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Flying Money: undermining dynamics in the city of Amsterdam

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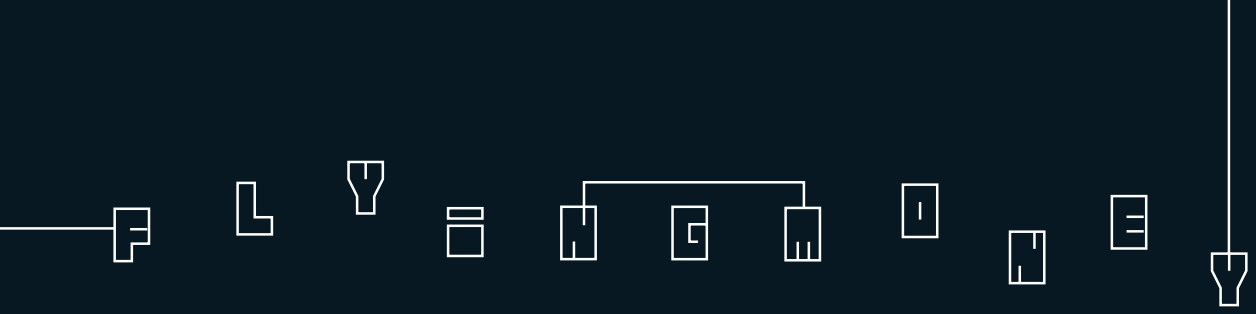

FLYING MONEY 2018

INVESTIGATING ILLICIT FINANCIAL FLOWS IN THE CITY

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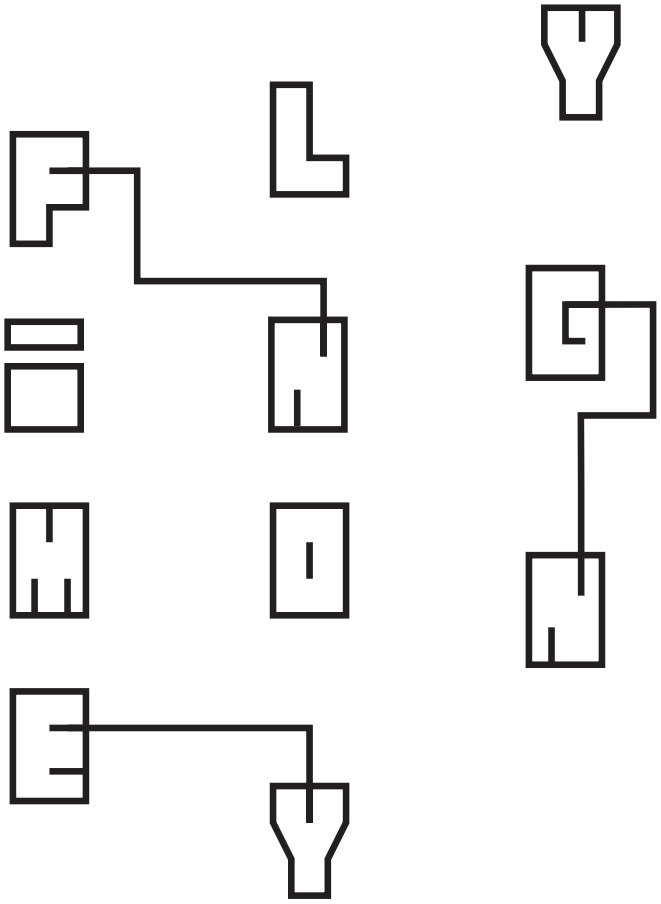

Dear reader,

A free city is a city with no corruption. There is a growing realisation that global cities, such as Amsterdam, occupy key positions in the world economy and thus also offer opportunities for subversive activities. The initial enthusiasm for new forms of enterprise, technological innovations, international money flows and economic prosperity has made way for questions and concerns about what this means for the life and the residents of this city. Just how free of subversive activities is the city?

