency of the tower or skyscraper\textsuperscript{321} was clearly evident in the reportage bringing attention to FREI and MLRE – indeed, the darkly evocative title of the NYT investigative series (“Towers of Secrecy”) was evidence on that score.

In a fascinating interpretation of the tower symbol (inspired by Jungian psychology and Kristeva’s feminist theory), Semetsky (2000: 115) observes that, “The Tower image is an embodiment of ambivalence… the reality of powerlessness and the appearance of the omnipotence.” In its negative aspect, it represents hubris, isolation, abstraction, and the pride that “doth come before the fall.” As Semetsky goes on to remark (referring to traditional tower imagery such as commonly appears in Tarot depictions) “any tower attracts lightning and is destined, sooner or later, to be blasted by a thunderbolt.” Indeed, the tower is both literally and figuratively a lightning rod – in the case of the “Towers of Secrecy” series (and similar reportage drawing attention to MLRE), for the gathering anger of New Yorkers and other Americans at FREI of the most questionable kind.

Of course, the tower symbol could not carry this negative charge without its corresponding positive potential. Particularly in New York – (perhaps along with Chicago) the birthplace of the skyscraper – towers have long been a matter of civic pride.\textsuperscript{322} The almost sacred significance of certain towers was on full display in the aftermath of 9/11, when the subject of whether and what to rebuild on the site of the

\textsuperscript{321} For general overviews, see Shaw (2010) and Huriot (2012).

\textsuperscript{322} A google search of the phrase “skyscraper as symbols” responds that “Skyscrapers symbolize civic unity and pride, their vertical trajectories reflecting the surrounding population's own upwardly mobile aspirations.” Such themes are evident in the cultural history of skyscrapers curated by the Skyscraper Museum of New York.
devastated World Trade Center inspired vibrant public debate.\textsuperscript{323} The dramatic language employed therein indicated the relevance of the tower(s) for American Civil Religion – both the fallen twin towers and the new “Freedom Tower”/One World Trade Center eventually resurrected from their metaphorical tomb.\textsuperscript{324} The World Trade Center site was to embody the same transformation as the American people in the Terror narrative: from victim to resurgent hero. But as a more general archetype, the Tower accommodates all three characters in the “Villain-victim-hero” triad (Jasper et al. 2018).

Matthew Soules’ book Icebergs, Zombies, and the Ultra Thin (2021) provides a fascinating interpretation of New York City’s recently constructed “Ultra Thin” skyscrapers (several of which figured prominently in anti-MLRE reportage). Soules’ analysis situates these buildings within a much longer history of architectural symbolism, while also noting their novel political-economic aspects in the context of a growing transnational class of ultra-high-net-worth-individuals (UHNWIs):

The history of architecture is intimately related to concentrations of wealth; the fact that the very wealthy have a prominent impact on the built environment is nothing new. However… It is easy to forget how radical and recent a development it is for relatively large numbers of wealthy individuals to purchase real estate in globally far-flung locations en masse (108-9).

\textsuperscript{323} Donald Trump offered his own glib contribution to the discussion, capitalizing on then current rhetoric from the Terror narrative: “‘The terrorists win if we build this job the way it is,’ Trump said of the original Freedom Tower plan. ‘If we rebuild the World Trade Center, but a story taller and stronger, then we win. I mean, I don't want to have the terrorists win … and that's what's going to happen if we build this pile of junk’” (Walker 2015). In the end, the new “One World Trade Center” was in fact slightly taller than the former twin towers, with a deliberate height of 1,776 feet to commemorate the nation’s founding (Smith 2014).

\textsuperscript{324} See Hankiss (2011) for a reflection on the symbolic significance of the twin towers, written shortly after their destruction. A contemporaneous piece in New Yorker magazine recalled earlier aesthetic criticisms of the twin towers before arguing that, “Now that the Trade Center has become a martyr to terrorism, I suspect that architectural criticism of it will cease altogether. It has become a noble monument of a lost past” (Goldberger 2001). On the resurrection symbolism associated with the new tower, see BBC News (2014).
The inevitable result of this development is the “underoccupied, ultra-thin condominium tower” and “the emergence of a new form of monumentality that is devoted to a spirituality inherent in finance capitalism” (169). Soules contrasts this new “monumentality” with the symbolic significance of earlier towers:

The tower’s premodern history is dominated by two entwined operations: the representation and protection of wealth on one hand and spiritual mediation on the other. It was not until the full entrenchment of industrial capitalism that the occupied shelter tower spread from its nineteenth-century origins in Chicago and New York to dominate much of global urbanization. As a distinctly capitalist operation, whereby the ground is replicated for exponential profit, the occupied tower took on new forms and roles. That many early American towers assumed a language drawn from Gothic cathedrals reinforces the implicit spirituality of these capitalist devices, echoing the role of the earliest towers as mediators between material and immaterial worlds. The neo-Gothic Woolworth Building, the world’s tallest building for seventeen years after its completion in 1912, was called the Cathedral of Commerce. These command and control centers of industrialism normalized the use of vertical structures for accommodating vast numbers of people. And what began as an extruded shelter primarily for the corporate workplace eventually came to shelter domestic life as well. The era of deregulation, privatization, and market liberalization that arose in the 1980s saw finance capitalism overtake industrial capitalism as the West’s primary economic mode, displacing the human body and physical habitation as the central and unquestioned concerns of architecture. If it is possible to say that industrial capitalism witnessed the rise of the occupied tower, then finance capitalism has engendered a return to the nonsheltering, unoccupied tower. But while early towers were purposefully intended for sparse or intermittent occupation, the new unoccupied towers of finance capitalism masquerade as housing (173).

While taking the apparent form of residential condos, the new towers are essentially monuments to unadulterated – that is unenjoyed, unshared, uncirculated and frozen – wealth. “In the early twenty-first century, the tomb and the monument have returned. As finance capitalism displaces (not replaces) the role of physical human occupation in architecture, the role of the monument increases” (187).
As an architect himself, Soules expresses a certain admiration for the new ultra-thin towers, but acknowledges that it is practically impossible to separate their aesthetic qualities from their obvious social-psychological significance (The B1M 2022). Much like the last chapter’s third parties in the global war on terror, viewers of the new skyscrapers are all but compelled to take a side. See, for example, the following humorous exchange from the lefty *Gothamist* magazine. A letter to the editor reads as follows:

The other day I was driving back from upstate, stuck in traffic in the Bronx, when I caught sight of 432 Park Avenue silhouetted against some clouds. Now, I hate the rich just as much as anybody, but I was struck for a second by the symmetry of the building and the way it kind of stands heroically tall and apart from the rest of the skyline, and I realized I actually like the way it looks. Does this make me a hypocrite politically? Can you like the way a building looks but hate what it represents?

Followed by the editor’s response:

432 Park is a horrible, no-good, evil building—visually, politically, and spiritually. 1396 feet tall, built at a cost of $1.25 billion dollars, it features 104 apartments, listed at a bargain price of $12,000+ per square foot (eight appear to be available right now at sums ranging from $17 to $45 million dollars.) It is the distillation, in physical form, of everything that is wrong with our late-capitalist society, and will be remembered, hundreds of years hence, as a grotesque middle finger erected by the rich and pointed at everyone else in New York City.

Inequality, of course, has been rising in America for many years, at least since the Reagan administration began chipping away at the regulations and unions and progressive tax structure that held back the most rapacious of capitalists. It was not, however, until the last 15 years that the flood of cash that this political revolution created, joined by enormous pools of capital expropriated by various foreign oligarchs from their dysfunctional countries, began to take physical form in New York City condo towers… (“Ask A Native New Yorker: Is It Wrong To Like That Middle Finger Tower?” 2016).

The first paragraph of the above appears firmly rooted in left-wing populism: the culprit for this evil building is simply “the rich.” But as the second, more nativist-tinged
paragraph indicates, the dark tower is indeed the sort of symbol “allow(ing) coalitions to form when pure material interests would divide people” (Stone 2012: 182). In modern Manhattan, even the rich, it seems, can “hate the rich just as much as anybody.” Or, to be more specific, those aforementioned native New Yorkers of “garden variety affluence” are just as capable of resenting the ultra-rich mysterious foreign owners of the towers of secrecy. Mere HNWIs and would-be urban landlords are priced out of real estate investments by UHNWIs with little need for extra passive income. The grotesque middle fingers thus insult everyone who actually lives there. As noted by the Municipal Arts Society of New York in their report The Accidental Skyline, “what’s at risk is a city that is darker, drearier, and more austere than its people deserve; a place where ordinary New Yorkers can’t find an affordable apartment while faceless corporations stockpile vacant investment properties.”

The symbol of the dark tower suggests that it is not foreignness per se – much less extreme or ostentatious wealth– that is ultimately so offensive to New Yorkers’ otherwise cosmopolitan sensibilities. Rather, the modern “towers of secrecy” represent transnational nomad wealth completely unmoored from any local identification or charitable/civic responsibility.325 In their studied anonymity and invisibility, the owners of luxury condos are totally divorced from the traditional legitimating ideology and

325 Oliver Bullough’s recent bestseller Moneyland: The Inside Story of the Crooks and Kleptocrats Who Rule the World (2019: 25) exemplifies this sort of characterization within the contemporary AIF discourse: “If we wish to preserve democracy…we must confront Moneyland’s nomad citizens, and must find a way to dismantle the offshore structures that make it so easy to hide their money from democratic oversight. They are at least as significant a threat to the rules-based order that we’ve created to make the world safe as the terrorists and dictators we read about every day.”
practice of the American rich\textsuperscript{326} – for example, the conspicuous *noblesse oblige* of a Carnegie or Rockefeller, whose philanthropic contributions had left a permanent mark on the city. While the luxury towers on Manhattan’s 57\textsuperscript{th} St are much more visible than the Carnegie Center below, the shadows they cast are not justified by any principle other than abstract wealth itself. Wholly invidious, they offer not even a specious image of American success (such as the nearby Trump Tower) for popular aspiration. Their dark windows conjure up a mysterious, deracinated menace, inviting the projection of popular fears and nativist sentiments – not the embodiment of the American Dream but its *sacrilege*.

**The Minions**

Given the transformations described in the above, it is perhaps inevitable that real estate professionals would also eventually be subject to a devil shift. Again, let us sample the relevant sources from the anti-MLRE advocacy coalition. The first article in the “Towers of Secrecy” series contained the following characterization of the proximate enablers of shady FREI:

> Lacking incentive or legal obligation to identify the sources of money, an entire chain of people involved in high-end real estate sales -- lawyers, accountants, title brokers, escrow agents, real estate agents, condo boards and building workers -- often operate with blinders on. As Rudy Tauscher, a former manager of the condos at Time Warner, said: "The building doesn't know where

\textsuperscript{326} For a summary, see Giridharadas (2018, chapter 6). The “Rags to Riches” narrative – one of the seven basic plots according to Booker (2004) and itself an exaggerated dramatization of the American Dream – has added further legitimacy to various famous Americans of extreme wealth. (See, e.g., Wyllie [1954]).
the money is coming from. We're not interested." …The real estate agents on the Time Warner deal included Brenda S. Powers and Elizabeth L. Sample, who represent many foreign clients and who live in the building. Ms. Sample said that her focus when vetting buyers was this: "They have to have the money. Other than that, that's it. That's all we need" (Story and Saul 2015a).

In their later article, “Treasury Urged to Scrutinize Foreign Real Estate Buyers for Money-Laundering Risk,” Story and Saul (2015b) reported that,

The real estate industry has said it adheres to its own voluntary guidelines in performing background checks on purchasers. In the series, which focused on condominium purchases overlooking Central Park at the Time Warner Center, The Times quoted several people involved in luxury real estate transactions who acknowledged performing few background checks on buyers beyond determining their financial wherewithal to purchase luxury condos worth tens of millions of dollars.

We might also recall the earlier quoted article from New York Magazine, which investigated the anonymous purchase of luxury real estate and posed the question: “Who are these people? An entire industry of brokers, lawyers, and tight-lipped advisers exists largely to keep anyone from discovering the answer. Those on the New York end of the transaction often don’t know—or don’t care to find out—the exact derivation of foreign money involved in these transactions.” The article goes on to quote a (drolly self-aware) real estate broker at a firm catering to Russian investors: “Like somebody said, Karl Marx or whatever, if the capitalist is going to see a triple return, he’s going to close his eyes. But we are trying not to deal with scumbags” (Rice 2014).

Whereas the real estate industry’s earlier lobbying of the Treasury had characterized real estate professionals as contributors to the real economy and the availability of the American Dream, the anti-MLRE policy narrative of the mid 2010s
flipped such characterizations on their head. The practice of selling luxury properties to anonymous overseas buyers via dubious shell companies was ultimately contributing little to local economies, as the Fiscal Institute of New York and FinCEN’s own Jennifer Shasky Calvery observed. While FREI had proved helpful for uplifting urban real estate values in earlier years, it was, by the 2010s, creating the opposite problem: too much appreciation and the “pricing out” of long-time residents. Perhaps on some level, the real estate agents involved in such transactions could be forgiven for pursuing their own American Dream of upward mobility. And yet, in doing so, they were now making that dream less accessible for their fellow Americans, by putting its key component – home ownership – even further out of reach. The benign neglect of potential MLRE was no longer functional for national solidarity, as in the early post 9/11 years, and the industry’s “blind eye” to the real identity of clients was now being interpreted as mere venality.

Indeed, the recharacterization of the real estate industry is part of a broader, continuing devil shift directed at the various domestic “gatekeepers” or “enablers” of illicit financial flows, as revealed by the Panama Papers and subsequent exposés mentioned in chapter 4. For example, we have the following language from a summary of the “Enablers Act,” a bill proposed by Rep. Tom Malinowski (D NJ) in October 2021:

As highlighted in the Pandora Papers, dictators, criminals, and terrorists continue to make the United States a destination of choice for hiding illicitly acquired wealth. Because our laws require financial institutions to report suspicious transactions, corrupt actors increasingly rely on other enablers not obligated to conduct such due diligence, including law and public relations firms, investment and real estate advisors, and art dealers, to secure their wealth and disguise its origins, through shell companies, trusts, and other investment vehicles…

327 See remarks from Jodi Vittori, quoted in Chapter 5, on the focus of anti-corruption and AIF NGOs over the past decade (e.g., “The real focus now is on gatekeepers”).
The ENABLERS Act would impose stronger due diligence requirements on such U.S.-based middlemen, to ensure that the United States never again facilitates the corruption and dictatorship we claim to oppose by giving kleptocrats and criminals a safe haven for the money they steal from their people. In turn, it would protect Americans from inflated real estate prices, job loss, human trafficking, and influence peddling...

“The Pandora Papers reveal how corruption undermines democracy. All around the world, countries are being looted and the most vulnerable people victimized by their elites. These kleptocrats then launder that money to the West where they enjoy the high life – spending the money on luxury cars, penthouses, jets, and opulent parties. Some also spend it on intervening in our democracy, gaining influence in our politics and elites and working to undermine the rule of law. In order to fight corruption, we must curb the enablers,” said Representative Steve Cohen (D-TN) (Caucus Against Foreign Corruption and Kleptocracy 2021).328

**Anti-MLRE as Jeremiad**

We are now in the position to formally summarize the anti-MLRE policy narrative, the structure of which largely overlaps with the “jeremiad” described in chapter 6. The setting of the narrative is a “society gone badly wrong” – a situation of “decline vis à vis the past” (Murphy 2009: 126), when home ownership was more affordable for average Americans. This setting thus simultaneously evokes “a point in the past in which the harmful idea or practice responsible for decline first made its appearance, and trace(s) out the injurious consequences from its earliest inception to the present day” (127). The precise timing of this point might vary according to the Jeremiah in question; some would

---

328 While the bill was blocked in the Senate, a December 2022 article from the ICIJ noted that “The failure of the Enablers Act to pass comes despite increasingly high-profile support. Earlier this week, Jake Sullivan, the national security advisor to U.S. President Joe Biden, voiced his ‘full support’ for the bill” (Fitzgibbon 2022).
date it to “The era of deregulation, privatization, and market liberalization that arose in the 1980s” (Soules 2021: 173) which facilitated the transformation of US real estate into a globally traded, speculative asset.\textsuperscript{329} Others (e.g., Shelly 2013) would focus more specifically on the first policy window of this study – the post 9/11 moment when the real estate industry’s exemption from AML requirements apparently channeled money laundering in that direction. But whatever the case, the characterization of real estate professionals in the anti-MLRE narrative is clear: as the effective gatekeepers or stewards of the American Dream, they have allowed themselves to be corrupted and seduced by foreign wealth – by \textit{Babylon} (in the original biblical language) – thus turning their fellow nationals into victims.

Into this sorry state of affairs appears the prophetic hero, animated by righteous indignation at the violation of the national patrimony. The heroic anti-MLRE coalition speaks truth to power and demands a change to current policy: “Jeremiads call for reform, repentance, or renewal—a specific course of action to reverse contemporary decline and to reclaim the original promise of communal life” (Murphy 127). While the corrupting foreign influence is deplored, the jeremiad’s criticisms are ultimately focused inward, at the (corrupted) nation itself. Nor does the Jeremiah completely wash his own hands of the nation’s sins – by virtue of membership in the community, he identifies with its collective guilt and need for atonement. As performed by Raymond Baker (the founder of Global Financial Integrity, in an interview for the “Towers of Secrecy” series),

\textsuperscript{329} We recall that Jennifer Shasky Calvery traced the problem of MLRE to the narco-investment in Miami during the 1980s (see Chapter 4).
“We like the money…It's that simple. We like the money that comes into our accounts, and we are not nearly as judgmental about it as we should be” (Story and Saul 2015a).

The moral of the story is clear: the time has come to require real estate professionals to perform their due diligence in identifying the beneficial owners behind purchases of US real estate. “Until then, we can likely expect to see many more Americans priced out of their homes by speculative miscreants” (Zhao 2014). The policy narrative thus puts the onus on the Treasury for finishing the story – and thereby determining its own final characterization as either hero or minion. As suggested by voices in the current anti-MLRE advocacy coalition (with support from the White House itself), the Treasury has more work to do before establishing itself to be firmly on the side of good.330

To the extent that the anti-MLRE policy narrative relies on the nationalist metanarrative of the American Dream, it is perhaps destined to only partial success.331 After all – as illustrated by the first half of this chapter – the polyvalence of the American Dream makes it amenable, in certain circumstances, to rhetorical use by those calling for less AIF regulation. Similarly, as we will explore in the conclusion (Chapter 10), the negative connotation of financial speculation, as invoked by the anti-MLRE jeremiad, is ultimately contingent on the depiction of who is doing the speculating (the foreign real estate investor), and at whose expense (Americans). Given Americans’ own taste for financial speculation – including in the real estate market, and as a mechanism for

---

330 See Chapter 4 for summary and examples of anti-MLRE advocacy pressuring the Treasury to further extend its current regulations.

331 Once again, “success” here refers only to the endorsement and implementation of the approach by policymakers – not the success of the policy with respect to its stated goals.
upward mobility – the symbolic utility of the American Dream for the anti-MLRE policy narrative is ultimately limited. It is likely better to shift the focus outward toward an identifiable external enemy – to put a despicable face on the otherwise faceless phenomenon of MLRE (as we also see in the conclusion). But before doing so, let us turn to another sort of face: the appearance and value of a certain deterritorialized currency, represented by a specific denomination, revered around the world.
Chapter 9 – Defending the Brand

In Chapter 5 we argued that open discussion of the proposal to retire the $100 bill has been prevented by a certain taboo among official sources. While the proposal was advanced by highly credentialed former policymakers and received its fair share of media attention, the Treasury generally took a position of non-comment. The official (or former official) sources that were willing to discuss the idea typically did so under the terms of anonymity, as suggested by a lone Wall Street Journal article (McGinty 2016) and multiple interviews conducted for this study. To supplement this fragmentary material, Chapter 5 made heavy use of two earlier pieces of evidence: newly uncovered documentation of the 1969 HDN demonetizations and the publicly available record of a 1998 Congressional hearing in which the possibility of reissuing those larger denominations was considered.

Taken together, those sources suggested that the Treasury’s selection of currency denominations has historically managed among conflicting AIF, seigniorage, and public relations concerns. The 1969 deliberations were originally motivated by the AIF concerns of the Treasury, but, as recorded in the private Federal Reserve meetings minutes, the “question was raised as to whether other reasons could be given to justify discontinuing the issuance of such notes.” The more mundane, technocratic explanations given in the resulting joint Treasury-Fed announcement thus functioned as a face-saving device for
the demonetized denominations and their former issuers: by suggesting that the supernotes were simply obsolete, the announcement avoided any reputational taint associated with their illicit use.

