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This paper presents a two-period model of money-in-the-utility-function to investigate the impact of anti-money laundering policy on crime. Our two-period model reveals that an increase in labor wage in the legal sector unambiguously decrease labor hours allocated for illegal sector. However, the crime-reducing impact of anti-money laundry regulation and the probability of the agent to be caught require both parameters should be above some thresholds. These thresholds are a function of the marginal rate of substitution of ‘dirty’ money for consumption and the responsiveness (elasticity) of illegal income to the policy parameter. Higher threshold implies the need for stringent anti-money laundering policy. Therefore, the marginal rate of substitution between ‘dirty’ money and consumption, and the elasticity of illegal income to the policy parameter are the key in governing the formulation of the anti-money laundry policy.

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