On 22 and 23 May 2018, the Flying Money conference, an initiative of the City of Amsterdam took place in the Rode Hoed in Amsterdam. The theme of this conference was illicit financial flows, in other words money flows not allowed by law or disapproved by society, such as money laundering and certain forms of capital flight. This publication contains the results of the conference, along with relevant academic and other articles ensuing from the conference, which was organised in collaboration with the Institute of Network Cultures from the Amsterdam University of Applied Sciences. This collaboration was illustrative of the entire conference, which was a cross-fertilisation of different worlds. The world of digital money and subversive activities, but also that of anti-authoritarian independent thinkers and the more conventional official world. From free-market adepts to proponents of stringent governmental interventions, and everything in between.

All these worlds come together in this publication, with additional background articles by various experts. The fact that so many people were prepared to contribute to this publication is invaluable, and I would like to thank everyone for their input. It shows that the issue of dubious financial dealings is very relevant and it does justice to the real concerns of society regarding this issue.
The articles also show how diverse and complicated the problems surrounding illicit financial flows are, as well as suggesting possible solutions. Awareness, debate, new forms of collaboration and creative solutions are required. So I would like to warmly invite everyone to join us in constructive thinking during the series of debates for Flying Money 2019.

Femke Halsema
Mayor of Amsterdam

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The editorial team would like to thank all of the speakers and participants for their contributions. We can now reflect on a successful conference where new connections, ideas and networks were born, and a call for joint action to keep our society safe was clearly made. From talking together to walking together, new windows of opportunity have emerged.

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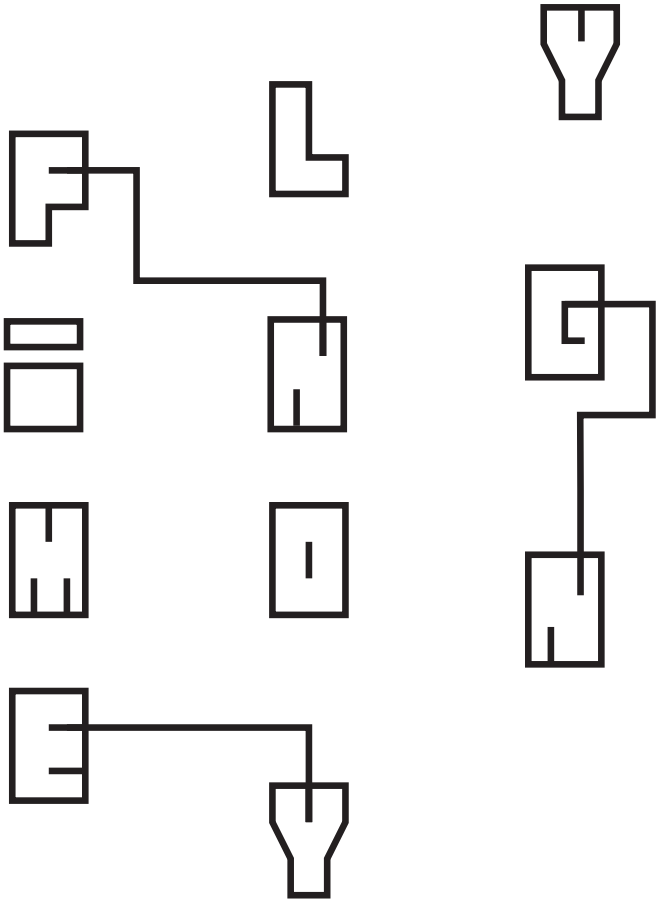


INTRODUCTION

FLYING MONEY: UNDERMINING DYNAMICS IN THE CITY OF AMSTERDAM

INTRODUCTION
FLYING MONEY: UNDERMINING DYNAMICS IN THE CITY OF AMSTERDAM

Caroline Nevejan & Ilse Verkerk

Amsterdam has a vibrant economic climate in which international businesses like to use the city as a base. Even though the international banking world seems to have overcome the financial crisis of 2008, there is still a lot of uncertainty as to how the banking world will survive. Nevertheless, the international economy is thriving and Amsterdam is one of its centres that contributes every day. Being a hub and a hotspot for many people from all over the world, also other new dynamics have entered the city in the last few years. Millions of euro's pas through the city of which we do not know anymore whose money it is, where it comes from or where it goes. Also, the developing cryptocurrencies and parallel money cultures all contribute to the opaqueness of the future of the financial world.
To better understand the current dynamics that will affect our financial future, Amsterdam has taken the initiative to organize an international conference with and for European cities: Flying Money – Investigating illicit financial flows in the city. Below first a description is given of the challenges a North European city like Amsterdam is facing today. Secondly the potential of recognizing and designing urban dynamics, which informed the design of the conference and the line-up of speakers, is sketched. In the last section results of the Flying Money conference are shared and a short description of the book is offered.