When Representative Castle opened the possibility of reissuing the larger HDNs in the 1998 hearings, the position expressed by the Treasury and Fed officials was essentially one of quieta non movere. While agreeing that the Treasury might theoretically generate more seigniorage revenue by reissuing larger denominations, the Assistant Secretary of the Treasury for Financial Markets, Gary Gensler, observed that the dollar, particularly the hundred dollar bill, was already a highly successful global product. That fact, combined with counterfeiting concerns and the reputational cost to be expected from reissuing HDNs (which by then were more transparently associated with vulnerability to illicit use), counseled non-action as the most prudent approach.

Both the 1969 and 1998 deliberations demonstrated the Treasury’s awareness of an inherent trade-off between seigniorage and “law enforcement” (AIF) concerns with respect to currency denominations. What the policy entrepreneurship of HDN demonetization advocates in 2016 likely accomplished was to publicize and politicize this trade-off to a broader audience, putting the Treasury in a delicate PR position. Given the unassailable logic of the HDN demonetization advocates’ basic argument about high value-to-mass as a boon to illicit use – which the Treasury had already effectively conceded in 1998 – an active public engagement with the proposal could have only done more harm. Engagement would have brought even more public attention to a policy

---

332 Translated as “do not move settled things”
argument in which the Treasury would be forced to begin on the defensive, justifying the cost of the $100 bill (i.e., its illicit vulnerability) by reference to some countervailing benefit.

Put differently, a public engagement with proposals to retire the $100 bill would have likely exposed the Treasury to accusations of “organized hypocrisy.” As Catherine Weaver explains in her 2008 study of the World Bank, *Hypocrisy Trap,*

> The hypocrisy of an organization is, at heart, the gaps between its talk, decisions, and actions. In the case of the World Bank, hypocrisy reflects the conflicts between what the Bank as a collective actor says—its espoused goals, ideals, and policies—and what the Bank does. Organizational hypocrisy is a “disjuncture between word and deed, or between publicly-accepted norms and behavior,” a disparity that reflects the inconsistencies between what the Bank expected to say and do in an idealistic world, and what it is able to accomplish within its political, financial and cultural environments. Such hypocrisies can be observed in the Bank’s selective pursuit of mandates, its weak compliance with rules, and its half-hearted or thwarted efforts to carry out new agendas (19).

In the case of the Treasury, the risk of appearing hypocritical is exacerbated by the predicament established at the beginning of this study: namely, the tension between the Treasury’s AIF mission and its primary organizational mission of managing the nation’s finances. With respect to combatting illicit finance, the Treasury may espouse an “all-tools” approach and dedication to “closing the gaps.” Yet at the same time – as already illustrated by the story of belated and partial anti-MLRE regulation – we see a disparity between what the Treasury is “expected to say and do in an idealistic world, and what it is able to accomplish within its political, financial and cultural environment.” The
Treasury’s pursuit of its AIF mandate is inevitably selective, making the Treasury chronically vulnerable to the accusation of organized hypocrisy.  

It is unsurprising, therefore, that the Treasury would generally adopt a posture of non-comment or “strategic silence” with respect to HDN demonetization proposals. As Maor (2016) explains, “When a reputational threat emerges, the likelihood that the organization will be faced with negative media coverage and be drawn into a public debate increases. Strategic silence is then employed to minimize the potential association of the organization with the reputational threat.” Strategic silence is to be expected where the institution has reason to believe that merely engaging with the topic will draw unnecessary attention to the less flattering aspects of the institution’s action or non-action. This approach is comparatively easier in the context of non-action, since simply going along with the status quo may confer a prima facie plausibility of ignorance with respect to alternative policies. However, as Dimitrov (2019: 28) observes, the attempt at strategic silence, where an issue has already been publicly broached, is itself another form of communication. “One cannot not metacommunicate. The question is not whether but how to do it” (28). The metacommunication behind the strategic silence of policymakers (with respect to disavowed policy proposals) is essentially dismissive: it tells the audience “let us move on to more important things. There is nothing to see or discuss here.” It might thereby be considered a means of “reverse agenda setting” (Haarsager 1991), in which policy instruments are brushed from the metaphorical table before they might gain additional life.

---

333 For a recent criticism of the Treasury in this vein, see Michel (2021).
But while the Treasury’s general non-comment on HDN demonetization might have been “strategic” from the self-interested perspective of protecting its own reputation, it was also arguably “performative” in the deeper sense of defending the dollar’s image and brand. After all, a nation’s currency is not just another monetary medium, indistinguishable from numbers on a computer screen. Rather, as suggested by a rich and interdisciplinary literature touched upon in this chapter, currency is very much bound up with the nationalist narratives discussed in chapter 6. For example, Heinz Tschachler (2019: 12-13), a numismatic historian focusing on George Washington and the $1 bill, argues that,

A major reason for the continuance of cash no doubt is that the bills carrying portraits of “the Presidents of the United States” tap into deeply felt needs and desires. How else can we explain the one-dollar bill’s resilience against attempts to replace it with a coin? Economic reason—as John McCain noted, the switch from paper bills to coins would save some $4.4 billion in currency production costs over the next 30 years—apparently is no match against people’s emotions. To date, attempts to enact such legislation have not made it past committee review. And opinion polls have shown consistently that few Americans are prepared to give up their beloved “Georges.”

Within this framework, the $100 bill may have a special and irreplaceable significance as well – although this too must be theorized from multiple, fragmentary sources, since the Treasury’s official explanations of the Benjamin’s symbolism are scarcely less laconic than its engagement with attempts to “kill” that denomination. The reported experiences (2015-2016) of a prominent HDN demonetization advocate provide a good alternate starting point: “I think the general view in the US, and I talked to people in both the Treasury and the Fed, at the time, was that Europe has to move first, because

---

334 That is, by not condescending to engage with a de facto attack on that brand.
the €500 note is so much more valuable, and given that there was evidence of the €500 note being used for cocaine trafficking between Latin America and the US, it was in a sense a better tool than the $100 bill. Their view was: Europe has to move first, and then we’ll talk about whether or not it makes sense for the US to move. And there was a considerable amount of skepticism as to whether or not Europe would move, and I think some surprise that Europe did decide to get rid of the €500 note. The other thing that was evident right early on was the acute kind of political sensitivity about doing anything to currency in the US, and the sense of emotive attachment and symbolism and all this kind of stuff that goes with it.”

While the interview subject’s comments suggested that US policymakers were indeed still somewhat concerned with currency competition from the Eurozone – and happy to see the 2016 unilateral soft demonetization of the €500 note – the prospect of that event leading to further multilateral and coordinated demonetizations would have been frustrated by Americans’ “emotive attachment” to the $100 bill. The interviewee briefly expressed some hope that public health concerns about cash as a potential carrier of Covid-19 would add some impetus to HDN demonetization proposals, but again noted the obstacle of symbolic attachments: “In terms of affecting the sort of general political sentiment – because it’s a very emotive topic, cash – I think Covid may actually be quite helpful. But what you really need is a government approach that is serious about

335 Author interview, fall 2020. The remarks of this HDN demonetization advocate (who preferred not to be attributed by name) stand in contrast to the published issue advocacy, which has generally neglected the importance of currency for nationalist narratives.

336 For similar arguments, see, e.g., Rainey (2020), Cullinane (2020).
trying to deal with tax evasion and crime, and isn’t hung up on the sort of emotive symbolism of, you know, Benjamin Franklin.” But this non-sentimental attitude is easier imagined than achieved – “States and leaders are very sensitive about the sanctity of their money” (Kirshner 1995: 3).

As the evidence presented in the following will suggest, the Treasury’s *quieta non movere* approach to currency encompasses, but goes beyond, deliberations over how to make the dollar attractive to foreign holders. Indeed, any proposed dramatic change to the nation’s currency is likely to be perceived as an affront to American Civil Religion.

Before ending this chapter, we will have occasion to contrast the unsuccessful policy narrative of HDN demonetization advocates with an implied counternarrative from Treasury sources (i.e., from limited, non-official engagements with the issue). To the extent that explicit counterarguments for keeping the $100 bill are available, they tend to draw from the same nationalist narrative canon outlined in previous chapters. But first let us consider the possible narrative significance of the $100 bill itself.

**The Mystique of the Benjamin**

In this section I address the potential symbolic importance of $100 bill – a phenomena that should be considered as analytically distinct from the actual physical usage of the denomination. As noted in earlier chapters, the available evidence from studies by the Federal Reserve suggests that average Americans rarely hold or use the $100 bill. Indeed, the greater part of the outstanding supply of $100 bills is held abroad,
and much of that presumably in the vaults of foreign central banks and other financial institutions. But in a nation of “temporarily embarrassed millionaires” (to use Steinbeck’s memorable description of American culture) even the destitute – or perhaps especially the destitute – may harbor some affection for the denomination that most universally symbolizes wealth, success, luxury, and abundance. Few, presumably, would dispute that the visual iconography of the $100 bill is virtually ubiquitous in our culture: from cinema and music videos to the junk mail advertisements of commercial banks soliciting new customers with offers of cash-back rewards, the simulacrum of the C-note seductively beckons. As a popular rap song correctly intoned, “It’s all about the Benjamins, baby.”

Writing not long after the introduction of the Euro, Kaelberer (2004: 163) observed that “It has by now almost become commonplace to attribute symbolic functions to money.” Paper money, technically a form of print media, has been identified as one of the various means of creating the “imagined community” of the modern nation (Anderson 1983). The propagandistic effect of imagery on money dates back to antiquity: as noted by numismatists of Classical Greece and Rome, the visage of the king or emperor on the coins of the day was the most reliable means of projecting an image of sovereign authority and political community throughout otherwise tenuously connected kingdoms or empires. Grant (1958: 11) observes that “the only announcements which

---

337 Author interview with former Treasury Secretary, Jack Lew (summer 2021)

338 The Treasury itself has recognized and contributed to this phenomenon, as, for example, in its attempt to place images of the reissued 2009 series C-notes in promotions by major retailers, as well as popular movies and TV shows (Bureau of Engraving and Printing, “$100 Program Wrap Report” 2011: 36-7).
they [ancient governments] could be sure that very many people would see were those on coins.” The images on Roman coins “were noted by thousands of people – sometimes hundreds of thousands” and were thus regarded by authorities as a means of “first-rate propaganda” (12). In particular, Grant calls attention to the use of coins to disseminate portraits of the ruling emperor: “For hundreds of years the mint poured out a remarkable series of successive imperial faces, intended to impress the personalities and glories of the rulers on their people.” The Roman emperor “appears in turn as war-lord, priest, far-gazing, semi-divine potentate, unpretentiously bare-headed Italian magistrate” (14). Given the large quantities of Roman coins depicting soldier-emperors, Hedlund (2008: 27) suggests that “the striking of coins must have been one of the first measures by a newly acclaimed emperor” (28).

As summarized by Latterell (2011: 594-5), money is “politics in miniature. Stamped with symbolic images, numbers, and words, coins don’t merely function as a medium of economic exchange—they project idealized symbols of political and moral authority.” How might one interpret the significance of Benjamin Franklin on the $100 bill in this context? Before attempting an explanation, we should emphasize that this age-

---

339 As noted by Hedlund (2008) in a review of more recent literature, the extent to which such “propaganda” was deliberate and/or effective has produced a lively scholarly debate over the years. Hedlund concludes that “it seems justified to assume that there was an intention behind the choice of imagery on Roman imperial coins, and that these intentions could be fully understood, at least by some” (32).

340 Tschachler (2019: 14) makes the same point with a bit more critical force: “The pictures on America’s coins and currency have been routinely used by the United States government to disseminate stories of national heroes (and villains). While these repetitive images contribute towards building a national identity, none of the stories springs up spontaneously or ‘naturally.’ On the contrary, they are always constructed, propagated, and passed on with a view to the maintenance of power.”
old tradition of harnessing numismatic iconography for political legitimacy was well understood and employed by America’s founders. For example, "In his annual report to Congress in 1792, Alexander Hamilton explained, 'The devices of Coins are far from being matters of indifference, as they may be made the vehicles of useful impressions. They ought therefore to be emblematical, but without losing sight of simplicity’” (Latterell 2011: 595). Far from being some atavistic folk-wisdom from the nation’s origins, such advice continues to motivate US policymakers today, as evident, for example, in the periodic release of new commemorative coins featuring various nationalistic themes. Indeed, the US Mint describes its mission in patriotic terms: “Since our institution’s founding in 1792, the Mint has taken great pride in rendering the story of our nation in coins. To hold a coin or medal produced by the Mint is to connect to the founding principles of our nation and the makings of our economy” (United States Mint, “About the United States Mint”).

With respect to paper currency, the Treasury’s (Bureau of Engraving and Printing) official website nods to the general historical importance of the “founding fathers” (and lists some of their accomplishments) but gives no explanation for the

---

341 The very etymology of the word "money" suggests this potential for political communication: the Latin moneta comes from the older moneo, which means to teach or remind” (Stevenson 1991: 129).

342 For a catalog of current series, see United States Mint, “Coin and Medal Programs.” The aforementioned Representative Michael Castle, who presided over the 1998 Congressional hearing on HDNs and had earlier sponsored the Commemorative Coin Authorization and Reform Act of 1995, spoke of the symbolic importance of the popular 50-state commemorative quarters: “Commemorative coins are a benefit, not only to numismatic enthusiasts and the recipient organizations but also by reaffirming our history, to our Nation as a whole” (U.S. Government Publishing Office, “Commemorative Coin Authorization and Reform Act of 1995”).

345
appearance of particular statesmen on particular denominations. While unusual among those featured on US denominations for not having been a president, Franklin nonetheless is regarded as an important “framer” or “founding father” – perhaps along the lines of Grant’s “unpretentiously bare-headed Italian magistrate” depicted in classical coinage. His associations with scientific discovery, business, and the protestant work ethic also resonate with the image of the priest, given the quasi-religious significance of those aspects to the founding mythologies of American national identity. Indeed, to the extent that the United States symbolized a revolutionary transition from the “divine right of kings” and popular identification with monarchy to the meritocracy of the inventor and entrepreneur, it is perhaps fitting that the largest denomination would feature the unprepossessing image of Benjamin Franklin. Put differently, Franklin is an “idealized symbol of political and moral authority,” and compatible with America’s national self-regard as exceptionally founded upon liberal and entrepreneurial principles.

The Bureau of Engraving and Printing website contains the following information: “The portraits currently appearing on the various denominations of paper currency were adopted in 1929 when the size of the notes was reduced. Prior to the adoption of this smaller sized currency, a special committee was appointed by the Secretary of the Treasury to study this aspect of the design. It was determined that portraits of Presidents of the United States have a more permanent familiarity in the minds of the public than any others. This decision was somewhat altered by the Secretary of the Treasury to include Alexander Hamilton, who was the first Secretary of the Treasury; Salmon P. Chase, who was Secretary of the Treasury during the Civil War and is credited with promoting our National Banking System; and Benjamin Franklin, who was one of the signers of the Declaration of Independence. All three of these statesmen were well known to the American public…Treasury Department records do not reveal the reason that portraits of these particular statesmen were chosen in preference to those of other persons of equal importance and prominence.” This last point was reiterated by the Bureau of Engraving and Printing (11/12/21) in a reply to my own correspondence.

Franklin is often seen as the ‘father’ of the quasi-religious belief associated with capitalism” (Tschachler 2010: 38).

Former Treasury Secretary Lew described Franklin as “an American Hero, and a hero of mine” (Author interview, summer 2021).
Perhaps most important for this numismatic interpretation is Benjamin Franklin’s significance for the quintessentially American innovation of paper fiat currency as such. Galbraith (1975: 45) remarks that, “If the history of commercial banking belongs to the Italians and of central banking to the British, that of paper money issued by a government belongs indubitably to the Americans” (45). Though not entirely correct – Kublai Khan had pioneered the use of paper fiat currency some 500 years earlier, as documented by Marco Polo – Galbraith was right within the modern, Western context, where Franklin helped popularize the idea of paper money as a solution to chronic money shortages in the American colonies.

The monetary experiments of Pennsylvania and its neighbors were by no means an unconsidered reaction to circumstance. They were extensively debated and had the energetic support of Benjamin Franklin, the most intelligent political man in the colonies and an ardent exponent of paper money (Galbraith 1975: 54).

Lauer (2008: 116) concurs that,

the involvement of this beloved founding father in the early development of U.S. currency has proven significant in legitimizing the historical provenance of the nation’s paper money… Franklin embodies the national mythology of U.S. paper money much like Betsy Ross does for the American flag.

What Franklin appears to have precociously understood (as evidenced by his pamphlet “A Modest Enquiry into the Nature and Necessity of Paper Currency”) was that money was ultimately a social construction and a social relation – not necessarily a physical commodity as the traditional fetish for precious metals had assumed. Particularly in the favorable context of the colonies’ high land-to-labor ratio and western frontier, money could be built on little more than promises, backed by an inchoate national
identity and the virtual inevitability of economic growth. Of course, this vision was not without its contradictions: while practically non-convertible colonial scrip essentially financed the American revolution, the resulting hyperinflation required difficult countermeasures (and the centralizing innovations of the first Treasury Secretary, Alexander Hamilton) to put the new nation on a sounder fiscal track. But a reflection on Franklin’s historical connection to paper currency, as a key mechanism in the nation’s founding, has much to suggest for the nationalist narrative canon examined here. Indeed, Franklin represents the alchemical self-fulfilling prophesy (or “positive delusion”) at the

---

346 To be precise, Franklin’s proposal in his “Modest Enquiry” (1729) envisioned securitizing frontier land as the basis for new paper money: “For as Bills issued upon Money Security are Money, so Bills issued upon Land, are in Effect Coined Land…in Emitting Paper Money among us, the Office has the best of Security, the Titles to the Land being all skilfully and strictly examined and ascertained; and as it is only permitting the People by Law to coin their own Land, which costs the Government nothing.” In that sense, Franklin’s money would still have an (imagined) commodity standard…although the paper currency would technically only be convertible to a different form of government-issued paper, that is, official land titles, for frontier lands practically beyond the effective sovereignty of the colony. Franklin was thus ahead of his time in understanding that the story told by paper currency (or other paper assets) was more important than any sober, empirical analysis of its practical convertibility. Indeed, as suggested in Jane Kamensky’s colorful history of post-revolutionary American finance (focusing on the infamous con man Samuel Dexter), the securitization of the Western frontier was essentially the monetization of dreams: “For speculators like Samuel Dexter, the West was strictly a paper affair, a derivative of the dreams of others. These dreams grew feverish in the 1780s and 1790s as state legislatures sold off the huge tracks known as their Western Reserves. Opponents of speculation argued that such legislative acts amounted to a sort of magic, turning ‘acres by [the] millions’ into ‘transferable, personal, movable property’ – that is, into paper. Private land companies sprung like rabbits from so many hats, turning the deeds they bought from their governments into stocks, bonds, mortgages: paper one step further removed from the soil it represented” (Kamensky 2008: 35).

347 Lauer (2008: 114) observes that the continental currency was originally supposed to be backed by metal (although this pretense was abandoned as the Revolutionary War went on): “The transition from commodity money to impersonal paper currency was facilitated by its formal redeemability in material assets. It was in the contractual terms of convertibility—however tenuous, speculative, or implausible—that public trust in paper currency was rooted. Even the Continental was ostensibly redeemable in ‘Spanish milled dollars.’”

348 See Goodwin (2003) for summary. The colonies essentially repudiated the issuance of their own currencies in exchange for the new federal government (i.e., the Treasury Department) taking on their debts. “Now Hamilton proposed that the federal government should take responsibility for all of America’s public debt, including the debt of individual states: a policy that became known, with biblical simplicity, as Assumption” (Goodwin 2003: 103).
heart of American Exceptionalism and the American Dream – that sufficient faith, will, and effort are capable of overcoming any material constraint. This mythological nexus of paper as power, American independence, revolution against tyranny, and upward mobility is also closely related to the libertarian anti-tax ideology in the nation’s foundation. As Galbraith summarizes,

The United States came into existence on a full tide not of inflation but of hyper-inflation—the kind of inflation that ends only in the money becoming worthless. What is certain, however, is the absence of any alternative. Taxes, had they been authorized by willing legislators on willing people, would have been hard, perhaps impossible, to collect in a country of scattered population, no central government, not the slightest experience in fiscal matters, no tax-collection machinery and with its coasts and numerous of its ports and customs houses under enemy control. And people were far from willing. Taxes were disliked for their own sake and also identified with foreign oppression…By any rational calculation, it was the paper money that saved the day (60).

