

HOW ALLOWING MONEY LAUNDERING KEEPS OUR BUBBLICIOUS FINANCE AFLOAT

Last June, Bloomberg did a long story on the Deferred Prosecution Agreement that Wachovia negotiated with DOJ. As “punishment” for helping Mexican drug gangs to launder more than \$363 billion through *casas de cambios* for three years, Wachovia had to pay \$50 million fine and a \$110 million forfeiture of the proceeds that were clearly from drug gangs.

In my post on Bloomberg’s article last year, I compared the size of this business (plus some other illegal ones Wachovia engaged in) to how much Wachovia was losing in mortgage shitpile.

So \$373 billion in wire services (some of which were surely legal), \$4 billion in bulk cash services, and some portion of \$47 billion in digital pouch services (again, some of which is surely legal and may pertain to remittances). Compare those numbers to the \$40 to \$60 billion or so in Wachovia subprime losses Wells Fargo ate when it took over Wachovia. Was Wachovia laundering money for drug cartels because it was so badly exposed in mortgage-backed securities, or was it so heavily involved in products that could be used for money laundering just for fun?

It sure looked to me like Wachovia was covering this up—and berating their own money laundering guy who kept pointing to these transactions—because they were so deep in the shitpile.

The Guardian just did its own long story on this (h/t NC) that, among other things, confirms my suspicion there was a connection between the

shitpile and the money laundering.

At the height of the 2008 banking crisis, Antonio Maria Costa, then head of the United Nations office on drugs and crime, said he had evidence to suggest the proceeds from drugs and crime were “the only liquid investment capital” available to banks on the brink of collapse. “Inter-bank loans were funded by money that originated from the drugs trade,” he said. “There were signs that some banks were rescued that way.”

Of course, it almost certainly wasn't *just* drug lords. Our banks were almost certainly overlooking other dubious cash transfers during this time, from oil dictators to the mob to illegal corporate gains.

And we couldn't prosecute such money laundering, the Guardian article suggests, because doing so would have hastened the collapse of the bubble.