Breaking social cohesion

When being confronted with large sums of money passing through its city which are not tracked nor traced, a municipality needs to pay attention to such a new dynamic. Municipalities are dependent on tax-paying residents for making roads, schools and more. Without any insight and control over such new money flows, the municipality loses ground and criminal networks easily take over. To understand such undermining dynamics, it is possible to analyse the different dynamics that constitute the city as a complex system. Looking at the city in this way triggers specific perspectives on developments in the city [1]. Complex systems are not designed in one go, they emerge, and interventions often do not have anticipated effects.

Cities are places where many people live together. They are territories where people breath, love, laugh, pray and fight. Digital networks cover these territories with lots of 'data hunter-gatherer' activities. Different realities – social, physical, technological and ecological – all merge in the personal experiences of people in the city. In these merging realities people navigate and coordinate their own trajectories for finding food, schools, work, shops, doctors and sports clubs, for example. Different social networks and platforms allow for new relationships in private and professional spheres. Relations between producers and

1 M, Batty, 'Cities as Complex Systems: Scaling, Interaction, Networks, Dynamics and Urban Morphologies', in Robert A. Meyers (ed.), *The Encyclopedia of Complexity & System Science,* Berlin: Springer 2009.

consumers change as result of this [2]. All these local acts of coordination put together constitute the city as a complex system in which social structures, information and communication technologies, infrastructures and ecologies are deeply interwoven and merge in the personal experience of people in the city [3]. In the midst of the many new practices and potentials of digital technologies, their undermining dynamics now surface in different cities around the world.

Worldwide commercialization of the shared public domain

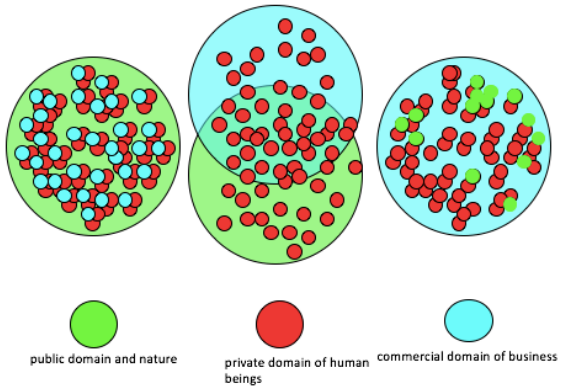


Image: Caroline Nevejan

Whereas centuries ago the natural environment was the context for human life, these days the commercial environment has taken over that role. More than half of the world's population lives in cities; the context of policymaking for day-to-day life has shifted from craftsmanship and nature to technological culture and commercial business. Even though we may still feel like nature is just outside the city, the reality is that all land is monitored and monetized. Financial systems create value while soil for example, which is vital to sustaining life, seems to have no value at all [4]. With the rise of digital technologies, economies are changing and the financial world has been going through fast transitions [5]. Industries disappear, new services are developed. Today, fast-moving bits and bytes represent transactions of billions of dollars and euros in different currencies around the world. The financialization of cities and neighbourhoods occurs at a very fast pace and processes of gentrification drive original residents out of their homes in cities too often [6]. In Amsterdam in 2018 an elementary school teacher or a local policeman cannot afford market rents. Due to massive price and rental increases the small entrepreneur can no longer afford to stay in the city.

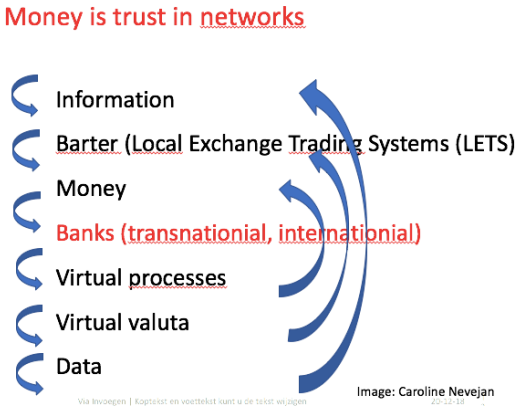
2 S. A. Rezaee, M. Oey, C. Nevejan, & F. Brazier, 'Participatory Demand-Supply Systems', *Procedia Computer Science*, *44* (2015), pp. 105-114.