Paper currencies – along with their corollary paper claims to remote frontier land – were revealed in the aftermath of the American revolution\(^\text{349}\) (as well as subsequent periodic monetary crises) to operate as a sort of pyramid scheme: as long as there was more land to promise, and more aspiring property-owners to accept and circulate paper claims to the bounties of additional Western conquest, the system could continue indefinitely. In lieu of a consistent commodity standard, paper money was backed by the *American Dream* – the credibility of which would depend on the dream’s successful marketing to ever greater numbers of people. James Madison argued that the solution to the nation’s

\(^{349}\) In their famous history of the United States, Charles and Mary Beard (1930: 244) observed that “the heaviest losers” in the aftermath of the American revolution “were the soldiers who received, in return for their sacrifices, reams of paper currency and paper claims to the wilderness of the West.” While there were vast tracks of land on the distant frontier, the average soldier was in little position to redeem his paper claims, absent much additional capital and effort.
internal contradictions and redistributive struggles was straightforward – to “extend the sphere” (Grandin 2019: 29). As a later section of this chapter will argue, the internationalization of the dollar also followed this principle: dollarization served to extend the sphere of the pyramid scheme supporting the dollar. Foreigners would symbolically partake of the American Dream promised by the currency – although their likelihood of converting that symbol into reality was necessarily remote.

But I digress. My current purpose is simply to intimate the symbolic significance of the $100 bill for American nationalism – a factor insufficiently appreciated in the largely technocratic cost-benefit analyses of HDN demonetization advocates. Admittedly, the foregoing interpretation of the $100 bill’s symbolism is speculative – and likely influenced by my own idiosyncratic projections. On the other hand (as explored in prior chapters with respect to political symbols), part of the power of nationalistic iconography is the way it invites and assimilates projections…while also maintaining an aura of objective transcendence and stability. Moreover, as Lauer (2008: 126) insightfully

---

350 In *End of the Myth*, historian Greg Grandin (2019) provides a critical reinterpretation of the “frontier thesis” associated with the American Dream. Briefly summarized, the frontier thesis held that America’s world-historical uniqueness derived from its vast and progressive expanding Western frontier, which held forth the opportunities of land ownership and upward mobility. The frontier, in this vision, served as the “safety valve” for discharging the class, ethnic, or religious conflicts continuously arising in the more populated and urbanized east of the nation. (The nation’s so-called “manifest destiny” was the ideological justification – in theologized terms, per the tendencies of American exceptionalism – of the westward expansion retrospectively described by Frederick Jackson Turner in his original articulation of the “frontier thesis.”) The conquest and colonization of the Western frontier entailed a partial harmony of interests between poor white settlers and America’s elites, legitimized through the republican ideology of “free soil, free labor, and free men” – the frontier “served as a proxy for liberation, synonymous with the possibilities and promises of modern life itself and held out as a model for the rest of the world to emulate” (Grandin 2019: 2-3).

Of course, the entire project depended on the dispossession of America’s indigenous inhabitants – a process which depended, from the beginning, on authorities’ benign neglect of alcohol smuggling on the Western frontier. Here, Benjamin Franklin’s attitude was perhaps formative: “If it be the Design of Providence to extirpate these Savages in order to make room for Cultivators of the Earth, it seems not improbable that Rum be the appointed means” (From Franklin’s *Autobiography*, quoted in Andreas 2013: 119).
observes, the mystique of American currency is in fact enhanced by the relative paucity of official explanation for its meaning and origins:

It can certainly be said that the mysterious origins of U.S. currency design provide a convenient aura of myth. One of the advantages of national languages, as Anderson (1991) notes, is that their date of origin can never be proven. As a result, national languages—or, in this case, U.S. national currency—may be attributed to primordial or deep historical origins that suggest a purity and authenticity superior to other languages. That the origins of U.S. currency designs are “forgotten” is significant. By forgetting the work of mere Treasury Department bureaucrats and engravers, nationalist imagery appears organic, thus naturalizing U.S. paper money by obscuring its social construction as an instrument of state authority. As Carruthers and Babb (1996) observe, “Money works best when it can be taken for granted and its social construction is hidden” (p. 1556). The presence of nationalist imagery on U.S. paper money facilitates a necessary degree of forgetting, allowing nominal state tokens to be accepted as valuable physical objects.

Thus far I have concentrated on the iconography of the $100 bill – but what about the denomination as such (that is, the number 100)? Despite the vibrant and interdisciplinary literature exploring the symbolic power of imagery on coins and paper money (e.g., Helleiner 2003; Lauer 2008; McNamara 2015; Singh 2018; Tschachler 2010; Latterell 2011; Mampilly 2011), the symbolic importance of specific denominations has been largely unexplored. A survey of historical numismatics does produce some anecdotal evidence, however. One colorful example comes from the regime of General Ne Win, who ruled Burma as a virtual dictator from 1962 to 1988 and changed the denominations of the local currency to multiples of 9, his “lucky” number (Karthikeyan 2017). Perhaps more surprisingly, the modern (and largely taken for granted) convention of denominating currency in multiples of 10 also originated in the numerological aesthetic of an influential statesman. As documented by Goodwin (2003: 82-3), the decimal denominations of American currency actually began with Thomas
Jefferson’s preference for the number ten over the number twelve. In particular, Jefferson’s rejection of the unwieldy duodecimal qualities of the English currency (twelve pennies made a shilling) was part of his more general distaste for the number twelve, which he saw as representing outworn tradition and religious authority (e.g., the number of months in the Roman calendar year, the number of Jesus’ disciples).

The recurrence of the number wasn’t arbitrary, but Jefferson disliked it because it was old. It smelled to him of priestly divination, obscurity for its own sake, and it went with the anointing of kings and their claims to supernatural status. It belonged in ancient Babylon, not in the new republic (83).\footnote{As Goodwin (2003: 84-85) goes on to explain, Jefferson’s advocacy of the decimal system was partially inspired by Plato’s depiction of Atlantis, which resonated with his Enlightenment ethos and the notion of America as the “New Atlantis.” This same numerological aesthetic took on a tyrannical quality during the French Revolution, as the French Assembly imposed the decimal system in all areas of life, inventing “twenty-hour days, ten-day weeks, and years of ten months” (89). In neither case, however, did the decimal devotees entirely shed the trappings of religion. The French Revolutionaries, for example, established a new “Cult of Reason” with formal rituals designed to replace the liturgy of the Catholic Church. In the American context, the anti-dogmatic deism of founders like Franklin and Jefferson was successfully incorporated into the new American Civil Religion, which postulated a divinely sanctioned “novus ordo seclorum” (as discussed in Chapter 6).}

In 2009, two behavioral economists, Priya Raghubir and Joydeep Srivastava, published an article presenting empirical evidence for the “denomination effect” – i.e., that “the likelihood of spending is lower when an equivalent sum of money is represented by a single large denomination (e.g., one $20 bill) relative to many smaller denominations (e.g., 20 $1 bills)” Among the causal mechanisms theorized for this finding was a psychological “bias for the whole,” as elaborated in an earlier paper by Mishra et al. (2006). Those authors found that, compared to the equivalent sum in smaller denominations, a $100 bill possesses a psychologically pleasing “gestalt” that seems to make it more difficult to spend (or “break” by spending some part thereof):

The Gestalt notion states that the assessment of the whole is more than, or at least different from, the assessment of the sum of its constituent parts (Kimchi 1992)...Features such as symmetry and goodness of form lead the whole to be
coded more efficiently and economically (Palmer 1982). Summing of parts also differs from the whole in the lack of cohesion among parts that results from parts retaining their individual properties in the absence of a contextual whole. As Ariely and Zauberman (2003) demonstrate in the domain of experiences, partitioning experiences leads to parts exhibiting their individual properties. Such a display of independent properties by parts interferes with their perception as a whole. Previous research has further shown that wholes can be processed before, faster, and more accurately than their component parts (Pomerantz, Sager, and Stoever 1977), and Reber, Schwarz, and Winkielman (2004) have shown that Gestalt features of stimuli influence processing fluency positively. Thus, the whole is processed more fluently than its constituent parts because wholes have Gestalt properties that parts do not have. If the above findings are applied to monetary denominations, it can be argued that money in the form of a whole (a $100 bill) possesses Gestalt properties of cohesion and economy and will be perceived more rapidly than money in the form of parts (ten $10 bills). Further, a single bill has a single interpretation of value—$100. On the other hand, an equivalent amount of money in parts (ten $10 bills) does not possess these Gestalt properties because the parts retain their individual characteristics. (Mishra et al.: 2006)

Translated into somewhat simpler terms, a $100 bill is more likely to be fetishized — and therefore saved indefinitely — than any equivalent in smaller denominations.\textsuperscript{352} Thus, although likely of less importance than the iconography of Franklin, the number 100 may possess a certain symbolic value within the “complex bundle of social and psychological meanings” (Greider 1989: 52) that currently attaches to the currency. The C-note is, at it were, the complete, master denomination – of which smaller denominations are only the parts. I consider this in passing because the Treasury could theoretically preserve the image of Franklin while retiring the $100 bill (for example, by moving Franklin to a smaller denomination). But for practical purposes, the iconography and the denomination are probably inseparable; even with respect to (the majority of) US citizens who rarely

\textsuperscript{352} For what it’s worth, I can attest to this phenomenon in my own experience, having often received $100 bills as payment for music gigs. I feel a slight pang of anguish whenever forced to break the denomination out of economic necessity…
use the denomination, the ontology of “The Benjamin” *qua* $100 bill is likely very deeply engrained in the popular consciousness (for reasons we noted at the beginning of this section). Eliminating Franklin – or even simply moving him to a different denomination – would very likely engender controversy and *domestic* political costs, as the following section will suggest.

**Hamilton? Jackson? Tubman?**

Those skeptical of the foregoing reflections on currency iconography might consider the recent, ongoing, and at times bitter controversy over the Treasury’s plans to replace the older version of the $20 bill with a new issuance, featuring the likeness of Harriet Tubman. The political problem is that the introduction of Tubman necessitates the removal of Andrew Jackson, placing respective admirers of the two figures in open conflict with each other. The episode has epitomized the symbolic potency of currency as a terrain for identity politics and partisan conflict, while simultaneously scandalizing the Treasury as “politicized” in one direction or another.

The controversy actually began when the Treasury, under Secretary Jack Lew in 2015, signaled plans to introduce a depiction of Harriet Tubman on the $10 bill, replacing the existing iconography of Alexander Hamilton. Hamilton’s cachet was high at the time – the Broadway musical had led to a resurgence of interest in him – and the Treasury’s apparent intentions quickly resulted in a wave of public outcry. Among those who weighed in on the public debate was formal Federal Reserve Chairman Ben Bernanke,
who wrote a 2015 op-ed for the Brookings Institution entitled “Say It Ain’t So, Jack,”
which began dramatically: “I must admit I was appalled to hear of Treasury Secretary
Jack Lew’s decision last week to demote Alexander Hamilton from his featured position
on the ten dollar bill.” Bernanke went on to endorse the proposal to introduce a depiction
of Tubman, but recommended that Tubman replace Jackson instead:

Hamilton’s demotion is intended to make room to honor a deserving woman on
the face of our currency. That’s a fine idea, but it shouldn’t come at Hamilton’s
expense. As many have pointed out, a better solution is available: Replace
Andrew Jackson, a man of many unattractive qualities and a poor president, on
the twenty dollar bill.

This approach was also endorsed by WomenOn20’s, a non-profit organization
specifically created to “to compel historic change by convincing President Obama and the
Secretary of the Treasury to put a woman's face on our $20 banknote” (WomenOn20s,
“About Us”).

But while this workaround may have pacified the devotees of Hamilton, it merely
created a new conflict with Andrew Jackson defenders, who soon found a fresh source of
support with the election of Donald Trump. On the campaign trail, Trump had earlier
referred to the move to substitute Tubman for Jackson as “pure political correctness”
while arguing that “Andrew Jackson had a great history, and I think it’s very rough when
you take somebody off the bill” (Rappeport 2019a). In the summer of 2019, the New York
Times reported that the issuance of the new Harriet Tubman $20 bill would be delayed

---

353 As a section from the organization’s website entitled “Why Boot Andrew Jackson from the $20”
argues, “Jackson’s mission to ‘remove’ Native Americans from their land coupled with his activities as a
profiteering slave trader and cruel slave owner reveal his character as incompatible with the core American
values and principles of freedom and equality. He does not deserve the honor of being on our currency and
continuation of sanitized history” (WomenOn20s, “Why the $20?”).
until 2025 at the earliest, generating a new wave of controversy that resulted in a Congressional Inquiry over the Treasury’s perceived foot-dragging:

Many Americans were deeply disappointed with the delay of the bill, which was to be the first to bear the face of an African-American. The change would push completion of the imagery past President Trump’s time in office, even if he wins a second term, stirring speculation that Mr. Trump had intervened to keep his favorite president, Andrew Jackson, a fellow populist, on the front of the note (Rappeport 2019b).

When interrogated by Congress, Secretary Mnuchin claimed that the delay was solely due to technical issues with the Bureau of Engraving and Printing; however, “Current and former department officials say Mr. Mnuchin chose the delay to avoid the possibility that Mr. Trump would cancel the plan outright and create even more controversy.” To punt on the issue was perhaps a prudent move considering the apparent irreconcilability of the symbolic attachments at play. Rappeport (2019b) summarized the controversy by paraphrasing the comments of Larry E. Rolufs (a director of the Bureau of Engraving and Printing): “making major changes to the money is an invitation for backlash.”

Indeed, the political football over the proposed replacement of Andrew Jackson with Harriet Tubman on the $20 bill has only confirmed that currency decisions partake of the broader conservative bias in American politics. With the 2020 change in administration (and to a more inclusive/diverse leadership and public relations posture), one might have expected a renewed commitment to the replacement of Jackson by Tubman. But thus far, it seems that both the Trump and the Biden administrations have sought refuge in technical and security considerations354 to postpone resolution of the

———

354 As Mnuchin explained to Congress, “It is my responsibility now to focus on what is the issue of counterfeiting and the security features…The ultimate decision on the redesign will most likely be another secretary down the road” (Rappeport 2019a).
issue…although each has granted a small measure of symbolic messaging to its respective political base. In the case of the Trump administration, both Trump and Mnuchin paid lip service to the notion of introducing more diverse faces on American currency, while subtly denigrating the impetus behind the movement to get Tubman on the $20 bill. Trump openly acknowledged the symbolic importance of currency by expressing his admiration for Andrew Jackson and suggesting that Harriet Tubman be placed on a new issuance of the smaller and (long defunct) $2 bill (Wright 2016). Mnuchin took a different, more evasive approach, arguing that he had more pressing matters to worry about than the imagery on the next issuance of the $20 bill. Whether calculated or not, each response (in its own way) conveyed the message that more inclusive symbolic representation was not that important.

The initial messaging from the Biden administration was the opposite, as the White House press secretary Jenn Psaki expressed enthusiasm for the Harriet Tubman note and assured reporters that its unveiling would be expedited:

The Treasury Department is taking steps to resume efforts to put Harriet Tubman on the front of the new $20 notes. It’s important that our notes…reflect the history and diversity of our country. And Harriet Tubman’s image gracing the new $20 note would certainly reflect that. So we’re exploring ways to speed up that effort. But any specifics would, of course, come from the Department of Treasury (Rappeport 2021).

---

355 Tschachler (2010:132-3) provides a fascinating history of the stigmatization of the $2 bill, which at various points was the standard medium of payment for acts of prostitution, vote-buying, and bets on horse-racing. That Trump was aware of such associations when suggesting Tubman be relegated to the $2 bill is improbable, but he was no doubt familiar with the modern image of the $2 bill as a novelty item unlikely to widely circulate.

356 As Mnuchin remarked to CNBC in August 2017, “People have been on the bills for a long period of time….Right now, we’ve got a lot more important issues to focus on” (Rappeport 2019a).
But (as evident from the last line of the above) Psaki’s messaging ultimately appealed to the technocratic authority of the Treasury, which, according to subsequent NYT reports, was at the mercy of the same technical/security considerations invoked by former Treasury Secretary Mnuchin.\textsuperscript{357} The Biden administration thus appears to have arrived at the same practical compromise as Mnuchin: convey to one’s perceived political base that one is on the right side, and then promptly attempt to depoliticize the issue.

That the Treasury itself would prefer to avoid further controversy is indicated by its ongoing refusal to release any internal documents relevant to the situation. On April 5, 2019, the government watchdog group, American Oversight, submitted a Freedom of Information Act request to the Treasury for all records and communications concerning the Harriet Tubman $20 bill. After almost two years of rebuff by the Treasury’s representatives, American Oversight announced a lawsuit against the Treasury and Bureau of Engraving of Printing for the unlawful withholding of information subject to public scrutiny under FOIA (American Oversight, “Complaint: American Oversight v. BEP and Treasury – Records Concerning the Harriet Tubman $20 Bill”). One can only conclude that – much like the deliberations prior to the 1969 demonetization – the Treasury hopes to “minimize adverse public reaction”; while its current stonewalling tactics might raise a few eyebrows, releasing revelatory documents would presumably result in even more negative PR. For his own part, Former Secretary Lew expressed regret at how the controversy unfolded, and how his sponsorship of the new Harriet

\textsuperscript{357} As reported by the \textit{New York Times} after interviewing Lydia Washington from the Bureau of Engraving and Printing, “It turns out that the complex design and testing process for currency cannot be hurried. ‘No final images have been selected,’ Ms. Washington said. The Treasury Department did not respond to a request for comment” (Livni 2021).
Tubman design was originally interpreted as slighting Hamilton: “There’s a bit of a mythology about that. We never considered the option of eliminating Alexander Hamilton from our currency, it was a question of how Alexander Hamilton would be on the currency. To be clear, the proposal that I made was to have Harriet Tubman on the front side and have an image of the White House on the reverse side – and in the image of the White House, there would be a depiction of the statue of Hamilton that is in Lafayette Park facing the White House. So it was done in a way that was meant to not be divisive.” But when it comes to currency design, simply moving an icon from the front of a bill to the back conveys an implicit value judgement and opens up a pandora’s box of political costs.

While broadly relevant to the destiny of the $100 bill (by illuminating the symbolic potency of currency imagery for political identities), the controversy over the $20 bill is of course not analogous in all respects. In the case of the $20, it is not the denomination itself that is threatened. On the other hand, as reactions of both Jackson partisans (like Trump) and Hamilton partisans (like Bernanke) illustrated, denominations and their imagery are bound together by the inertia of tradition, and partisans tend to defend a specific denomination as the territory of their preferred icon. Absent the expediens of re-issuing defunct denominations, creating new ones, or issuing multiple versions of the same denomination, either the introduction of a new face or the discontinuation of an old denomination implies the disappearance of a historical figure.

---

358 Author interview, summer 2021.
from the currency. And if Franklin were to be moved to a smaller bill, some other figure would have to go...thus inevitably antagonizing some other group of partisans.

Tschachler’s (2019) provocative article, “‘A More Permanent Familiarity’: Value and the Paternal Image on United States Currency,” analyzes the Tubman/Hamilton controversy via a feminist interpretation of American numismatics and nationalist narratives. As the author points out, “The story of the nation’s currency too is a gendered narrative as well as a narrative of gender” (3) – the iconography of US currency thus far restricted to the mythological celebration of the nation’s “founding fathers.” Indeed, per the concept of American Civil Religion, the patriarchal elements of Judeo-Christian theology are likely relevant here.

It’s the rhetoric of political fatherhood, not motherhood, that ameliorates, if not elides, all kinds of fears, of change, of the future, of social decline, of other people. By the same token, the portraits on the currency of “the Presidents of the United States” serve as symbols of national consensus, continuity, and stability to which citizens are called upon to defer. Altogether, the metaphorical Fathers’ “more permanent familiarity in the minds of the public” is to provide at least a semblance of stability in periods of domestic turmoil, and of continuity and comfort in times of international crisis and decline. They are the foundation of an aesthetic-theological-mythological scheme to strengthen the dollar from the outside, constituting an authority that guarantees permanence and stability (11-12).

---

359 That a hypothetical demonetization of the $100 bill might stoke reactionary identity politics (as occurred with the $20 bill controversy) is indicated by a Wall Street Journal editorial (“The Political War on Cash”) from 2016 (before Jackson became the icon to be replaced by Tubman): “Alexander Hamilton may soon—and shamefully—be replaced on the $10 bill, but at least the 10-spots would exist for a while longer. Ol’ Ben would be banished from the currency the way dead white males like him are banned from the history books.”
Tschachler hastens to add that “No one will be fooled all the time, though. The ‘dead presidents’ on modern dollar bills, together with the obligatory cultural memory they tap into and activate, are also symptoms of a profound crisis of patriarchy” (12). On the other hand, the Tubman/Jackson controversy appears to suggest that the dollar’s preexisting iconography – much like the dollar itself, as the world’s reserve currency – enjoys a tremendous incumbency advantage.\(^{360}\) One might not particularly approve of the patriarchal connotations of the dollar’s iconography or the exorbitant privilege the currency confers, but whether one’s priorities are symbolic or material, one is up against the inertia of the status quo. Here, Tschachler’s interpretation of America’s exceptional conservatism in banknote design seems very much akin to the language used by Treasury Secretary Yellen in her earlier quoted (Chapter 6) remarks on the transcendental meaning of American currency:

> Currency notes are generally considered a “state’s calling cards,” mirroring the values they represent as money—stability, continuity, and resilience to crises. This is especially true for U.S. currency. In the years following the currency reform heads of state, generals, and other statesmen gave way to representatives of official culture (composers like Verdi or Strauss, for instance). Internationally, that is, while U.S. currency remained unaffected by these changes (Tschachler 2019: 8).