3 F. Brazier, & C. Nevejan, 'Vision for Participatory Systems Design', in *4th International Engineering Systems Symposium (CESUN 2014)*.

4 D. Solomon, & C. Nevejan, 'Soil in the City: The Social Environmental Substrate', in A. Toland, J. Stratton Noller, & G. Wessolek (eds), *Field to Palette: Dialogues on Soil and Art in the Anthropocene*, London: CRC Press, Taylor & Frances Group, 2018, pp. 591-608.

5 M. Castells, *The Rise of the Network Society* (Vol. 12), Hoboken, NJ: John Wiley & Sons, 2011.

6 C. Boano, & J. Rokem, 'Introduction: Towards Contested Urban Geopolitics on a Global Scale', in J. Rokem & C. Boano, *Urban Geopolitics*, London: Routledge, 2017, pp. 1-13.



Even personal communication environments have been commercialized. Preferences and activities are tracked and traced to generate profit [7]. People have become marketing products in global social networks that are driven by shareholder profit. In all these transactions, it can be observed that data is the default constitution of financial and money cultures today [8]. Cryptocurrencies, social networks, local exchange trading systems, Hawalla banking and artificial intelligence all contribute to a situation where few people have an insight on what will happen next in the finance of cities around the world. Even though we can hardly perceive it, this change in money flows that happens as result of the emerging neoliberal global network society has a profound impact on the dynamics of the complex system that a city constitutes.

A free city is a city with integrity. Obviously, we are glad investments are made in the city. That is a necessary condition for a city to survive. But not all money is welcome; ‘ merits ‘ from human- and drug trafficking or fraud are, of course, not wanted. But how do we know what the origin of money is? Questions such as “who owns the city?” are rising in the field of real estate, catering and hotels. Amsterdam is a global financial city, popular among national and international investors, but do we understand the origin of these funds and if so, are these the right partners for the city?

Financial undermining dynamics

The combination of different opaque dynamics raises the fundamental question by whom a city is actually owned. Fifteen years ago, Stanford professor Lawrence Lessig analysed that the sharing economy easily constitutes two thirds of an urban economy [9]. The exchange of goods and services for which no financial transactions are required, such as raising children, cooking a dinner or cleaning the street, are part of the sharing economy. From this perspective ‘the people’ constitute the city. However, with the commercialization of private lives – through lots of data harvesting in cities – the financial economy is invading the sharing economy

7 J. F. Zuiderveen Borgesius, ‘Improving Privacy Protection in the Area of Behavioural Targeting’, Diss. Amsterdam: University of Amsterdam, 2014.
8 G. Lovink, N. Tkacz, and P. de Vries (eds), *MoneyLab Reader: An Intervention in Digital Economy*, Amsterdam: Institute of Network Cultures, 2015.
9 L. Lessig, *The Future of Ideas: The Fate of the Commons in a Connected World*, New York, NY: Vintage Books, 2002.

profoundly. As a result, 'my private data are now used by others to manipulate me' [10]. Secondly, this financial economy, the remaining one third of our economy, is a global economy that is driven by 'global gambling systems' like the London stock exchange [11] which deeply undermine the public domain. In the early 21st century the city is increasingly owned by global companies which have no interest in the quality of life for its residents.