Both Yellen and Tschachler imply that the fundamental value associated with the dollar is stability.\(^{361}\) Like America itself, the dollar is supposed to be a safe haven – a refuge from the oppressive rule of other, more capricious, sovereigns. To alter the dollar is to

\(^{360}\) See Chapter 2.

\(^{361}\) For an in-depth discussion of how America’s perceived political stability (and invulnerability to foreign military threat) redounds to the international reputation of the dollar, see Norrlof (2010).
call this value into question. Indeed, as we continue to explore in the next section, even comparatively minor and routine changes to the currency may come with nontrivial costs.

**Marketing the Benjamin Abroad**

The modern status of the $100 bill as the most common denomination outstanding derives from a rapid rise in foreign demand for the denomination, noticed by US monetary policymakers in the 1990s. The wave of economic integration and liberalization associated with that decade – the dissolution of the Soviet Bloc and the opening of economies in Eastern Europe and elsewhere around the world – set the stage for a new foreign “consumer” of the dollar: a private citizen, perhaps both attracted to the apparent triumphal economic success of the United States and humbled by intractable inflation and dysfunction in his or her own country. Importantly, this era also saw the rise of global mass marketing and the diffusion of “iconic brands” (Holt 2004) and “logos” (Klein 2009), a “McWorld” of “popular culture driven by expansionist commerce” (Barber 2001: 17). As Barber went on to specify, this apparently transnational phenomenon’s, template is American, its form style. Its goods are as much images as matériel, an aesthetic as well as a product line...For America’s largest brand-name consumer goods corporations...selling American products means selling America: its popular culture, its putative prosperity, its ubiquitous imagery and software, and thus its very soul (17, 60).

Given this popular academic focus on American *corporations* as the agents of globalization – and combined perhaps with the reigning economic orthodoxy’s taken-for-granted “neutrality of money” – it was perhaps understandable that many analyses would
miss the parallel to the American state, its fiat currency constituting a product for global export. And yet, as at least one scholar suggested during the early 2000s’ assessment of globalization, the enduring status of the dollar as the world’s reserve currency was at least partially a function of the dollar’s success as an iconic brand (Franko 2004).

Though part of the author’s analysis is dated (e.g., traveler’s checks!), the conception of the C-note as the flagship of the dollar’s international brand is just as relevant, if not more so, today:

Few people living inside the United States probably give much thought to the fact that the longest-lived and most widely seen American "brand" in the rest of the world is almost certainly not Coca-Cola nor McDonalds, but rather the U.S. dollar. The vast majority of the world's trade and investment, licit and illicit, legal and illegal, is financed in dollars… Many of those dollar payments and receipts are made with U.S. $100 bills, one of the most popular media for international transactions, along with American Express cards and traveler’s checks and (U.S. developed) Visa cards. Ben Franklin is probably the most viewed American of all time, although in Japan and China he gets competition from Colonel Sanders, of Kentucky Fried Chicken fame.

Among the subjects discussed in the 1998 Congressional Hearing on Jumbo Notes was the significant demand for $100 bills in the post-Soviet bloc. This trend had been documented in various official reports, including Porter and Judson’s (1996) study for the Federal Reserve Bulletin:

In the countries of the former Soviet Union, past and current high inflation, confiscatory currency reforms, and the underdevelopment of the banking system encourage people to hold and use U.S. dollars for everything from retail purchases of imported consumer products to the settlement of debts between and within countries.

Barber’s book, for example, contains an extended analysis of the “soft goods” and “videology” of McWorld (i.e., of the imagery associated with American cultural artefacts), and at one point declares “the victory of the dollar over every other conceivable interest” (148), but never considers the (globalized, physical) dollar as itself a concrete incarnation of McWorld. Similarly, Held et al (2000: 327) argue that “few expressions of globalization are so visible, widespread and pervasive as the worldwide proliferation of internationally traded consumer brands (and) the global ascendency of cultural icons and artefacts” without considering the concurrent widespread informal dollarization through that lens.
The demand for the dollar was thus great at both elite and mass levels, as explored by political scientists (e.g., Johnson 2008) and anthropologists (e.g., Lemon 1998) alike. Aliana Lemon’s (1998) ethnography provides an especially in-depth look at how this widespread dollarization was experienced in the streets and homes of ordinary Russians during the mid ‘90s. As a theoretical grounding for her analysis she observes that, “Currency is a sensual substance, both a thing in the Marxian sense and a visible surface that concentrates diffuse, mass-mediated associations as well as personalized memories.” Her field work in Russia traced how “friends and consultants themselves dwelled upon the physical and sign properties of cash, upon the social circumstances in which they saw, spent, or acquired the bills, more than they did upon their purchase power” (29).

For the typical Russian attracted to the material abundance of the West, Benjamin Franklin’s visage on the $100 bill signified the “smiling consumption” of an apparently superior economic model (Lemon 1998: 48). And yet the C-note in post-Soviet Russia was clearly more than the mere representation of exchange value, becoming itself an exotic object of popular commodity fetishism:

Certainly dollars had long offered Soviets possibilities of faraway exchange, and imagining powers of future spending, of extensions of the self, added to the bills' aesthetic force. However, post-Soviets often extracted paper foreign currency bills from their hiding places not simply to count, but to display and admire them (29).

As Lemon goes on to point out, “to admire the threads of a dollar bill was to scrutinize them, but in practice that scrutiny fanned the illusion that physical bills and the marks upon them were the essence of value” (29). From these quasi-intimate relations with the C-note evolved a segment of the Russian populace that was both remarkably adept at
differentiating between real and counterfeit bills and, one might say, “irrationally” attached to the features of the real thing.

Lemon’s findings also suggest that the Russian fetishization of the dollar in general and the C-note in particular had much to do with the relative stability of US currency compared to the indigenous ruble. Given Russian’s own recent and negative experiences of monetary volatility in the forms of hyperinflation, currency reforms, demonetizations of old denominations, and seemingly endless and arbitrary redesigns during the period of post-Soviet transition, the dollar inevitably appeared more solid and reliable. Indeed, Russians could not but draw some symbolic connection between the stability of the dollar as a store of value (e.g., as expressed in international exchange rates) and the stability of dollars as embodied in their reliable denominations and aesthetic characteristics. Here, Lemon’s fascinating analysis is worth quoting at length:

The dollar denominations' uniform size and color throughout the Soviet period was a potent contrast to that of rubles, which changed frequently after the Revolution. A winter 1991 recall of high ruble denominations created panic; since it was announced suddenly, there was little time to exchange old bills for new and papers had to be shown proving how the bills had been earned (see Pesmen 1996). There were rumors that the state wanted to nullify illicit capital accumulations, the wiping out of life savings in cash rubles being an unfortunate but calculated side effect (Los Angeles Times 1991 b). Hardly a year later, in the summer of 1992, the state began to quietly edit the socialist emblems on its bills: if you held a 5,000-ruble note (then worth about $50) to the light, you saw that the watermark of Lenin's bald silhouette had been replaced by an abstract design, while 1,000-ruble notes featured Lenin and the Soviet coat of arms for a while longer. Moreover, as people got accustomed to the Lenin-less rubles, in 1993 they were replaced in turn by notes so small that people found in the size a visual joke on devaluation. 1996 brought physically larger high denomination bills, the mounting numbers of zeroes printed on them seeming no less absurd. In contrast, U.S. currency notes had hardly been altered since the late 1920s, bills over $100 last being recalled in 1969 (31).
But while the dollar was perceived as superior to the ruble in these various ways, Lemon observes that the Russian desire for dollars was nonetheless marked by a certain ambivalence. This was partially due to the national humiliation accompanying widespread currency substitution, as described elsewhere by Cohen (1998), Naylor (2003) and others. It was also due to popular resentments that the coveted hard currency was only available, in significant volumes, to the upper classes, or to ethnic minorities and organized crime groups involved in mysterious networks of foreign trade. And yet, despite – or perhaps partially because of – these associations, the dollar conveyed the simulacrum of escape for the average sufferer of the post-Soviet malaise: “In Russia, hard currency fuels dreams of crossing the country's borders just as it cannot unbar all the city gates” (49).

Indeed, if the dollar is a sort of brand, it is undoubtedly great example of an “iconic brand,” to borrow the concept from Douglas Holt’s (2004) influential work. From the observed perspectives of foreigners handling and saving $100 bills, many or all of the key components of the iconic brand are present: there is an instantly recognizable and “classic” logo, a sense of story and value associated with the product, and an attractive identity conferred on those who wield it. Even the dollar’s vague hint of transgression (for foreign users, as suggested by Lemon’s Russian ethnography) is a common, if not indispensable, trait of iconic brands. As Holt (2003) explains, products that facilitate a

—

363 As Lemon suggests, the invidious contrast was inevitable whether one was purchasing with the strong foreign dollar or the weak local ruble. “Every purchase with a fistful of currency invited calculation of what that money used to buy, as well as the realization of how ‘worthless’ rubles had become and how much less they were worth, compared to foreign currencies” (35-6).
symbolic performance of individualistic rebellion tend to thrive and capitalize upon repressed discontent, especially in periods of social turmoil or transformation:

The contradictions between ideology and individual experience produce intense desires and anxieties, fueling the demand for myths. That demand, in turn, gives rise to what I call “myth markets.” It’s in these markets, not in product markets, that brands compete to become icons…The winners in these markets become icons; they are the greatest performers of the greatest myths, and they bask in the kind of glory bestowed on those who have the prophetic and charismatic power to provide cultural leadership in times of great need. More often than not, in America at least, those who win in myth markets are performing a myth of rebellion.

Whereas Holt’s focus is on the domestic US context, the globalization of iconic, and characteristically American brands, suggests that his basic insight can be extrapolated, mutatis mutandis, to the international markets where such iconic brands also hold sway. When it came to post-Soviet currency substitution, the dollar was arguably “the greatest performer of the greatest myth” – positioning it even farther ahead of already distant rivals like the deutschmark, pound, or yen (Lemon 1998: 33-34).

As confirmed by more recent ethnographies of foreign currency substitution (Senders and Truitt 2007), the dollar’s magical associations were not solely the projections of Russians following the collapse of the USSR, but have recurred in many locales throughout the world. For example, Julie Chu’s (2007) ethnography of rural dollar-holders and seasonal migrant laborers from the Chinese province of Fuzhou emphasizes the appeal of the dollar as rooted in its symbolic associations with American

---

364 This edited volume, titled *Money: Ethnographic Encounters*, contains ethnographies of dollar use in China, Thailand, Ukraine and elsewhere.
freedom and prosperity. The dollar was broadly perceived as a better store of value (than the local RMB) because of America’s superior rule of law and stability:

Unlike the RMB, the dollar provided Longyan residents with an alternative means for imagining money accumulation as a morally earned and therefore deserving project. While the suspect RMB wealth of officials and elites only seemed to reinscribe a status quo of local inequality, dollar prosperity suggested that through the alienating and challenging trials of honest labor abroad, the most humble commoners could be transformed into the successful entrepreneurial vanguard of a new Chinese modernity. Elaborately displayed in temple rituals and other local festivities, dollars were powerful tokens of a rite of passage through which Fuzhounese villagers imagined transforming themselves from marginal "peasants" into model cosmopolitans. Not only did the USD have the superior exchange value of 1:8 RMB, but through the process of its accumulation overseas, the dollar, unlike the RMB, also offered a success story premised on a moral ethos of hard work and sacrifice. In this way, saying that the dollar was "bigger" and "better" than the RMB was never just a declaration of monetary value but also a judgment of the moral value of those who held such different currencies.

Truitt (2007, from the same volume) reports similar findings from her ethnography of dollar-use in Saigon, once again emphasizing the role of the dollar as an intermediary between American nationalist narratives and the mundane consumption fantasies of average foreigners:

As an American in southern Vietnam, I was a player in this economy of storytelling. Close friends, remote acquaintances and even strangers approached me for money. Their stories included plans to purchase wholesale goods, bus fare to visit an ailing mother, motorbike repairs, and even mobile-phone subscriptions. The fact that people made their requests in the idiom of U.S. dollars rather than Vietnamese dong indicated the strange and magical place of foreign currency in Vietnam's rapidly expanding economy.

Of course, it is one thing to assert that foreigners have fetishized and/or projected symbolic meanings onto the dollar. It is another thing to claim that the US Treasury has consciously attempted to cultivate these phenomena, and to make such a case will require assembling various pieces of indirect evidence (as I begin to do in the following section).
As a general rule, official pronouncements from the Treasury and BEP tend to downplay the visual or iconographic significance of specific denominations, stating that “It is important to remember that U.S. currency is primarily redesigned for security against counterfeiting threats, not aesthetics; and, the redesign timeline is driven by security feature development.” Similarly, when asked about potential connections between the dollar’s aesthetic qualities and its role as the global reserve currency, Secretary Lew initially replied that “it’s not something I’ve ever given much thought to.” But as he then went on to reflect, “I think the character of US currency is very important – it’s a symbol of the stability and strength of the US economy and the United States, and in thinking about currency design and thinking about the policies that govern the issuance of currency, it is important to keep that in mind. You don’t want US money to look like play money!” Here we might note that both Lemon’s ethnography and Lew’s comments essentially reiterate Holt’s insights on “iconic brands” that are “consistent, powerful, and easy-to-recognize” (Harvey), thereby positioning themselves above the fray of upstart competitors. Dramatic changes in currency design are apt, as we saw in Lemon’s analysis of post-Soviet ruble banknotes, to appear arbitrary and gimmicky – qualities that reflect poorly on the currency issuer and exacerbate pre-existing deficits in popular legitimacy. By way of contrast, the relatively conservative and unchanging appearance of the dollar – including, when it comes to the C-note, the familiar visage of Benjamin Franklin – may

---

confer a certain dignity. Traditional aesthetics\textsuperscript{366} and consistent denominations\textsuperscript{367} seem to best convey the \textit{story} of “stability and strength” that Lew associates with the dollar’s international prestige.

Thus, echoing at a \textit{global} level the aforementioned reflections from Larry E. Rolufs (i.e., on the domestic political costs of currency meddling), “to alter an existing national currency, even slightly and under ideal conditions, is serious business” (Lauer 2008: 112). In this context, “even slightly and under ideal conditions” refers to the Treasury’s periodic redesigns of existing denominations to simply add new security features and make the currency more difficult to counterfeit. Such a process contains an inherent tension that can, at best, be managed by the Treasury: by definition, certain physical characteristics of the currency must be altered to enhance the notes’ security, and yet any noticeable changes may lead to confusion and resistance from users accustomed to the older versions. Hence, \textit{even when basically maintaining the preexisting iconography on bills}, the Treasury has taken a proactive approach, in recent decades, to promote new designs and educate the public about their novel features. For example,

\begin{quote}
When the U.S. Department of Treasury prepared to release a new colorized $20 bill in the fall of 2003, a major outside advertising firm was ‘quietly hired’ to promote it, and a massive public information campaign was supplemented with ‘product placements’ on ‘Wheel of Fortune,’ a television game show, and ‘Pepsi Play for a Billion,’ a nationally televised sweepstakes (Lauer 2008: 112, citing Atkinson 2003).
\end{quote}

\textsuperscript{366} It is, by now, cliché to point out that the dollar appears rather dull by the standards of most modern currencies; its green-grey drabness (only slightly ornamented by recent color additions) contrasts with the flashy colors of, say, the modern Euro or the Renminbi.

\textsuperscript{367} One cannot help but wonder if this psychological insight was another dimension of the US monetary policymakers’ reluctance to reissue larger notes as discussed in the 1998 Congressional hearing. As Lemon observed with respect to newly issued higher denominations of the ruble, “the mounting numbers of zeroes printed on them” seemed “absurd.” Perhaps even in the context of a relatively stable “hard” currency, issuing higher denominations might convey the \textit{appearance} of hyperinflationary seigniorage and thus erode popular trust…
A similar marketing campaign occurred during the subsequent, colorized reissues of the $50 and $100 bill, but, given the predominantly foreign use of these larger denominations, the Treasury’s PR efforts focused on popular opinions outside the United States.\textsuperscript{368} The “$100 Program Wrap Report,” a 2011 Treasury document made public through FOIA request in 2017, provides a fascinating glimpse at official efforts to survey the opinions of C-note users around the world and ease the transition to the reissued note.

As the brief begins,

In order to prepare global stakeholders and U.S. currency users for a redesigned $100 note, the Bureau of Engraving and Printing (BEP), Federal Reserve Board (FRB) and United States Secret Service (USSS) engaged Burson-Marsteller to develop and execute an integrated public education program (1).

The PR firm Burson-Marsteller was tasked with a variety of research and marketing activities, such as conducting focus groups and media outreach campaigns in foreign countries, educating foreign governments about new anti-counterfeiting features, and harnessing new social media.

A number of research initiatives were undertaken very early, many during work on the $5 note, to lay the groundwork for the $100 program. Because of the extensive use of the $100 note worldwide and the emphasis on international communications for that note, research was conducted in markets around the world (17).

The campaign appears to have reflected the Treasury’s awareness of the growing importance – but also the fragilities – of the $100 bill as a preferred store of value for foreign savers. The Treasury had undoubtedly learned a valuable lesson in 1995, when the mere announcement of its plans to reissue a new version of the C-note was followed

\textsuperscript{368} See Streisand (2003) and Bureau of Engraving and Printing, “$100 Program Wrap Report”
by a significant dip in foreign demand for the dollar. According to a Federal Reserve commentary,

as news of the soon-to-be released $100 bill spread abroad, currency growth plummeted, from about 8.5 percent over the last two decades to about 3 percent in 1995. Many analysts believe that this slowdown largely reflected foreign holders' concerns about the new currency (Carlson and Keen 1996).

The chief concerns, apparently, were that older $100 bills would be recalled or would no longer be accepted at face value – concerns that the Treasury attempted to alleviate through post hoc damage control such as “setting up toll-free hotlines around the world.” By hiring Burson-Marsteller before the $100 bill’s next reissue some fifteen years later, the Treasury was able to confront such popular misconceptions and preemptively manage them.

Part of the preliminary research involved exposing focus groups to the new security features to gauge people’s reactions and solicit opinions as to what the new features might be called (for example, the term “3-D Security Ribbon” emerged from these groups). Other focus groups involved interviewing foreigners about any concerns related to the transition. These included counterfeiting, of course, but also, much like during the prior reissue, fairly common assumptions that the old $100 bills would lose their status as legitimate currency. The marketing campaign was therefore designed to

369 Interestingly, the Russian case was an exception to this worldwide dip in demand, which Lemon attributes to the American embassy’s initiative to allay popular concerns well in advance. “The U.S. ambassador in Moscow, reinforcing such frequent public service announcements on CNN as, ‘Ben Franklin's face is shifted slightly to the side,’ declared that the old $100 bills would never devalue, that this was not a recall, and that the change was minor” (31).

370 For example, Burson-Marsteller found that “many in Peru and Angola expect that they will have to exchange their older design notes for new $100 notes when they are issued” (21).
“help ensure universal acceptance of the new note while maintaining confidence in the integrity of the old-design $100 note as long as it is in circulation” (51).

What can we infer from this globalization-era history, culminating with the Treasury’s investment in a global PR campaign to promote the $100 bill? In many ways, the Treasury’s concerns prior to the circulation of the 2009 reissue recapitulated those expressed at the 1998 Congressional hearing on Jumbo Notes: above all, the Treasury was keen to maintain foreign dollar-holders’ faith in the $100 bill as a secure store of value. Because the reissue inevitably raised new opportunities for counterfeiting and manipulation through disinformation, much of the campaign was essentially educational and meant to provide foreign governments, financial institutions and average citizens with the tools to differentiate the authentic from the fraudulent. But there was also clearly attention to the emotive reactions of foreigners and a concerted effort to reassure them that the reissue in no way implied a recall or active demonetization of the old versions.