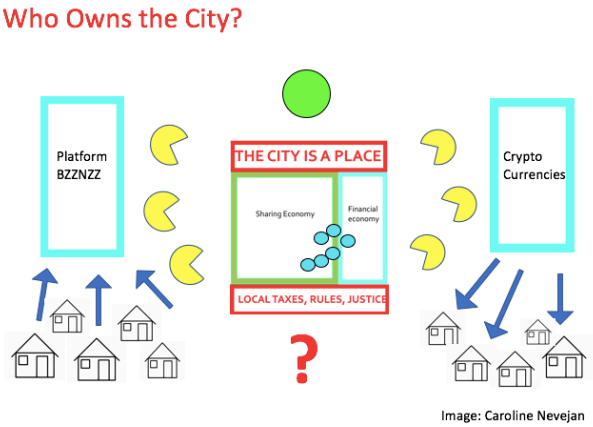


Image: Caroline Nevejan

Problems around money, corruption and fraud are of all times, but the manifestations and consequences of crime, fraud and corruption are different, and of larger size. The world economy is so closely intertwined that the falling of one bank already can lead to a global financial crisis. In the globalized world money flies around the globe in one day; from Spain to the Cayman Islands and on to Amsterdam. There are digital forms of money with own customs and mores. Banks seem to lose their monopoly position in favor of 'fintech' [12]. All these changes affect the playing field and the modus operandi of the criminals.

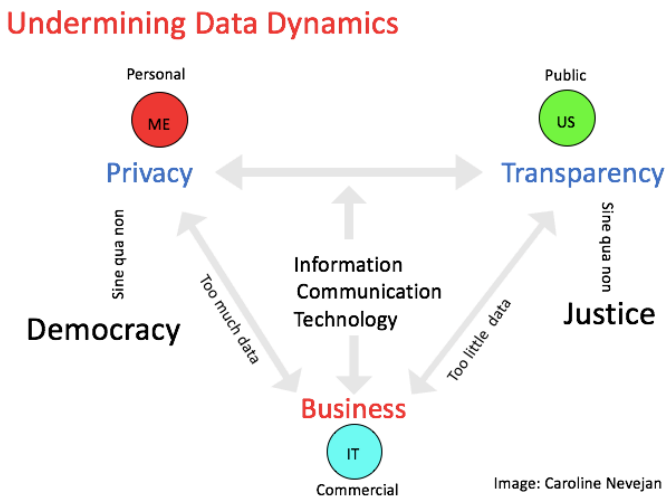
The effect of these changes also affect the viability of the city and its inhabitants. They see their neighborhoods change; a homogeneous selection of shops and companies and perceptions about the activity in certain neighborhoods/streets seem to indicate the existence of a ' parallel-economy '. Hard working entrepreneurs are faced with competitors who can survive without any effort. Young people grow up with ' role models ' who have never have worked for one day, but seem to make big bucks and who are sponsoring their sports club. A range of intermediaries offers its services and also benefit, consciously or unconsciously. Most alarming is the fact that many cities hardly have an idea about the financial dynamics that happen inside their territories. Financial global networks (criminal or not) seek security by investing in 'stones' like apartment buildings, office buildings, data centres, hotels, social housing projects and they preferably don't engage with the neighbourhoods in which 'their stones' are placed. As a result, neighbourhoods are faced with empty houses and rising prices.

10 H. de Bruijn, 'We Worden Allemaal Gemanipuleerd Met Onze Eigen Data', *Trouw,* Persgroep Nederland, 18 April 2018.

11 J. Luyendijk, *Swimming With Sharks: My Journey Into the World of the Bankers,* London: Guardian Faber, 2016.

12 'Fintech' is shorthand for financial technologies, which are rapidly developing new products and services for the financial world.

In the 80s in Amsterdam there was a strong squatter movement to counter these practices of speculation. With the social democratic government at the time social housing policies were fuelled with new energy and innovation [13]. The paper trail of these speculative financial transactions was hard to expose at the time. Today's digital networks have the potential to allow for more transparency than ever yet little happens in this respect. ICT in the current financial world helps to veil transactions in the first place. Financial players resist as much as possible to contribute taxes to the cities that host them. For criminal networks, such uncertainties are rewarding. No court order can compete with the scale and speed of financial transactions. It can take up to two years to follow up one morning of international transactions. As a result, criminal networks profit from this imposition. Money laundering becomes an effortless practice and, as a powerful dynamic, undermines the public domain that characterizes cities.



The public domain is the foundation of the city. It is the place we share, which includes all people. It is where shared culture emerges [14] and where the market is organized. The public domain represents the idea of justice [15]. So far, Dutch and European policymaking has hardly been able to affect the wild and exponential growth of an ICT industry that is undermining the public domain, its democracy and justice as we know it.
For democracy, the existence of privacy is crucial [16]. Democracy is based on nurturing difference of opinion and therefore one needs privacy to explore, hesitate and interact. The digital era is eating privacy. Google, Amazon, Facebook and others, do not share data or source code, yet they harvest personal details of billions of people on a daily basis. And, as is

13 H. Pruijt, 'The Impact of Citizens' Protest on City Planning in Amsterdam', in L. Deben, W. Salet and M.-T. van Thoor (eds), *Cultural heritage and the future of the historic inner city of Amsterdam*, Amsterdam: Aksant, 2004, pp. 228-244.

14 O. Negt, A. Kluge, & P. Labanyi, '"The Public Sphere and Experience": Selections', *October* 46 (Autumn 1988), pp. 60-82.

15 Sen, A.K., 2009. *The idea of justice*. Harvard University Press.

16 M. Blaauw, 'The Epistemic Account of Privacy', *Episteme* 10.2 (2013), pp.167-177.

proven by the case of Cambridge Analytica in 2018, they do engage in politics. For justice to function, transparency is key [17]. Transparency can have many forms as long as clarity of what is happening is offered. This is not happening today. In this era in the beginning of the 21st century there is no societal transparency of server architectures, algorithms, data ownership and manipulation. Minimal standards for data protection are only now being formulated in different countries. With these new technologies, the market explores and takes whatever it can get. Legislation and societal policymaking comes years, even decades, later.

Recognizing and designing urban dynamics

While ICT can be exploited for private gain, it also has great potential to support social democracy provided its architectures, algorithms and data management are designed in specific ways. The Amsterdam municipality is determined to confront the detrimental dynamics and nurture the potential of the digital technologies for the city and its people. Embracing the notion of smart, liveable cities and re-designing its information architectures, the municipality explores how the 'good digital government' can function. This requires the inclusion of diverse kinds of people, it requires many pilots to be carried out, it requires rigorous monitoring of what happens as result of these interventions and new methods of implementation. New networks for the sharing of information between cities can help and possibly even lead to engaging in action together. In a 21st century city the digital domain has entered all sectors of health, education, work and unemployment, traffic, food, finance and more. Knowing how to apply digital processes well, and to recognize and counteract undermining practices, requires new roles, regulations and governance principles in municipalities.

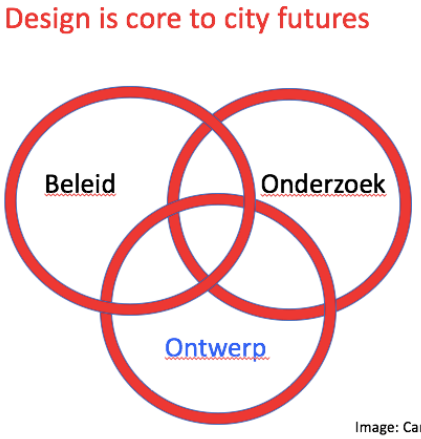


Image: Caroline Nevejan

In the last few years Amsterdam has developed several instruments for fighting serious crime. There are a number of ways in which the city can itself crack down on crime and non-transparent investments. We can screen parties under the 'Bibob Act'[18] or, in Amsterdam, by

17 F. Brazier, A. Oskamp, C. Prins, M. Schellekens, & N. Wijngaards, 'Law-Abiding and Integrity on the Internet: A Case for Agents', *Artificial Intelligence and Law*, 12.1-2 (2004), pp. 5-37; D. Broeders, E. Schrijvers, & E. Hirsch Ballin, *Big Data and Security Policies: Serving Security, Protecting Freedom,* WRR-Policy Brief no. 6, The Hague: WRR, 2017.

18 The Bibob is an ebbreviation fort he Public Administration (Probity Screening) Act (Bevordering Integriteit Beoordelingen Openbaar Bestuur).

applying the BIO[19]-regulations. However, Bibob screenings may only be carried out if a permit or subsidy is required or if the authorities themselves are party to the sale or ground lease. Where two private parties are concerned, the BIO regulations seem to offer a good alternative. [20] They give the municipality right of first refusal and enable it to carry out an integrity screening of the purchasing party. This is a way of controlling the real estate in a particular area. However, often international companies blur identities, create opaque constructions and Dutch law becomes powerless.