As repeated in official Fed and Treasury publications, and emphasized on the Treasury’s website today, the US has never demonetized any of its dollar denominations in the “hard” sense described in Chapter 5: that is, all formerly issued denominations (and specific versions thereof) remain legal tender, with bills larger than the $100 only being demonetized in the “soft” sense in 1946 (i.e., by ceasing new production of notes) and the “medium” sense in 1969 (i.e., by withdrawing notes from circulation gradually through the “normal course of business,” or when freely deposited in commercial banks). And yet, despite this consistent official stance, the Treasury found in 1995 that the mere announcement of plans to reissue the $100 bill led to a decline in international demand for the dollar.
If “minor changes” to the preexisting C-note could result in widespread paranoia about a hard demonetization – requiring large investments in a global PR campaign to counteract – one can imagine that a hypothetical soft demonetization would entail equal or greater risks. Even in the context of proactive PR approach, with the perpetual legal tender status of existing notes strongly emphasized, for the Treasury to announce that it was no longer producing new C-notes would undoubtedly generate some public misinterpretation and doubt about the $100 bill as a reliable store of value. Of course, the mass communication potential for the Treasury today is greater than it was in 1995 (or 2005) with the global diffusion of internet access. But even under the unlikely assumption that an official guarantee of a (hypothetically) discontinued C-note’s perpetual legal tender status could reach every foreign dollar holder on the planet, such reassurance would not be taken universally – if I may be permitted the pun – at face value. Indeed, if the online cottage industry of “war on cash” alarmism provides any indicator, simply discontinuing production of new $100 bills would be interpreted by some dollars-holders, both foreign and domestic, as the first step towards a “cashless society” requiring much harder forms of demonetization. As Carlson and Keen (1996) observed in the Federal Reserve Bulletin, “promises about cash are often viewed with deep suspicion by foreigners who have watched their own currencies become virtually worthless.”

---

371 For example, when the European Central Bank announced the soft demonetization of the 500 euro note in 2016, its online press release emphasized that the denomination “remains legal tender and will always retain its value” (European Central Bank, “ECB Ends Production and Issuance of €500 Banknote”).

372 For example, foreigners might fear that the Treasury subsequently renege on the guarantee to honor $100 bills in perpetuity and establish a deadline for them to be exchanged for smaller denominations (i.e., a
The weight of the foregoing evidence indicates that proposals to get rid of the $100 bill in 2016 were up against a potent cultural institution. The tremendous incumbency advantage of the C-note was never simply a matter of material interests for the American fiscus, but also stemmed from the currency’s ability to broadcast American nationalist narratives, both at home and abroad. While HDN demonetization advocacy depended on a devil shift directed at cash itself, the Benjamin would not be easily demonized – indeed, its adversaries would need an extremely compelling policy narrative to put their putative monster to rest. As the final section of this chapter concludes, such a narrative was lacking.

The Policy Narrative of HDN Demonetization

Perhaps the strongest incarnation of the policy narrative for HDN demonetization was provided by Peter Sands (2016) in his working paper “Making it Harder for the Bad Guys: The Case for Eliminating High Denomination Notes.” The introduction to that paper contains all the structural elements of the NPF:

Illegal money flows pose a massive challenge to all societies, rich and poor. Tax evasion undercuts the financing of public services and distorts the economy. Financial crime fuels and facilitates criminal activities from drug trafficking and human smuggling to theft and fraud. Corruption corrodes public institutions and warps decision-making. Terrorist finance sustains organisations that spread death and fear. The scale of such illicit money flows is staggering. Depending on the country, tax evasion robs the public sector of anywhere between 6% and 70% of what tax authorities estimate they should be collecting. Global financial crime

“hard” demonetization, a la India 2016). Dollar-holders unable to exchange their C-notes in time would be left holding worthless (or heavily discounted) paper.
flows are estimated to amount to over US$2tr per year. Corruption amounts to another US$1tr. Most of the effort to combat such illicit financial flows focuses on the perpetrators, the underlying criminal activities or on detecting illicit transactions through the banking system. Yet despite huge investments in transaction surveillance systems, intelligence and interdiction, less than 1% of illicit financial flows are seized. In this paper we suggest a different approach, one that would complement existing policies and make them more effective. Our proposal is to eliminate high denomination, high value currency notes, such as the €500 note, the $100 bill, the CHF1,000 note and the £50 note. Such notes are the preferred payment mechanism of those pursuing illicit activities, given the anonymity and lack of transaction record they offer, and the relative ease with which they can be transported and moved. By eliminating high denomination, high value notes we would make life harder for those pursuing tax evasion, financial crime, terrorist finance and corruption. Without being able to use high denomination notes, those engaged in illicit activities – the “bad guys” of our title – would face higher costs and greater risks of detection. Eliminating high denomination notes would disrupt their “business models”.

High denomination notes are arguably an anachronism in a modern economy given the availability and effectiveness of electronic payment alternatives. They play little role in the functioning of the legitimate economy, yet a crucial role in the underground economy. The irony is that they are provided to criminals by the state (Sands 2016: 1-2).

Let us now examine each of the core elements in turn.

Setting

The setting of the policy narrative is a world of endemic and out-of-control illicit finance – a “massive challenge to all societies.” Illicit finance is understood in the broadest possible way, comprising everything from tax evasion that “distorts the economy” to terrorist finance that “spreads death and fear.”
Characters

While Sands’ description may imply proximate victims to the predicate crimes associated with illicit finance (e.g., the direct victims of drug trafficking, human smuggling or terrorism), the victim character is ultimately painted with the broadest possible brush – i.e., as society writ large. This characterization is reiterated over the course of Sands’ paper, for example, “Tax evasion, financial crime and corruption impose massive economic and social costs on societies, rich and poor” (6), and “Despite intensified political and regulatory focus and increased investment in surveillance and interdiction by banks, tax collection authorities and crime agencies, illicit activities continue to thrive, imposing massive costs on society” (8).

Sands is also clear about the chief villains of the narrative, all “those engaged in illicit activities – the ‘bad guys’ of our title.” But in practical terms, the policy narrative gives a large role to these villains’ de facto accomplice: the governments who continue to issue HDNs. The “bad guys” use HDNs, but “the irony is that they are provided to criminals by the state.” This particular formulation (“the irony is”) suggests an agnostic stance towards the precise moral culpability of HDN issuers – whether their continued, unnecessary assistance of the bad guys is inadvertent/unintentional or more cynical in nature. Later in the piece, Sands is slightly more accusatory, suggesting that

---

373 See Shanahan et al. (2014: 72).
governments’ interest in the seigniorage potential of HDNs makes them turn a blind eye to illicit finance.\textsuperscript{374}

The policy narrative offers little by way of heroes. HDN demonetization advocates are themselves implicitly characterized as the ‘good guys,’ offering useful policy advice to governments, who can improve their own moral stature by accepting the advice. But the technocratic character of the policy proposal makes it difficult to present in heroic or prophetic terms.

\textbf{Plot}

As with heroes, the HDN demonetization policy narrative offers little by way of plot. The story begins with a certain, unacceptable amount of illicit finance taking place (the “setting” described above). The efforts of HDN demonetization advocates succeed in convincing governments to gradually eliminate HDNs. This “disrupts the business model” and “makes life harder” for the “bad guys.” The end.

\textbf{Moral}

Existing AIF approaches have not yielded satisfactory results, so governments should take advantage of a “different approach, one that would complement existing policies and make them more effective.”

\textsuperscript{374} “High denomination notes held by criminals at home and overseas are the least likely to be presented as claims on the central bank. So the argument that these represent interest free loans that need never be repaid is strongest for illicitly held high denomination notes…Of course one problem with this argument is that it amounts to admitting that seigniorage from high denomination notes is particularly attractive precisely because these notes are held by criminals and not used in the normal functioning of the economy” (Sands 2016: 47).
One can already see from the above outline that – at least from the perspective of the NPF – the HDN demonetization policy narrative is deficient in key respects. Although the narrative’s comprehensive conception of “illicit finance” actually corresponds well to the Treasury’s official pronouncements (as seen in chapters 1 and 2), this kitchen-sink approach makes the narrative less compelling rhetorically. The lack of a specific and primary villain deprives the narrative of any dramatic tension and conflict necessary for plot development. Here, Rogoff’s (2016b) implied characterization of the villains is even more revealing for its lack of focus: “There is little debate among law-enforcement agencies that paper currency, especially large notes such as the U.S. $100 bill, facilitates crime: racketeering, extortion, money laundering, drug and human trafficking, the corruption of public officials, not to mention terrorism” (italics mine). A virtual afterthought in Rogoff’s list of illicit actors, the terrorist is effectively emptied of any motivating monstrosity.\textsuperscript{375} Other potentially odious figures (e.g., “human traffickers”) are similarly laundered by their conflation with more prosaic-sounding activities (e.g., racketeering).

The vagueness of the characters is mirrored in the expected result of the policy proposal (the “moral”). We are told that the bad guys will “face higher costs and greater risks of detection” (Sands) – but not how this result will be measured or confirmed.\textsuperscript{376}

\textsuperscript{375} This inclusion of terrorist finance as simply one more form of HDN-facilitated illicit finance contrasts with the policy narrative leading to the ECB’s 2016 soft demonetization of the €500 note (i.e., the “Bin Laden”), where the threat of terrorism was more central. As reported by the \textit{New York Times} in May 2016, “While the necessity of the €500 note has been debated for a while, the pressure to abolish it grew after the terrorist attacks in and around Paris in November and in Brussels in March” (Ewing 2016).

\textsuperscript{376} As Sands concedes in the same document, “Without much in the way of empirical evidence, we must largely rely on first principles to assess the potential impact of eliminating high denomination notes” (40).
Particularly in the context of the dominant/immediate version of the policy proposal – a gradual, soft demonetization of the $100 bill\textsuperscript{377} – the effects can never be directly witnessed, only assumed to be taking place in the aggregate. Put differently, the policy narrative for the soft demonetization of the $100 bill is inherently boring.\textsuperscript{378} As Rogoff (2016b) acknowledges at the beginning of an WSJ article summarizing his 2016 book, “When I tell people that I have been doing research on why the government should drastically scale back the circulation of cash—paper currency—the most common initial reaction is bewilderment. Why should anyone care about such a mundane topic?”

As it turns out, Rogoff’s own incoherent strategy for overcoming this narrative deficiency gets to the probable heart of the problem for HDN demonetization advocates. To the extent that the policy proposal becomes more bold and accusatory, it is likely to be more interesting from a narrative perspective. And yet, this dramatic enhancement cannot be accomplished without simultaneously antagonizing relevant political actors and

\textsuperscript{377} As mentioned in Chapter 1, this was the most widely acceptable version of the proposal, captured by Larry Summers (2016) in his Washington Times op-ed: “I’d guess the idea of removing existing notes is a step too far. But a moratorium on printing new high denomination notes would make the world a better place.” Given this suggested approach, the title of Summers’ op-ed (“It’s Time to Kill the $100 Bill”) was something of a misnomer – “It’s Time to Gradually Retire the $100 Bill” would have been more precise (if less dramatic).

\textsuperscript{378} The 2016 demonetization of India presents a useful contrast in this regard. While painful in its implementation, its policy narrative was decidedly more compelling than those associated with soft demonetization proposals in the US. The hard demonetization approach allowed for a dramatic plot: a sudden, surprise announcement of a limited time to exchange the demonetized rupees, a disoriented villain (the organized criminals supposedly draining the nation of tax revenue) scrambling to adjust, and an entire nation willing to undergo significant sacrifices to purge the society of corruption and emerge more righteous. India specialists have documented how Modi was able to invoke the nationalist narrative of “redemption through sacrifice” (itself a secularized principle of the country’s Hindu roots) to secure broad public support for the demonetization. As noted by Menon (2016), “Modi spoke of the suffering caused by demonetisation as a yagna or sacrifice to purge society of the demon of black money… the mood of the general public has been less of resentment and more of the necessity of this measure.”
vindicating the suspicions of policy antipreneurs. There are several facets to this dilemma.

First, it is important to note that Rogoff’s version of the policy narrative attempted a devil shift at cash itself – with HDNs merely the worst offender for illicit use. This was apparent in the dramatic title of his book, *The Curse of Cash*, and the synopsis he wrote for the *Wall Street Journal*, “The Sinister Side of Cash” – both titles apparently calculated to spruce up the otherwise dry and technocratic quality of his policy proposals. Within both the book and the article, Rogoff takes great pains to qualify that he is not opposed to cash *per se:*

To be clear, I am proposing a ‘less-cash’ society, not a cashless one, at least for the foreseeable future. The first stage of the transition would involve very gradually phasing out large denomination bills that constitute the bulk of the currency supply…Cash is intimately familiar to all of us, woven into the fabric of our lives and our experiences as consumers and businesspeople. But governments have let cash supplies get way out of hand, to the benefit of criminals and tax evaders everywhere. It is time, at last, to get rid of all those $100 bills (Rogoff 2016b).

Yet this attempt to have it both ways – to grab popular attention with titles suggesting a justified “war on cash,” while disavowing that interpretation in the texts – has made HDN demonetization advocacy appear disingenuous and has inspired reasonable criticism.\(^{379}\)

\(^{379}\) As Lawrence White observes in his article, “The Curse of the War on Cash” (2018: 477), “The phrase ‘war on cash’ is of course intended to be dramatic. Harvard economist Kenneth Rogoff (2017) has objected to it as ‘a polemical exaggeration’ in his response to a critical essay review (Hummel 2017) of his recent book on the topic. What he considers an exaggeration is not the term ‘war,’ mind you, but the unqualified term ‘cash,’ given that he himself advocates only ‘a war on big bills’ and not a fully ‘cashless society.’ Point granted. But this complaint about overly dramatic phrasing is a bit ironic coming from the author of a book entitled *The Curse of Cash,* not *The Disadvantages of High-Denomination Bills.*”

381
Perhaps a relative strong point of the HDN demonetization policy narrative, from the perspective of the populist mood in 2016, was its identification of HDNs with a privileged minority or elite. Where demonetization antipreneurs made arguments that $100 bills were a necessary convenience for international travel, or for private savings to ensure against financial emergencies, demonetization advocates could implicitly ridicule such arguments as the petty concerns of the 1%. However, when discussing the issue of tax evasion, Rogoff’s perceived demonization of cash per se likely vitiates whatever populist appeal his attack on HDNs might otherwise enjoy. For example, Rogoff (2016b) observes that:

Cash is also deeply implicated in tax evasion, which costs the federal government some $500 billion a year in revenue. According to the Internal Revenue Service, a lot of the action is concentrated in small cash-intensive businesses, where it is difficult to verify sales and the self-reporting of income. By contrast, businesses that take payments mostly by check, bank card or electronic transfer know that it is much easier for tax authorities to catch them dissembling. Though the data are much thinner for state and local governments, they too surely lose big-time from tax evasion, perhaps as much as $200 billion a year.

In calling out the largely routinized and culturally tolerated tax evasion of small businesses, Rogoff moves significant numbers of sacrosanct Americans into the villains’ camp – that is, alongside the human traffickers and (“not to mention”) terrorists. The

380 For example, a contributor to Forbes wrote that “When I’m traveling, domestically or abroad, I always carry cash with me, and $100 bills are much more convenient than a pound of $20s” (Holmes 2016).

381 As Sands (2016: 4) observes with respect to such appeals-to-convenience, “lower denomination notes offer an only slightly more inconvenient solution for ordinary people, given the sums involved. Only the very wealthy would be truly inconvenienced by having to make such a substitution. Given the scale of the benefits from eliminating high denomination notes, these arguments for retaining them look less than compelling.” On the issue of international travelling, Sands is more sardonic (though here he invokes the much more valuable Euro HDN): “is enabling rich Europeans to have a few €500 notes in their inside pocket when they go on safari a significant policy priority?” (50).
gesture comes dangerously close to impugning a key, if not openly avowed, American value: that anti-tax ideology (and tolerant attitude toward entrepreneurial rule-breaking) so formative to the national identity. It is here that Rogoff’s characterization of the villain is likely to fall on deaf ears, if not provoke active resentment.\textsuperscript{382} The corresponding depiction of the \textit{victim} of tax evasion is perhaps unconvincing for the same reason. Absent some dramatic, rally-around-the-flag event (like the 9/11 attacks) the federal government – especially the I.R.S. – is unlikely to elicit much sympathy in a policy narrative.\textsuperscript{383} (Sands’ earlier characterization of “society” as the victim of tax evasion is probably better, though still too vague to generate the desired emotional response.)

We turn now to a final liability in the HDN demonetization policy narrative, particularly as expressed by Rogoff. We already noted how the policy narrative necessarily casts HDN-issuing governments (i.e., Treasuries and Central Banks) in the role of villain’s \textit{accomplice}. Here, Rogoff’s characterizations of US authorities have been relatively accusatory, calling out the Treasury for “organized hypocrisy” (as defined earlier in the chapter).\textsuperscript{384} But while adding dramatic interest to the policy narrative, this devil shift has at least two significant drawbacks. First, it is directed at the very authorities in control of the denominational situation, who, for reputational reasons

\textsuperscript{382} The HDN demonetization advocate quoted at the beginning of this chapter observed in an interview that, “The big numbers in terms of tax evasion in most countries are in relatively small ticket, small business, cash handling. But of course, the politics of pursuing that are not as attractive as the politics of pursuing major corporations or wealthy people” (Author interview, fall 2020).

\textsuperscript{383} For general discussion of Americans’ anti-tax ideology and preference for limited government, see Kingdon (1999).

\textsuperscript{384} For example, by way of predicting aggressive AIF regulation of cryptocurrencies, Rogoff remarks in \textit{The Curse of Cash} that, “at the end of the day, governments will not likely tolerate financial transactions that protect the anonymity of criminals and terrorists (unless, it seems, it is their own paper currency being used)” (2016: 214).
discussed at the beginning of this chapter, will have incentives to react with non-engagement and strategic silence. But even within the context of the policy narrative itself, there is something highly incongruous about Rogoff’s devil shift, since Rogoff combines his AIF arguments for HDN demonetization with a technocratic appeal to increasing central bankers’ policy maneuverability.

As Rogoff argues in his *Wall Street Journal* article, “The tax and crime angle is reason enough to shred the world’s mountains of paper currency. There is, however, a very different and perhaps surprising rationale, having to do with the ability of central banks to deal with financial crises and deep recessions.” Indeed, Rogoff devotes a considerable chunk of *The Curse of Cash* to this side of his argument, which can be summarized as follows: HDNs facilitate the hoarding of cash as a store of value, therefore limiting the power of central banks to impose negative interest rates as countercyclical measure to stimulate spending during periods of low real inflation. But in addition to the inherently offensive quality of negative interest rates to the prevailing American (libertarian, anti-tax) ideology, Rogoff’s appeal to increasing the power of monetary authorities is simply inconsistent with the rest of his argument. Strangely, Rogoff simultaneously portrays monetary authorities as cynically indifferent to the public interest (the devil shift) *and* deserving of more power to advance that interest – a policy narrative that, adding to its many other problems, is incoherent on its own terms.

---

385 We might recall here that Rogoff was writing in a much different monetary environment from 2023, where central banks are now preoccupied with the opposite problem (i.e., taming inflation).
The Counternarrative(s)

In the first two chapters of this study, we suggested that the Treasury’s nonaction with respect to recent HDN demonetization proposals was somewhat puzzling when taking the Treasury’s AIF mission at face value. From the perspective of a “credulous interpretation,” to simply end the production of new $100 bills would seem to be relatively easy intervention – “not a free lunch, but a cheap lunch” as Summers promoted it – in line with the Treasury’s professed “all-tools” approach to combatting illicit finance, broadly conceived. In Chapter 5, we began to see how the Treasury’s cost-benefit analysis was in fact more complicated, involving seigniorage concerns and the role of the dollar as the world’s reserve currency. In this chapter, we have extended that analysis further by focusing more specifically on the narrative barriers to HDN demonetization. The $100 bill tells a good story – better, as it turns out, then the story told by those who want to get rid of it. Given the Benjamin’s symbolic incumbency advantage and the deficiencies in the demonetization policy narrative, the Treasury can afford to take a non-comment approach to HDN demonetization advocacy. But, if choosing to respond, it has several rhetorical options at its disposal. Whatever role the Treasury may have in facilitating in illicit finance via continued production of the $100 bill may be either trivialized, justified, relativized, or inverted into a moral good. (While these rhetorical approaches or discourses may be combined in practice, it will be useful to analyze them separately here.)
The Discourse of Trivialization

In the discourse of trivialization, it is argued that getting rid of HDNs would make little or no difference to illicit finance. As reported in McGinty’s (2016) article (which cited “several agencies, including Treasury”), “Even if the U.S. did drop the $100 bill, several government agencies predicted criminals would simply gravitate to whatever denominations were available.” This discourse was also evident in Vittori’s explanation of the NGO community’s disinterest in HDN demonetization proposals (i.e., HDNs are “just not that important compared to all the other issues”).

The Discourse of Justification

In the discourse of justification, it is argued that the continued production of high denomination notes is appropriate for the legitimate prerogatives of the US state. Put differently, the $100 bill is a necessary evil to be used in the broader interests of national security (e.g., allusions to covert/discretionary payments), the preservation of US hegemony (e.g., Lew’s allusions to the unique role of the US as reserve currency issuer and the increased storage/shipping costs that would result from a hypothetical demonetization), and the generation of seigniorage revenue. This discourse is compatible with the nationalist narrative of American Exceptionalism insofar as the hegemonic responsibilities of the United States confer some extra moral latitude in the

\[386\text{ See Chapter 5.}\]

\[387\text{ See Chapter 5.}\]
practical matter of denominational offerings. As Secretary Lew remarked, “the considerations of the dollar as the world’s currency are just a little bit different.”

**The Discourse of Relativization**

In the discourse of relativization, it is suggested that attention to the $100 bill should be deprioritized in favor of other, foreign HDNs (e.g., the 1,000 Swiss Franc, the 500 or 200 euro notes) which, because of their higher value-to-mass ratio, theoretically represent a greater boon to illicit finance. Here, amid the realist backdrop of international currency competition (i.e., Cohen’s “Darwinian struggle for market share”) the $100 bill is conceptualized as the lesser evil, and the Treasury as relatively less cynical than rival currency issuers. Interestingly, this rhetorical approach was present in Summers’ op-ed in favor of HDN demonetization, “Time to kill the $100 bill.” In spite of the article’s title, Summers suggested that the issuers of foreign, higher-value HDNs had the responsibility to act first (and that the retirement of the $100 bill should accompany a multilateral agreement to demonetize all HDNs over roughly $50 in value). For Summers, it was earlier Eurozone officials who had been guilty of “skirmishing over seigniorage” (and facilitating illicit finance) by issuing larger HDNs in the first place. Thus, while openly calling for the soft demonetization of the $100 bill, Summers’ article perhaps indirectly supported resistance to the proposal by relativizing the Treasury’s responsibility.\(^\text{388}\)

\(^{388}\) The argument in Summers’ article appears to reflect the tentative interest in HDN demonetization by Treasury officials in 2016, as reported by another demonetization advocate and quoted earlier in this chapter. A rather Machiavellian, grand strategic interpretation of Summers’ HDN demonetization advocacy might plausibly regard Summers’ professed interest in “killing the $100 bill” as nothing but a subterfuge to get the Europeans to demonetize their larger denominations…though such a reading must remain speculative.
The Discourse of Inversion

The discourse of inversion is perhaps the most audacious of these rhetorical approaches, redefining, as it does, what would be regarded as tax evasion within the US into justifiable acts of illegality when performed in certain foreign contexts. In Chapter 5, we saw that Secretary Lew’s justification of the $100 bill, as a global public good, was partially couched in the bill’s utility for foreign savers living amidst unreliable local currencies: “If you’re in a country where your concern is that your own currency is going to lose value, you might store $100 bills rather than put money in the bank, losing value, even if it’s legitimate. So I think it’s important to distinguish between legitimate uses of currency and abusive uses of currency.” While not explicitly condoning tax evasion in foreign countries, Lew’s remarks indicate how foreign savers’ desire to avoid the volatility of their home country currencies is likely accompanied by a desire to hide savings from their respective tax authorities. For the foreign saver, hoarding $100 bills kills two birds – local currency instability and excessive local tax – with one highly concealable stone.

But while radical from a legalistic perspective, the discourse of inversion is in fact on perfectly solid ground when it comes to the American nationalist narrative canon explored in Chapter 6. A deep-seated antagonism to taxes and a civil religious evaluation of the dollar as innately stable and liberating are precisely the sort of ideological

---

389 After all, the question of whether to keep one’s savings in the form of cash or the form of bank deposits is analytically distinct from the question of whether to keep one’s savings in a foreign or the local currency. For example, a foreigner might keep his or her savings in a dollar-denominated bank account – which would be resistant to the local currency’s instability, but, if legible to local authorities, still vulnerable to confiscation or excessive taxation. Storing $100 bills under the proverbial mattress avoids both of these problems.
phenomena that can bind Americans and foreigners together under a common currency regime. As Kingdon (1999: 44) remarks, “We Americans…seem to see taxes as devices for confiscating what is rightfully ours. As fiercely autonomous individuals, we believe we are entitled to our wealth, and that taxes take away the wealth that it is our natural right to obtain and keep.” With each Benjamin acquired and concealed from the local tyrant, the foreigner becomes ever more the honorary American. And in the event of emergency, a stash of $100 bills represents the possibility of escape. As explained in a 1996 commentary for the Federal Reserve Bank of Cleveland (detailing foreign demand for US currency),

These favorable features of the U.S. dollar ultimately reflect the political and economic stability we enjoy. For countries whose political situation is uncertain, the dollar offers a form of wealth that may be put in a suitcase and carried should a resident need to flee. Political instability is often associated with economic turmoil and a debasing of a country's currency. Despite the episodes of double-digit inflation in the 1970s and early 1980s, the United States has never experienced a hyperinflation (Carlson and Keen: 1996).

Never mind the original hyperinflation on which the nation was founded. And never mind the fact that only foreign elite would be likely to actually implement this suitcase-centered strategy. The point, as Albert Hirschman (1970: 106-7) famously elaborated, is that escape (or “exit” as he called it) is intrinsic to the American identity – and part of

---

Sands (2016: 51) responds to the discourse of inversion as follows: “Through access to US$100 bills, elites secure insulation from domestic monetary and banking disasters, which weakens their incentive to seek change. Whilst there is no data to prove this, we would suspect that in most such countries, access to and holdings of foreign currency high denomination notes is highly concentrated. This is not about protecting the populace in general – teachers and nurses – from governmental mismanagement, but about enabling those with power and wealth to protect themselves.”
the nationalist narrative conveyed to foreigners by the $100 bill (or the mere simulacrum thereof):

The United States owes its very existence and growth to millions of decisions favoring exit over voice...people...solving their problems through 'physical flight' than either through resignation or through ameliorating and fighting in situ the particular conditions into which one has been "thrown."
Chapter 10 – Conclusion

The Politics of Money and Politics of Anti-Illlicit Finance

Recent years have amply confirmed the scholarly maxim that “money is politics” (Kirshner 2003a). The somewhat cyclical politicization of money was already waxing with the official response to Covid, perhaps rivalling the immediate aftermath of the 2008 financial crisis and continuing the long term trend ushered in by that event. Inflation levels not seen in the US since the 1980s have generated both widespread popular worries and questioning of fiscal and monetary policy, to which diverse commentators have responded with an equally diverse set of explanations. Political debates over stimulus checks and the appropriate levels of government expenditure to address the pandemic – or, for that matter, the more long-term and presumably existential climate crisis – increasingly invoke rival schools of political and economic philosophy; references to

---

391 Concerning these more secular trends, Eich (2019: 86) posits three periods: “first an initial phase of the politicization of money (1973–1979); followed by the emergence of a global politics of disinflation that came to be hailed as the ‘Great Moderation’ (1980–2008); and finally, our current period in the wake of the Financial Crisis of 2008, which revealed the fragility of many of the presuppositions of the ‘Great Moderation’ and returned us to the unresolved questions of the 1970s (2008–present).”

392 For example, contemporary works like Christopher Leonard’s The Lords of Easy Money (an analysis of Federal Reserve policies leading to modern asset bubbles) are bestsellers on Amazon and widely discussed on popular podcasts and alternative media. As one commentator spoke approvingly (of this resurgence of interest in an often esoteric subject), “In 2022, let’s make debates over monetary policy populist again!” (Breaking Points, 2022: 6:50).
Austrian economics or Modern Monetary Theory appear in debates on the floors of Congress as well as cable news. Cryptocurrency boosters project a seductive vision of a new money free from political interference, but the road to their techno-monetary utopia is apparently strewn with political obstacles, including more aggressive federal regulation, market manipulation by major investors, and popular backlash.393 Even on a mundane, material level, money continues to generate controversy. Early public health concerns about the possible transmission of Covid-19 through the handling of physical currency spurred both the predictable advocacy of digital payments technology as well as its natural counterpart: the alarmism of libertarians fearful of a global and conspiratorial “war on cash.”

In short, contemporary debates have underscored Kirshner’s (2003a: 645) remark that “the management of money is always and everywhere political: for every policy choice, there is an alternative that some actors would prefer.” Periods of crisis highlight the distributional consequences of one policy over another, exposing the technocratic mythologies of money’s “neutrality” vis-à-vis the real economy. True, “political struggles about money are routinely cloaked in economic terms, often throwing students of politics off the scent” (Kirshner 2003b: 3), but this depoliticizing impulse can never wholly suppress controversies born of distributional effects. Even under circumstances of relative prosperity and growth – where, per the predictions of elite theory, publics are

---

393 This was seen, perhaps most dramatically, with the ill-fated “Libra” cryptocurrency created by Facebook in 2019, but continues today, with extreme volatility in the value of cryptocurrencies like Bitcoin and with more stringent and expansive regulations on the federal agenda.
generally content to have things managed by professional experts—certain areas of monetary policymaking are transparently political in their effectuation of clear winners and losers.

Questions of how to deal with illicit finance are perhaps exemplary in this regard. Unlike general questions of monetary policy (which often operate at a high level of abstraction), policies crafted to combat illicit finance inevitably identify some set of villains participating in illicit activities (e.g., money launderers), as well as accomplices in the otherwise licit/formal economy (e.g., the banks facilitating such laundering). If the Federal Reserve adjusts interest rates, for example, the distributional consequences, though undoubtedly real for creditors and debtors, are deemed an indirect result of an intervention in the service of the macroeconomy. By contrast, if the Treasury designates a foreign bank as a “special money laundering concern” or freezes its assets, the distributional consequences are explicit and direct. One might say that the depoliticization of money is inherently less tenable with respect to official policymaking vis-a-vis illicit money – the very conception of which implies a set of moral, legal, and thus overtly political judgments.

To begin with, the anti-illicit finance mission inevitably entails the demystification of economics’ traditional, commodity conception of money: i.e., as some designated thing serving as a universal equivalent across perfectly anonymous networks.

As Michels (1962: 88) argued in his classic work, Political Parties, “Though it grumbles occasionally, the majority is really delighted to find persons who will take the trouble to look after its affairs.” For an application of this insight to the creation and institutionalization of the Federal Reserve, see Greider (1987: 240-1). Eich (2019: 86) observes that the depoliticization of money is itself always a political act and argues that “political attempts to remove money from political control are a central, perhaps constitutive, feature of liberal modernity.”
of exchange.\textsuperscript{395} \textit{Pace} Vespasian’s famous musing on the perfect fungibility of money across disparate applications ("\textit{pecunia non olet}") – the Treasury’s AIF policymaking suggests that some money \textit{is} in fact tainted by its history.\textsuperscript{396} Here it is worth emphasizing the relative zeal of the Treasury’s AIF mission over the past two decades, or at least for the targeted financial sanctions approach. For example, a former Treasury official observes that, “Before 9/11, the whole idea of creating friction in the international monetary system with respect to the use of US dollars was anathema to government policy and the Treasury. You want everyone to rely on US dollars and accept them at face value. One of the great ironies of what we started after 9/11 is that perhaps the greatest value of a nation’s currency is its anonymity – that is, people accept it at face value, they don’t question what’s behind it. They’re just confident that people will exchange goods and services if it’s presented. What \textit{we} started looking at – we were trying to figure out the identity behind some of those dollars, and that was a big speedbump in the international currency system.”\textsuperscript{397}

In a recent, fascinating work on the political theory of money, Eich (2022: 2) suggests that “We live in a moment of monetary interregnum. The myth of neutral money beyond politics is dead, but in the words of economic historian Adam Tooze, ‘a fully political money that dares to speak its name has not yet born.’” These reflections of Eich and Tooze strike me as highly relevant to the managerial-nationalist interpretation of the

\textsuperscript{395} For a convincing critique of this traditional, commodity conception, see Ingham (2006).

\textsuperscript{396} Although in practical terms, the US Treasury is still happy to reabsorb tainted money through asset forfeitures… and thus perhaps not so different from Vespasian regarding coins obtained through the Roman urine tax.

\textsuperscript{397} Author interview, winter 2023.
Treasury’s AIF policymaking I have presented in the foregoing chapters. The practice of targeted financial sanctions has destroyed any pretense of “neutral money beyond politics” in the international system, confirming (at the geopolitical level) Viviana Zelizer’s thesis that all money is essentially relational.\footnote{For a summary, see Dodd (2014: 286 passim). Whereas Zelizer’s The Social Meaning of Money (1997) is primarily focused on the relational aspects of money in everyday life (e.g., gift giving, earmarking for specific purposes), her basic argument about de facto cultural limitations on money’s fungibility (e.g., “your money is no good here”) travels well, I believe, to the formal political level of AIF policymaking.} Foreign actors have learned that their dollar assets can be revoked, to one degree or another,\footnote{The difference between freezing and seizing (i.e., “forfeiting”) assets may make little practical difference when assets are frozen indefinitely. As Former Treasury Secretary O’Neill noted, “‘Freeze’ is something of a legal misnomer— funds of Communist Cuba have been frozen in various U.S. banks for forty years” (Quoted in de Goede 2012: 157).} by the simple diktat of the Treasury. Such weaponization of the monetary system evokes the essence of politics (as defined by the notorious political theorist Carl Schmitt): the distinction between enemy and friend.\footnote{Indeed, as earlier explored in Chapter 7, the Terror narrative (from which targeted financial sanctions originated) thrived on this sort of Schmittian dualism. See Boukalas (2014), Agamben (2005), de Goede (2012).} Meanwhile, incremental increases in anti-MLRE regulation draw obvious political support from American concerns with foreign real estate investment as such – reiterating how the convertibility of foreign-held dollars may be qualified by American nationalist pressures. Only the Benjamin, it seems, continues to offer that safe and safely anonymous store of value for which the US financial system has been historically celebrated.

Examined in isolation, the Treasury’s quieta non movere approach with respect to the $100 bill would appear to be compatible with a “grand strategic” interpretation of the Treasury’s policymaking – i.e., where its AIF mission would not be permitted to subvert
its primary organizational mission (especially the maintenance of dollar hegemony). Non-action (and strategic silence) in this case seems to shrewdly accommodate the country’s geopolitical interests, the Treasury’s reputation, and the implicit nationalist narratives bound up with “the Benjamin” as a classic American icon and brand. The continual export of C-notes to faraway lands seems almost calculated to promote an transnational community of private dollar holders, who contribute to US seigniorage revenue, help maintain the dollar’s prestige and network effects, and generally becomes stakeholders in American hegemony. And yet, the Treasury’s aggressive use of targeted financial sanctions is difficult to reconcile with such a long-term grand strategic interpretation. Rather, that case suggests that under unique circumstances, the Treasury’s AIF mission can actually displace its primary mission. The dominant narrative framing of the 9/11 attacks as an act of war, the President’s call to fight the terrorists by all available (including financial) means and his demand for visible markers of success, the zeal and bureaucratic self-interest of Treasury officials with law enforcement backgrounds – all these factors conspired to set the Treasury on a path-dependent track at odds with the preservation of “exorbitant privilege.” By the time of the second policy window referred to in this study, the geopolitical risks of financial sanctions were increasingly noted by academics and former Treasury policymakers alike, but it was already too late – the Treasury (along with the broader US foreign policy apparatus) had become more or less addicted to the tool.

---

401 For perhaps the best summary of this idea, see Eric Helleiner’s (2006) essay, “Below the State: Micro-level Monetary Power.”
As for the Treasury’s anti-MLRE policymaking, its compatibility with a grand strategic interpretation is perhaps yet to be determined. On one hand, much like the now inveterate threat of targeted financial sanctions, the expansion of anti-MLRE regulations can do little to reassure foreigners about the reliability of the dollar as a fully convertible store of value. Though the regulations are not explicitly directed at foreign investors per se, the policy narrative surrounding them nonetheless conveys a sense of nativist suspicion – a message of “your money is not welcome here.” Thus, like sanctions, expanding anti-MLRE regulations risks the further erosion of dollar hegemony. On the other hand – to the extent that FREI is in fact as problematic as the anti-MLRE advocacy coalition suggests – its active discouragement would be appropriate as a matter of national security. After all, the benefits of dollar hegemony would count for little if its maintenance meant tolerating the sale of a large portion of the nation’s real assets to a foreign investor class. The ideal, then, would be to strike the perfect balance in the manner of the “double performance” described in Chapter 1. Perhaps the regulation could be calibrated to induce a chilling effect on FREI (thereby restoring housing affordability for Americans) without gratuitously politicizing the issue in nationalistic or geopolitical terms.

Unfortunately for a grand strategic interpretation of (or aspiration for) Treasury AIF policymaking, current events appear to be leading anti-MLRE in the immoderate

---

402 I confess I have my doubts. As elaborated in Chapters 4 and 8, anti-MLRE may largely operate as a form of symbolic policymaking in lieu of more structural solutions to housing crisis. The focus on FREI as the culprit for housing unaffordability arguably deflects attention from more significant domestic culprits. As noted by Barkan (2022), “An increasing number of landlords and homeowners are not wealthy individuals but sprawling corporations and private equity firms speculating on real estate.”
path of targeted financial sanctions. Much as Treasury officials found the tool of targeted financial sanctions escaping the Department’s control, as Congress pushed for a more heavy-handed approach against banks doing business with Iran in 2009, similar pressures, from elected officials using highly nationalistic rhetoric, may eventually force the Treasury’s hand towards stronger anti-MLRE regulation. As we will elaborate before concluding, the recent discourse around MLRE only confirms the managerial-nationalist interpretation advanced in this dissertation. But first let us summarize the meaning of the managerial-nationalist interpretation within the findings of this study.

Summary of the Study

This dissertation has examined three distinct policy approaches within the Treasury’s AIF repertoire, arguing that the variation in the Treasury’s policymaking is best explained by a managerial-nationalist interpretation. The Treasury’s AIF policymaking is managerial in the sense that the Treasury cannot pursue a comprehensive, “all-tools” strategy such as a credulous interpretation of its official pronouncements might suggest. Rather, as each of the cases has demonstrated in its own ways, AIF policymaking is limited by various political constraints, with the Treasury’s actions and non-actions representing the management of other government actors, private industry stakeholders, advocacy coalitions, public opinion (both international and domestic), and indeed, tensions within the department itself. For example, an

---

403 See discussion in Chapter 3.
overaggressive pursuit of the Treasury’s AIF agenda might threaten the Treasury’s primary organizational mission (of managing the nation’s finances) by imposing too much collateral damage on legitimate economic actors or otherwise compromising the attractiveness of the US financial system for foreign dollar-holders. An exclusive dedication to the primary organizational mission, on the other hand, would risk turning a blind eye to illicit finance vulnerabilities.

How, then, does the Treasury go about its AIF policymaking – deciding if, when, and how much to act? While not denying other relevant factors, I have argued that compatibility with the nationalist narrative canon provides the best and most consistent explanation for the variation in the Treasury’s policymaking across the three cases examined here.\footnote{While making no rigid claim of broader applicability, this dissertation has nonetheless aspired to a tentatively generalizable interpretation of variation in Treasury AIF policymaking. Future research might investigate whether the same explanation holds with respect to other cases, such as briefly enumerated in the case selection section of Chapter 1 (e.g., cryptocurrencies, casinos, art and antiquities, private equity funds, gift cards or other vulnerabilities). Another interesting direction for future research would involve applying the same NPF methodology to AIF policymaking in other countries, with similar consideration of their own unique nationalist narratives. (This dissertation has already alluded to some specific possibilities – for example, the way the demonetization policy narrative in India invoked the Hindu-nationalist narratives of necessary purging and sacrifice.)} The case of strong policymaking (targeted financial sanctions) was intimately connected to the highly nationalistic narrative of the war on terror, as articulated by the Bush administration after 9/11. The case of non-policymaking (HDN demonetization) expressed the opposite narrative situation, where American Civil Religion (and American Exceptionalism) gave a great advantage to the status quo (i.e., leaving the $100 bill as is).

The case of intermediate/partial policymaking (anti-MLRE regulation) was perhaps the most interesting and dynamic of the three, given its internal variation.
between the two policy windows orienting this study. While the Treasury’s non-action in the post 9/11 window followed from the real estate industry’s strategic appeal to the US Economy and American Dream, the changing circumstances of the subsequent decade and half allowed for a contrary policy narrative that deployed those same narrative materials against the industry and resulted in the Treasury’s tentative implementation of anti-MLRE regulation. As the case thereby illustrated, the Treasury’s AIF policymaking is not predetermined by some fixed or unambiguous nationalist myth; rather, much depends on the ability of policy advocates to weave general (“macro” or “meta”) nationalist narratives into a compelling policy narrative on the “meso” level of political debate.

The Narrative Policy Framework provided a useful methodology for breaking down policy narratives into their constituent parts – setting, characters, plot and moral – and comparing the narratives associated with different AIF approaches. Here, we placed particular importance on the motivating power of a compelling and well-defined villain. The Terror narrative that gave rise to targeted financial sanctions benefitted from an especially threatening and dramatically monstrous villain, from which the rest of the policy narrative naturally followed. The preexisting Manichean impulse of American exceptionalism and the President’s own transparent political theology were harnessed to an archetypical plot form, justifying the extreme means by which the heroic nation would overcome its evil enemy. Policy entrepreneurs within the Treasury added their own dramatic embellishment (“the magic weapons”) to the narrative, highlighting the value of targeted financial sanctions as a unique CFT (and soon thereafter, all-purpose AIF) tool.
An exceptional villain called forth an exceptional response…which was later institutionalized into permanence, as history would predict.\footnote{See Chapter 7, especially references to Agamben (2005).}

The dramatic power of the policy narrative behind targeted financial sanctions contrasted sharply with the dry and incoherent policy narrative associated with HDN demonetization in the American context. Once again, the characterization of the villain was perhaps the decisive factor: unlike the highly specified villain of the sanctions narrative, the advocacy for retiring the $100 bill offered an eclectic plurality of financial villains, ranging from the potentially baleful (e.g., the terrorist, the human trafficker) to the relatively prosaic (the tax evader or corrupt official). From a policy narrative standpoint, this unfocused characterization was a great liability; to villainize everyone is to villainize no one, and only serves to dilute the reaction-inspiring potential of the more obviously evil figures in the cast of characters. While the sanctions narrative brought the terrorist monster to the fore, the HDN demonetization narrative threw him in as if by afterthought. (Figure 1 on the following page presents these findings in simple form.)
The irony, with respect to HDN demonetization advocates’ broad brush characterization of villains, was that this aspect of their policy narrative actually mirrored the all-inclusive conception employed by the Treasury itself. Much like the arguments of Rogoff or Sands, the Treasury’s official pronouncements tend to lump together a diverse spectrum of actors and activities under the common conceptual banner of “illicit finance,” while aspiring to combat that phenomenon with a comprehensive, all-tools approach. But while this broad conception of illicit finance may be theoretically defensible and institutionally convenient for the Treasury in certain respects, it does not necessarily reflect how AIF policies are chosen or implemented.

---

406 See Chapters 1 and 2.

407 For example, in a 2011 essay, former Director of Homeland Security Michael Chertoff defended the conflation of the war paradigm and the crime paradigm on theoretical and practical grounds. Chertoff argued that despite the apparent difference in motivations, “ideological” groups like Al-Qaeda were not fundamentally different from mere international “criminals” (such as the “Mexican drug lords”) in their violent and terrorizing effects (2011: 59).

408 See Chapter 3 on the second “moment” of the post 9/11 policy window – when Zarate and his team deliberately used this broader framing as a way of defending bureaucratic turf.
The contrast between the Treasury’s aggressive innovation of targeted financial exceptions and its original postponement of anti-MLRE regulation was revealing on this score, since both approaches emerged early in the post 9/11 policy window for AIF policymaking, as codified in the Patriot Act. But while both approaches were nominally justified by the terrorist threat, targeted financial sanctions were significantly more compatible with the Terror narrative. In terms of “markers of success” – the ritualistic performance described in the introductory chapter – sanctions were much more marketable: with every new asset freeze or forfeiture, the Treasury was “chopping off” another head of the global Terrorist hydra. But the suggestion that this Manichean struggle between good and evil could be advanced by compelling American real estate professionals to perform new KYC requirements on their clients was less convincing. The lack of empirical evidence for terrorist finance through MLRE (as observed by some real estate industry lobbyists) highlighted the limitations of “illicit finance” as a motivating political concept (despite its practical expediency for assimilating the new counterterrorist focus into the preexisting AML framework). More damning still, for the anti-MLRE approach at that moment, was its obvious tension with key components of the Terror narrative itself: a unified American nation as the hero of the story and the importance of the American Economy and “freedom” (i.e., the American Dream of home ownership). The policy approach would therefore need to wait for a more auspicious narrative situation.

This came roughly a decade and a half later: the populist moment of the mid 2010s comprising the second “policy window” of this study. The rally-around-the-flag effect of the post 9/11 moment was, by then, long dissipated, and the reputation of the
real estate industry also somewhat tarnished by the 2008 financial crisis. Into this setting a new villain materialized: the anonymous foreign real estate investor, gobbling up American properties with money of questionable provenance. An informal advocacy coalition developed to give expression to the growing backlash against FREI in urban centers through the convenient “policy surrogate” of anti-MLRE. The changed circumstances allowed advocates of anti-MLRE regulation to repurpose the American Dream in a new policy narrative with a devil shift directed at the real estate industry. No longer promoters of the American Dream, real estate professionals were now cast as the opportunistic minions of a hyper-wealthy transnational elite, whose growing taste for US properties was pushing the American Dream out of reach for native citizens.

When FinCEN officials explained the reasoning behind their new geographic targeting orders in 2016, the influence of the anti-MLRE advocacy coalition – and its policy narrative – was apparent. But the metaphorical “cleansing of the temple” would be tentative and “incremental” – not a full-fledged confrontation with the “speculative miscreants” in the Jeremiad style of an FDR. Though anti-MLRE advocates had gained control of the banner of the American Dream, their symbolic victory was relative and incomplete. The mythology of the American Dream is far too polyvalent to be conclusively appropriated, with its ideals of home ownership, equal opportunity, and prosperity through hard work only partially aligned in theory or in practice. Any thoroughgoing condemnation of speculation in the American context – whether in real

---

409 As Calvery and Bell (2016: 74) reassured those concerned, “This action has been described as a ‘crackdown.’ It is not...This step is a pilot effort intended to gather information while advancing FinCEN’s incremental approach to regulating the real estate industry.”
estate or other assets – is likely limited by a popular intuition that financial speculation is in some sense also integral to the American identity. In Fraser’s (2005: xxii) poetic formulation,

The instinct to collectively resist the usurpations of presumptuous wealth run up against just as strong but solitary impulses to seize the main chance. Even those multitudes for whom market society has brought worrying insecurity and even grievous loss remain tempted by the dream.

Indeed, reflecting on the ambiguous significance of speculation for the nationalist narrative canon will help us underscore the elastic, socially constructed nature of the “illicit” and finally bring this study to a suitable end.

**Good Speculator / Bad Speculator**

Earlier in this chapter, we quoted a former Treasury official’s remarks on the securitization of the dollar in the post 9/11 era. Where once the financial privacy of dollar holders was recognized as integral to the dollar’s appeal, the war on terror required a different approach: “we were trying to figure out the identity behind some of those dollars, and that was a big speedbump in the international currency system.” But while the precise content of the Treasury’s post 9/11 innovations was relatively unprecedented, the openly nationalist management of money was nothing new from a broader historical perspective. Though largely forgotten with time and normalization, the US Treasury’s suspension (and eventual complete repudiation) of the dollar-gold standard in the early 1970s was also justified in nationalist narrative terms – as a defense against illicit
financial speculation. Odell (1982: 166) summarizes Nixon's story to the nation and the world in his famous August 15, 1971 speech announcing Executive Order 11615:

President Nixon began his address by declaring that national prosperity required new action on three fronts: "We must create more and better jobs; we must stop the rise in the cost of living; we must protect the dollar from the attacks of international money speculators." He went on to say, "We are going to take that action— not timidly, not halfheartedly, and not in piecemeal fashion." (165)... He then turned to the intensifying international monetary crisis. "Who gains from these crises?" Nixon asked. Not the workingman; not the investor; not the real producers of wealth. The gainers are the international money speculators. Because they thrive on crises, they help create them. In recent weeks, the speculators have been waging an all-out war on the American dollar. . . Accordingly, I have directed the Secretary of the Treasury to take the action necessary to defend the dollar against the speculators. I have directed Secretary Connally to suspend temporarily the convertibility of the dollar into gold or other reserve assets, except in amounts and conditions determined to be in the interest of monetary stability and in the best interests of the United States.

The characterization of international currency speculators as essentially illicit and hostile to America was exaggerated, to the say the least, considering the circumstances leading to the crisis. Though arguably opportunistic, the speculators were only holding the United States to its own (by then untenable) promises, arbitraging between the official gold-dollar exchange rate promulgated by the Treasury and the market rate per the daily trading in London and other offshore financial centers. Nixon’s moralistic framing was

---

410 While often used interchangeably with “illegal,” the term “illicit” accommodates a broader range of phenomena, i.e., those that are “forbidden by law, rules, or custom.” As explained by Merriam-Webster, “illicit may be used of behavior that is either unlawful or immoral. These categories frequently overlap, but they are not always synonymous, as some unlawful activities (illicit cigarette smoking) may not be considered immoral, while some immoral activities (an illicit affair) are not illegal” (Merriam Webster, “Illicit”). Politically, this ambiguity suggests a certain grey zone of activities that can be condemned by states or communities as immoral (e.g., “tax avoidance”) without specifically violating the law (e.g., “tax evasion”). My point in this section is to show how “financial speculation” exists in this cultural grey zone, where the activity’s negative connotations can be emphasized (i.e., the “devil shift”) by policy entrepreneurs with various agendas. (For an in-depth discussion of the relationships between the “licit,” “illicit,” “legal,” and “illegal,” see Van Schendel and Abraham [2005].)

perhaps additionally ironic considering behind-the-scenes foreign policy postures by the US government in the prior decade: its earlier encouragement of the Eurodollar market\textsuperscript{412} (which effectively facilitated gold-dollar speculation) as well its deliberate “benign neglect” of the growing dollar overhang in the late 1960s.\textsuperscript{413} Viewed objectively, the speculators’ real sin was in demonstrating, through their profitable arbitrage, that the monetary emperor wore no clothes.

But of course none of that mattered – what mattered was Nixon’s ability to present a compelling policy narrative to the American audience, which he apparently did.\textsuperscript{414} As Perlstein (2008: 602) observes, Nixon managed to frame the suspension of gold convertibility as,

\begin{footnotesize}
\begin{enumerate}
\item[\textsuperscript{412}] While publicly endorsing the official capital controls and restrictions on dollar convertibility within Europe, American policymakers in the early 1960s became increasingly complicit with the Eurodollar market, knowing that it would help disseminate the dollar among a broader population of private investors and maximize liquidity for American businesses. (Helleiner 1994: 90-1). “In fact, by the mid-1960s, US officials were actively encouraging American banks and corporations to move their operations to the offshore London market” (82).

\item[\textsuperscript{413}] As Odell (1982: 192-4) explains, “The early Nixon policy was one of ‘benign neglect’ and ‘was aimed at forcing a depreciation of our overvalued dollar’ (192)… the strategy would rely on international markets to force a major adjustment in the system. With the U.S. neglecting its deficit, the markets would force on each surplus government the choice of either continuing to accumulate more and more dollars, or allowing its currency to appreciate separately against the dollar. If surplus governments chose to absorb more dollars, that would be compatible with the benign-neglect policy. If they demanded gold, ultimately the U.S. could suspend convertibility.”

A report on the international monetary situation commissioned by the Nixon campaign in 1968 indicated that simple repudiation of the dollar-gold standard would be the \textit{ultima ratio}: “Nobody wants to rock the boat and provoke a serious crisis, [but] In the background is the ultimate, officially unmentioned, but undoubtedly well understood sanction of the equilibrium, namely, the fact that the U.S. could at any time make the dollar formally inconvertible into gold. Such a step would not even require an act of Congress” (Fraser, St. Louis Federal Reserve, “Strategy for U.S. Balance of Payments Policy”).

\item[\textsuperscript{414}] Gowa (1983: 24) demonstrates that Nixon’s primary audience was domestic: “There was no question, either within or outside the preserve of those government officials specifically charged with the making of U.S. international monetary policy, that domestic economic policy should be given precedence, without much more than symbolic regard for the impact on or consequences for the postwar monetary regime.” Perlstein (2008: 603) notes that Nixon’s public approval ratings improved dramatically after the address.
\end{enumerate}
\end{footnotesize}
an act of heroism for himself as well as his listeners: ‘This not only requires bold leadership ready to take bold action – it calls forth the greatness in a great people.’ He then named the desperado they would slay together, with a hint of anti-Semitic code: ‘we must protect the dollar from the attacks of international money speculators …waging an all-out war on the American dollar’ …it was Nixon the jujitsu master, attacking by positioning America as the attacked.415

Faced with a growing political threat, Nixon reached for the nationalist narrative canon – and the gamble paid off. Though the US was essentially reneging on its promises to the rest of the world, the act was justified with nods to American Exceptionalism (“the greatness in a great people”) and the American Dream (“more and better jobs” for “the workingman”). As Odell (1982: 168) observes, “The world had become accustomed to relying on a fixed dollar, but now perhaps the yardstick itself could change. The brinkmanship and the sticks without carrots were interpreted by many abroad as almost a declaration of economic war on one's friends.” The unabashed realpolitik of the maneuver was captured by Treasury Secretary John Connally in private remarks to his subordinates: “Foreigners are out to screw us. Our job is to screw them first.” (Quoted in Gavin 2004: 194).416

415 That Nixon himself harbored anti-Semitic (and various other racist) sentiments has by now been well documented (see, for example, Lardner and Dobbs 1999). If the formulation of “international money speculators” was indeed a dogwhistle, as suggested by Perlstein, it was an ancient and powerful one. The association of “the Jews” with “usury” and exploitative financial speculation has been a recurring motif throughout Western (and to some extent, global) history, invoked from the early Church fathers all the way to the Nazi propagandists. (See references in chapter 4, pgs. 105-6.) And while economic anti-Semitism may have never reached such a virulent level in the United States as it did in Europe, the same tropes have been exploited by American leaders at various times throughout history. For example, the American populist movement, associated with William Jenning Bryan’s famous words – “Thou shalt not crucify mankind on the cross of gold” – was inflected with economic anti-Semitic elements, as demonstrated by the public response to Bryan’s speech (Lipsky 2013).

416 The historiography of the Nixon Shock generally confirms the importance of Connolly as the key policy entrepreneur involved. As Kwarteng (2014: 216) writes, “his instincts on the international stage were strongly nationalistic, which rather undermined the spirit of international cooperation, under American leadership, which had characterized Bretton Woods. His nationalistic poses also chimed with Nixon’s view of himself as a ‘tough guy,’ a man of action and decisiveness.” At the same time, the
From a technical perspective, there was nothing fundamentally unprecedented about the Nixon Shock. The suspension of the dollar-gold standard was the culmination of a longstanding monetary dynamic of repudiated convertibility, executed with audacity at a global scale.\textsuperscript{417} The competitive devaluations of the interwar gold standard, and the earlier breakdown of the “classical gold standard” revealed the same phenomenon of fiscal nationalism as practiced by major powers and less developed countries alike: foreigners’ trust in the convertibility of ones’ paper notes for fixed quantities of gold was a recurrent temptation to money printing, which inevitably led to a “race to the bottom” in which all countries participated (Eichengreen 1996). It was, as Greider (1987: 335) observes, “an ancient quarrel among trading nations,” with \textit{outright} suspensions of gold convertibility merely the extreme version of the innate nationalistic tendency towards devaluation.

And yet, perhaps there was something quintessentially American about the geopolitical masterstroke of the Nixon Shock, and the narrative accompanying it. The demonization of those foreign speculators who called the nation on the real value of its promissory notes obscured the fact that US monetary policymakers had long been

\begin{flushright}

\textit{Scholars of vastly different ideological commitments tend to agree on this point. Compare, e.g., Graeber (2011) and Rothbard (1963).}
\end{flushright}
engaging in their own form of speculation – the gamble that foreign stakeholders in dollar hegemony would not risk disrupting the stability of the system by making “excessive” demands on dollar-gold convertibility. Indeed, the strategy of benign neglect articulated in the *Nixon Campaign Monetary Report* and other official communique$^{418}$ was calculated to raise the stakes in this poker match between the US and the rest of the dollar-holding world. But if and when the crisis grew too large to contain, the US could act as if it was the other – the international speculators – who had forced its hand. The Nixon Shock was thus textbook American Exceptionalism: whether in making its

$^{418}$ Perhaps the most Machiavellian expression of the strategy came, not surprisingly, from Henry Kissinger (at the time the President’s Assistant for National Security Affairs) in a memorandum to Nixon from June 25th, 1969. With respect to persistent problem of US balance of payments (the growing foreign “dollar overhang”) Kissinger summarized several policy options, among them to “Borrow implicitly by inducing other countries to build their dollar holdings.” The problem was that “the outstanding dollar balances would always represent a threat to our reserves. They could also be a source of instability for the overall system unless the ‘dollar standard’ were formalized, which could cause serious political problems” (U.S. Department of State, Office of the Historian, “Action Memorandum From the President’s Assistant for National Security Affairs (Kissinger) to President Nixon”). The trick, then, was to somehow navigate, for as long as possible, between the Scylla and Charybdis of allowing further depletion of US gold reserves, on the one hand, and enacting a “unilateral move by the United States which would antagonize a number of major countries” on the other. Kissinger described the benefits of this status quo accordingly: “we have already moved a long way towards suspension of the gold convertibility of the dollar. Germany has explicitly agreed not to convert (under the implicit threat of troop withdrawals as part of an earlier “offset” agreement). All other major countries are afraid to queue up for gold for fear that we will close the window. We are thus already achieving much of the gain from suspension—essentially through accumulation of dollars by others—while minimizing the political costs of blatantly unilateral U.S. action. We are compromising, however, because we maintain controls, offset agreements, tied aid, etc. to try to avoid a crunch by minimizing the amount of dollars that they will be forced to accumulate.”

Kissinger then elaborated how the US should relax capital controls and otherwise allow the outflow of dollars into foreign hands to continue – i.e., the policy of “benign neglect” earlier conceived in the Nixon campaign economic study: “If we resolve not to let the present system constrain us seriously—meaning that we are prepared to move to one of the other options [i.e., either multilateral negotiations for international monetary reform or suspension of gold-dollar convertibility] if it does—then I see no harm in doing so. In practice, this means…continuing to reduce our controls over private capital and our aid programs and perhaps taking a more relaxed position on issues like the German offset….We should pursue a passive balance of payments policy while pursuing the negotiations for monetary reform (and) …suspend gold convertibility of the dollar if the effort toward a negotiated multilateral solution breaks down or if we are forced to take defensive action as result of a crisis.”
promises or breaking them, the nation could be expected to rally around the flag (or
dollar) and invoke the posture of righteousness. Perhaps the American attitude towards
financial speculation simply glorified the in-group/out-group distinction of social
psychology: *our* speculation is good (e.g., liberal, entrepreneurial, productive, positive-
sum), *your* speculation is bad (e.g., opportunistic, parasitic, rent-seeking, zero-sum).

Fraser’s (2005) book *Every Man a Speculator* traces average Americans’
ambivalence towards financial speculation since the beginning of the Republic,
highlighting unresolved questions as to what constitutes legitimate and productive work:

Is speculation a species of gambling or parasitism or both, and so a sin against the
work ethic and the whole Protestant moral order; or is it on the contrary at the
very heart of the American entrepreneurial genius, that indigenous instinct to seek
out the new, that native audaciousness always ready to cross frontiers, to place a
bet on the future?” (xxi).

In the last chapter, we alluded to the centrality of speculation (e.g., in land and paper
currencies) in the culture of the young United States. In addition to the fact that “many of
the country’s founders…were brazen speculators of one kind or another” (34), Kamensky
(2008) suggests that “a web of increasingly remote, sophisticated, and abstract market
connections made all Americans gamblers, as it blurred the line between daring and
fraud” (11).

“It blurred the line between daring and fraud” – one could scarcely better
encapsulate the Nixon Shock from the perspective of foreign holders of the dollar.
Indeed, the gradual breakdown of the dollar-gold standard, including the various means
by which US policymakers were able to stanch the outflow of US gold reserves and
postpone the inevitable suspension of convertibility, presents an interesting parallel with
the “wildcat banking” period of US history, where private issuers of supposedly
convertible paper currency sustained a massive “confidence game” vis-à-vis their credulous customers. To avoid their nominal obligations to redeem notes in gold, wildcat bankers went to often ridiculous lengths, as detailed in Goodwin’s (2003) book, *Greenback: The Almighty Dollar and the Invention of America*.

The opportunities for wildcat banking emerged from the combination of an inchoate and unregulated commercial banking system with the mobility (and unaccountability) offered by the expanding frontier. In this situation, private paper notes were rarely accepted at face value except by market actors sufficiently close enough to the issuing bank to confirm its reputation and solvency. Yet the growing economy created continuous demand for paper money, especially in the agricultural hinterland removed from major financial centers. Thus, for the enterprising “confidence man” (from which modern “con man” is derived), whether one could actually back one’s paper notes in specie was less important than one’s marketing ability in getting them accepted in the first place. After exchanging such paper tokens for real goods and services, the confidence man could simply imitate the wildcat and *make himself scarce*.

A wildcat bank was a man who printed money and then did anything in his power to avoid having to redeem the face value of the note in gold. Scattering cash, he sprang into view and then disappeared in a trice. He was one with the quack doctor and the phony land agent, preying on the dreams and anxieties of uprooted people. Sometimes he holed up in such a remote, backwoods place that no one but a trapper or an Indian could ever reach him to present the note for payment. Perhaps that’s why he was called a wildcat. Often he skipped state (Goodwin 2003: 194).

But the basic speculative strategy of wildcat banking was not restricted to individual con men. Oftentimes, whole communities were implicated in the pyramid scheme of their local bank, at the expense of anonymous (and hopefully faraway) holders of the local
bank’s notes. Here, Goodwin’s history explains part of the ominous significance of the “stranger in town” for frontier settlements: the stranger was often himself a speculator who had bought up large quantities of dubious banknotes at far below face value, for the express purpose of hunting down the issuer and demanding redemption in gold (or at least other, more reputable notes). In such circumstances, the whole town was prepared to conspire on behalf of their local lender, as Goodwin describes with the example of a remote bank in antebellum Michigan:

At Michigan’s Bank of Battle Creek the arrival of a state inspector caused no alarm: the bank sent for the box of gold it shared with all the other banks in the neighborhood. But whenever a stranger breezed into Battle Creek the town went into alert. Small boys ran to warn the cashier. The cashier would flee, leaving the bank in the temporary custody of Lou Jackson, Battle Creek’s first black man, who was a habitual lounger at the bank. Lou Jackson pottered about with a brush, singing and chattering, telling absolutely nothing (186).

The moral evaluation of the speculator thus follows the logic of the old Bedouin proverb: “I, against my brothers. I and my brothers against my cousins. I and my brothers and my cousins against the world.” The devil shift directed at the foreign (or “international”) speculator is merely the final application of this principle – earlier directed at the wandering carpetbagger⁴¹⁹ – and the one that generates a national solidarity. But absent that compelling external villain, the most distant speculator within the nation (e.g., the Wall Street banker or real estate firm) is next in line.

What, then, can this complicated American relationship with speculation tell us about the three cases examined here? With respect to anti-MLRE regulation, we noted

⁴¹⁹ The term originated from currency speculators’ common use of carpetbag to carry large quantities of banknotes. As Goodwin (2003: 186) explains, “The carpetbagger was a figure of American myth long before the Civil War, and he wasn’t after southern offices. He was after everyone’s hard cash.”
that populist resentments against FREI were exacerbated by the conspicuously speculative quality of certain high-profile properties – the vacant luxury condos of New York City’s “Billionaire’s Row” or the similarly empty “McMansions” of Orange county. The “speculative miscreants” owning such properties were the natural villain for the anti-MLRE policy narrative, which successfully leveraged the American Dream of home ownership to demand change. But the minions of these villains, however opportunistic they might be depicted, were still *themselves* Americans pursuing their own American Dream of upward mobility. Though part of an economy of vaguely illicit speculation, the real estate professional was still *working for a living*, after all. With the (foreign) speculator and the (American) “workingman” thus difficult to neatly extricate, the practical influence of the anti-MLRE policy narrative was circumscribed from the beginning.

Moving forward, the anti-MLRE policy narrative will likely succeed to the extent that it maximizes the focus on the primary villain (the foreign investor/money-launderer) and shifts attention away from the American real estate professional, where the devil shift may have already exhausted its utility. It may help that the MLRE villain can be *directly associated* with America’s current geopolitical rivals – an overlap that was lacking in the original post 9/11 policy window. As the Russian Oligarch becomes a primary motivating villain of the Treasury’s AIF policymaking, the anti-MLRE agenda may well be absorbed into the more openly geopolitical logic of targeted financial sanctions. Indeed, even HDN demonetization proposals have been dusted off as a possible weapon against the Russian menace.
“The Russians…Have Become the Face.”

In his 2017 book, *The Despot’s Guide to Wealth Management*, J.C. Sharman commented on the puzzle of the US government’s recent apparent interest in confronting grand corruption and kleptocracy around the globe:

The United States has a politically powerful financial sector, and the profit motive creates strong pressures for banks to accept large foreign deposits without asking too many difficult questions. Lawyers, real estate agents, and other professionals face the same incentives. Unlike that of most other countries, however, the US government has a massive network of security ties and alliances, with security interests in every region of the world. This can often mean that, besides commercial incentives and corporate lobbying, there is a national security constituency that may well favor turning a blind eye to wealth of dubious provenance invested in the United States by senior foreign officials. With these often reinforcing pecuniary and foreign policy motives, it is all the more surprising that the United States has shifted from a position of inaction, or in some cases the active encouragement of kleptocracy as a strategy to buy the support of Cold War allies, to one that often favors strong action at home and significant diplomatic effort abroad in promoting the fight against grand corruption (Sharman 2017: 53-4).

Among the examples given by Sharman was the aforementioned Teodoro Obiang, son of the dictator of (US Cold War ally) Equatorial Guinea, who became the subject of several highly publicized Treasury and DOJ asset forfeitures in the last two decades. Obiang’s enormous mansion in Malibu provided a sensational vignette for media outlets, laying the blueprint for later journalistic exposure of MLRE/FREI. But in framing his research

---

420 "The Malibu purchase in 2006 was the highest value in California that year and the sixth highest in the country, and on these grounds stood out" (Sharman 2017: 75). Bullough (2019: 2) comments more generally on the journalistic penchant for the sensational aspects of money laundering and relative neglect of the more boring institutions that facilitate it: for example, the mainstream media coverage of Paul Manafort’s malfeasance, which failed to illuminate the role of Pompolo Ltd., a shell company inconspicuously registered in "an unglamourous part of an unfashionable part of London," and used by Manafort to launder his ill-gotten gains. “It makes a more compelling story to write about ostrich-skin jackets and luxury condominiums, about the way Manafort laundered the reputations of dozens of unlovely politicians and oligarchs, then it does to describe ugly British institutional architecture.”
puzzle thus, Sharman only told half of the story…or perhaps simply spoke to soon. In the subsequent years, the campaign against grand corruption focused once again on America’s traditional geopolitical rivals, drawing the AIF policymaking agenda into closer harmony with perceived national security interests.

NYC Mayor Bloomberg had said it “would be great if we could get all the Russian billionaires to move here” (Smith 2013), but as Randolph (2019: 230) notes, “this was, of course, long before Russia began meddling in America’s elections.” It was, for that matter, before Russia invaded Ukraine in 2022…or 2014. But as indicated by Kimmelman’s (2013) *New York Times* article, the negative associations of the specifically Russian and Chinese FREI were present before the more recent political scandals associated with Russia. When US-Russia relations were further soured by the Russian annexation of Crimea in 2014, the status of Russian property-owners in the US grew more precarious still. The negative image of wealthy Russians was made worse by the public perception that they were hedging their bets politically – not willing to fully repudiate the Russian regime and pursue American citizenship but still hoping to maintain a comfortable foothold in the US, if the internal situation in Russia were to worsen. The ever present suspicion of foreign speculation thus combined with another traditional image of the transnational moneyed elite/nomad class: an aloofness from national ties and opportunistic pursuit of security. As described in Story and Saul’s (2015) article, “Powerful Russians Commanding Park Views,”

For many wealthy Russians, a New York condo serves as a double parachute -- a safe-deposit box of sorts, and a soft landing spot should the climate back home turn inhospitable or dangerous -- even if that apartment sits dark and vacant for
most of the year. In the process, the Russians, while not quite as ubiquitous as they are in, say, some of the tonier districts of London, have become the face of a sharpening debate about the impact of New York's pied-terre economy.

Another “Towers of Secrecy” NYT article suggested a similar attitude towards Chinese investments:

Allan Alexander, a former Beverly Hills mayor who now practices real estate law, said he, too, had seen a steep increase in foreign buyers, especially from China. ‘A lot of them are buying because of the safety of the investment here, and they don’t care about the price so much because, candidly, they want to get their funds in a safe place,’ he said” (Story 2015).

In Chapter 7, we alluded to elites’ appeals to racist or xenophobic sentiments through coded language or “dogwhistles” – a phenomenon explored at length in recent scholarly works [e.g., Haney-Lopez 2015; Metzl 2019; Hacker and Pierson 2020]. As Hacker and Pierson (2020: 124) explain, such an approach may be politically savvy for multiple reasons:

When open racism is seen as retrograde, coded appeals make sense. They might not have as visceral an impact, but they still do their dirty work and they’re far more effective among voters who may not even recognize their own racial biases – voters who respond with genuine anger when told that the ostensibly race-neutral positions they take have roots in highly race-laden assumptions and associations. Moreover, coded appeals are much less likely to elicit pushback from trusted sources in the media and politics.

Scholars such as those noted above typically focus on the instrumentalization of working class whites’ disavowed racism by right-wing and Republican politicians – a perhaps timely and understandable decision given the phenomenon of Donald Trump. But while useful as far as they go, such analyses tend to obscure the more respectable manifestations of xenophobia in American political discourse, which go unnoticed.
precisely because of their broad and bipartisan acceptance. A 2017 article from *The Nation* observed that,

Donald Trump (with a lot of Democratic backing) indulges in a bout of Sinophobia boringly reminiscent of earlier iterations reaching back more than a century. On the other hand, everywhere one looks Democrats (with a lot of Republican backing) assert that Russia strikes at the very foundation of our republic (Lawrence 2017).

As the author goes on to suggest – alluding to the nation’s need for an enemy as a matter of ontological security –

Russophobia, Sinophobia, the always-handly Islamophobia—the scapegoating habit is worth thinking about as an established national trope. It has a long history. What can we learn from it now, as it builds to an unusual height? What does it tell us about who we are in 2017?

As a villainous target for AIF policymaking the Russian oligarch checks all the right boxes: he embodies “oriental despotism,” simultaneously reeking of corruption, luxurious indulgence and geopolitical menace. He operates in complicity with a brutal dictator waging an unlawful, aggressive war. And perhaps most nefarious of all – he happens to be buying up prime real estate, both residential and commercial, in New York, Miami, Aspen and elsewhere. In April 2022, *Politico* reported that “As political pressure

---

421 For example, the sanctions announced on March 11, 2022 (U.S. Department of the Treasury, “Treasury Sanctions Kremlin Elites, Leaders, Oligarchs, and Family for Enabling Putin’s War Against Ukraine”).

422 Barkawi and Stanski (2014: 9) observe that “New enemies offer opportunities to rework orientalist themes and apply them to new fronts, creating new orientalisms.” For some scholars, the notion of “oriental despotism” is simply one conceptual application of (anti-Islamic) orientalism: “Central among western notions about Islam is the idea that Islamic civilization encourages undemocratic government. This idea has a pedigree of many centuries, and the classic term for what it refers to is ‘oriental despotism’” (Kalmar 2011: 1). However, in Karl Wittfogel’s once well-respected book *Oriental Despotism*, the term was more widely applied to all non-Western “hydraulic civilizations,” primarily (but not exclusively) Asian. The Wittfogel thesis provided a convenient theoretical framework for American Cold War ideology, suggesting an almost innate proclivity towards corruption and totalitarianism in the communist (or communist-aligned) nations of Asia. For a tendentious, but at times potentially insightful, critique of contemporary Western orientalism vis-a-vis Russia and China, see Parry (2019).
grows to crack down on Russian oligarchs, U.S. policymakers are training fresh scrutiny on an industry that has long avoided anti-money-laundering rules: real estate” (O’Donnell 2022). Senator Lindsay Graham exclaimed in support of the Asset Seizure for Ukraine Reconstruction Act (which drew attention, among other things to the issue of money laundering in real estate) that,

It is long past time for all the Russian oligarchs – Putin’s partners in crime – to lose their yachts, luxury apartments, and their assets and pay a price for being part of a thuggish group – a nation-state that really is a mafia-state. I want to see the Department of Justice, Treasury, and law enforcement partners go in and take apartments, fine art, and seize yachts from a bunch of thugs and crooks. I want to put money on the table to have more weapons for Ukraine to fight. This is a good beginning on the long journey to push back against Putin and his misadventures (“Graham Backs Bill to Seize Russian Oligarchs’ Assets” 2022).

Such sentiments were mirrored by Democratic Senator Sheldon Whitehouse in his aforementioned letter to the Treasury, which focused specifically on MLRE and called for the Department to expand the GTOs to the whole United States. While somewhat more restrained in tone, Whitehouse’s comments relied on the same essentially

423 We might observe in passing that the current American image of the Russian oligarch involves a fair amount of historical irony, if not amnesia. In the post-Soviet transition of the early 1990s, many of the same Russians were feted by Western academics and officials as the heroic vanguard of the country’s supposed transformation into a liberal, capitalist democracy. With the help of business associates in the West, they engaged in rampant speculation over the formerly state-owned resources, exploiting personal political connections to capitalize on the new period of privatization (or, in Marxian terms, “primitive accumulation.”) Naomi Klein’s classic, The Shock Doctrine, described how retrospective analyses from mainstream Western economists ascribed the failure of the Russian experiment to “corruption,” without recognizing how the political circumstances themselves naturally selected for force and fraud: “Lawlessness on the frontier, as Adam Smith understood, is not the problem but the point, as much a part of the game as the contrite hand-wringing and the pledges to do better next time” (Klein 2007: 245). Indeed, the economic ascent of the oligarchs was arguably not so different from the illicit trajectory by which the fortunes of many of America’s “great families” was made. (See, especially, Andreas [2013]).
Manichean framing, as formerly used to great effect in the Cold War, the war on drugs, the war on terror, etc.:

The United States is engaged in a “clash of civilizations” between rule-of-law nations and those governed by autocracy, kleptocracy, and criminality. Regrettably, in that clash rule-of-law nations like the United States continue to aid and abet our adversaries by providing sanctuary for their stolen wealth, including by allowing anonymous transactions in the $60 trillion U.S. real estate market. Fortunately, years of study and analysis tell us what must be done—in short: transparency (Whitehouse 2022: 1).

Gadzhiyev (2021) argues that, “Xenophobia in its various forms and manifestations – primarily Russophobia and Sinophobia – has left a major mark on the ideological positions of the US political, intellectual, and media establishment.” Of course, the more charitable analysis of establishment’s rhetoric would be that it is directed merely against the Russian and Chinese regimes – not the people of those countries. However, whether intentional or not, it is undoubtable that the designation of Russia and China as America’s primary geopolitical threats has broader cultural effects, tending to reinforce the same “clash of civilizations” framings that were implicit in the post 9/11 characterization of the Islamist terrorist. The same narrative that gave birth to targeted financial sanctions arguably enabled a callous attitude toward civilian suffering associated with US interventions in Iraq and elsewhere.

Here it is interesting to note how the new Russian face of illicit finance has even inspired fresh converts to a hard version of the HDN demonetization approach. On May 10, 2022, Markos Kounalakis (journalist and husband of California lieutenant governor Eleni Kounalakis), published an op-ed in the Wall Street Journal, entitled “For Russia,

---

424 See, for example, the Biden White House, “National Security Strategy” (October 2022)
It's All About the Benjamins.” Reiterating the observations of the Treasury (or Alaina Lemon’s ethnography) in 1998, Kounalakis observed that,

Rather than investing in a retirement fund, ordinary and wealthy Russians alike protect their life savings by converting their rubles to dollars and stashing them at home. Russian ruble volatility and U.S. dollar security and stability have made American currency a preferred savings mechanism. For years, Russians' bill of preference has been the $100. As of 2019, more than 661,500 pounds of $100 bills were in Russia -- many of them stashed in lumpy mattresses and home-sewn money belts. That's $31.5 billion.

Whereas earlier allusions to Russia by HDN demonetization advocates had focused specifically on the oligarchs and elite, Kounalakis’ recommendations essentially invoked the logic of old-school comprehensive economic sanctions: to inflict pain on large swaths of the target population, thus hopefully fomenting popular revolt and ultimately regime change:

So while sanctions have failed to dissuade Mr. Putin's military aims, in part because they do little to affect the well-being of most Russians, rapidly phasing out the $100 could cause real domestic backlash against the war in Ukraine. In the current Russian banking environment, there wouldn't be an easy way to convert these discontinued bills to other currency. Russians' savings would be reduced to paper.

It would be impossible then to hide the effect of Mr. Putin's war from his base. President Biden should say that the $100 bill is terminated because of the Russian leader's war in Ukraine and the violence he has inflicted on civilians. Mr. Putin can obscure and spin this all he wants, but Russians will still know that his actions led to their savings being wiped out.

Kounalakis’ recommendations received little subsequent attention in media outlets, but not, perhaps, on account of his strategic logic calling for the coercion of the Russian population. Rather, the brief resurrection of the “kill the $100 bill” proposal was

---

425 For example, “It would seem quite difficult to use protecting the livelihoods and savings of powerful and wealthy Russians as a primary argument for retaining the US$100 bill or €500 note” (Sands 2016: 51).
likely doomed for reasons suggested by this study. With the weaponization of the US financial system through sanctions and the discouragement of FREI through anti-MLRE regulation, the Benjamin remains one of the few remaining diplomats of the dollar as a safe, anonymous store of value for foreign aspirants to the American Dream. As such, it represents the bulwark of the Treasury’s (perhaps now erstwhile) primary organizational mission and a key pillar of continued dollar hegemony. What Kounalakis’ proposal fails to appreciate is that the money hidden under Russian mattresses cannot hurt anyone...Americans or anyone else. Indeed, as long as it stays precisely where it is, quieta non movere, it represents, depending on one’s analytical preference, an interest-free loan to the US Treasury, a net transfer of real goods and services from Russians to Americans, or an ever-present subliminal reminder of America’s superior values, stability, and strength. Those non-elite Russians who continue to hold the dollar as a perpetually deferred store of value remain, along with Franklin’s followers throughout the world, honorary, if second-class, Americans. They only become the villain when they try to realize the story of escape – when, like the stranger appearing at the local bank with paper promises to redeem, they show up on America’s doorstep with a suitcase full of exorbitant claims.
References


ACAMS. “John Byrne Interviews FinCEN Director Jennifer Calvery.” May 6, 2016. YouTube video. https://www.youtube.com/watch?v=aJMRkPuB34o


https://www.youtube.com/watch?v=FAWNH2Zsqfo


“Ask A Native New Yorker: Is It Wrong To Like That Middle Finger Tower?”


Carlson, John B., and Benjamin Keen. "Where Is All the US Currency Hiding?" Economic Commentary, April 15, 1996.


Daly, Herman E. *For the Common Good: Redirecting the Economy toward Community, the Environment, and a Sustainable Future*. Beacon Press, 1994.

Dasgupta, Shirsho. “The Pandora Papers - Name is Revealed of Family.” The Miami Herald, October 14, 2021. (a)

Dasgupta, Shirsho. “Treasury takes aim at shell companies, corruption.” The Miami Herald, December 9, 2021. (b)


Drezner, Daniel W. "The United States of Sanctions: The Use and Abuse of Economic Coercion." *Foreign Affairs* 100 (2021): 142. (a)


Global Financial Integrity. “About.” https://gfintegrity.org/about/


Global Financial Integrity. “Statement of Principles.”
https://gfintegrity.org/about/statement-principles/


https://items.ssrc.org/after-september-11/symbols-of-destruction/ 


https://www.hks.harvard.edu/centers/mrcbg/publications/books/fintech_small_business_american_dream


Jenkins, Patrick. “We Don't Take Cash’: Is This the Future of Money?” *Financial Times*, May 9, 2018.


Lipsky, Seth. “When the Democrats Attacked the 'Christ-killing Shylocks of Wall Street’” Haaretz, November 18, 2013.


Mamdani, Mahmood. *Good Muslim, Bad Muslim: America, the Cold War, and the Roots of Terror*, 2004.


Quijones, D. "Who’s Powering the War on Cash?." *Wolf Street* 19 (2016).


Schubarth, Cromwell. “Y Combinator Chief Suggests 40% Tax On Foreign Buyers To Combat Sky High California Home Prices.” Silicon Valley Business Journal, July


https://thescreenwriter.medium.com/overcoming-the-monster-a6e4ac187619


https://www.judiciary.senate.gov/imo/media/doc/Cassara%20Testimony.pdf


60 Minutes, “‘These Are Putin's sanctions’: Understanding the Economic Sanctions Against Russia.” March 24, 2022. YouTube video. (a) https://www.youtube.com/watch?v=l_x2LQZOzF8

60 Minutes, “Treasury Secretary Janet Yellen: The 2022 60 Minutes Interview.” December 11, 2022. YouTube video. (b) https://www.youtube.com/watch?v=ZtKv-Kl1j5Ls&t=22s


460


United States Mint, “About the United States Mint.” https://www.usmint.gov/about


U.S. Department of the Treasury. “History Overview.” https://home.treasury.gov/about/history/history-overview


Wikipedia, “The Seven Basic Plots” https://en.wikipedia.org/wiki/The_Seven_Basic_Plots


WomenOn20s, “About Us. https://www.womenon20s.org/about

WomenOn20s, “Why the $20?” https://www.womenon20s.org/why_the_20