Municipalities need to consciously design the local impact of global business on their cities. In order to safeguard the public domain, they need to create new alliances for safeguarding the civic nature of our cities. Cities will need to demand of any business or organization that they engage with in the local near future. Because cities are complex systems the overall design emerges out of the interaction of the different dynamics of which many are also unseen. However, the design of the city as a complex system can be informed by the values it aims to embrace [21]. Besides technological change, from this perspective fighting illicit financial flows is also, or perhaps especially, achieved by cultural change. There is a cosmopolitan elite that is internationally oriented, in such way that they do not feel rooted in a particular city or even a country, anymore. As a consequence, avoiding taxes or rules, is not thought to be immoral. In addition, the Anglo-Saxon business culture (the leading culture in many European countries including the Netherlands) with its focus on profit maximization of the shareholders, seems to contribute to this phenomenon. Values such as sustainability, care for staff and care for the surroundings seem less important than profit.

Value sensitive design is a new discipline in its own right which has acquired momentum because so many systems in our world are beyond comprehension for most of us today. Values, however, we can understand and nurture. Values are very visible in the cultures we share [22].They reflect what we care about, what we consider beneficial or detrimental to our daily lives [23]. For example, it is necessary to design systems that support human beings to breathe since without breath no human life can exist. Likewise, we need to design systems (including social structures) that allow for children to eat well and move enough so they do not develop obesity. Complex values like organizing solidarity between generations, can be a value that is incorporated as a dynamic in an urban complex system. Counteracting the current undermining forces in financial systems in European cites needs this cultural value-based approach. In such an approach values are the starting point for policymaking, its social structures and technological system designs. Diverse groups of cities residents can engage with these processes. Scientists can work with the municipality, but also unusual collaborations with journalists, artists and designers can contribute to constitute a safe and

19 The BIO is an abbreviation for the Integrity and Agreements Provision, a policy regulation of the municipality of Amsterdam.

20 Still the local government has to be one of the parties.The so-called “Van Traa” regulations provide that the local government has to give permission before a real estate transaction can be made between two private parties in specific strategic real estate cases.

21 J. Van den Hoven, ‘Value Sensitive Design and Responsible Innovation’, in R. Owen, J. Bessant, & M. Heintz, *Responsible Innovation: Managing the Responsible Emergence of Science and Innovation in Society*, Hoboken, NJ: John Wiley & Sons, 2013, pp. 75-83.

22 C. Nevejan, ‘Presence and the Design of Trust’, PhD diss. Amsterdam: University of Amsterdam, 2007; C. I. M. Nevejan, *Witnessing You: On Trust and Truth in a Networked World*. Delft: Participatory Systems Initiative, Delft University of Technology, 2012.

23 C. Nevejan, & F. Brazier, ‘Design for the Value of Presence’, in J. van den Hoven, P. E. Vermaas, & I. van de Poel, *Handbook of Ethics, Values, and Technological Design: Sources, Theory, Values and Application Domains*, Dordrecht: Springer, 2017, pp. 1-23.

inspiring public domain which serves all people, rich and poor.
For a cultural value based approach to be effective, this needs to be matched with formal and judicial measures. The difference in scale and speed of information between informal networks and formal institutions puts local governments in a very weak position, while effects of criminal networks can be felt in every street. Many intermediaries that are vital for the functioning of these undermining forces, are part of urban professional networks that enjoy the city's infrastructure. Yet they do not support this infrastructure and accept a culture in which undermining forces are successful.

Cultures change because new awareness emerges, which is why the debate about integrity and undermining forces needs to be public and accessible and pervasively present in many places. Cultures also change when governments put new measures in place. Democratic governments have limited and formalized means, which are built upon laws that assume that ultimately with these laws the public domain can be safeguarded. However, scale and speed of technology are out-processing the effect of these laws. Criminal networks are fast and smart and easily outperform institutional investigations, so it seems. Recognizing what is happening and being able to act upon this, requires new insight and new methods. Therefore, to better understand the current fast changing financial urban undermining dynamics and to learn from certain best practices that have been identified, the municipality of Amsterdam decided to organize the Flying Money conference with and for fellow European cities for a start.

Grounding Flying Money: what can cities do?

In the conference a wide array of speakers coming from different formal and informal societal realms engaged with the question how illicit financial flows in a city can be identified and eradicated. An extensive conference report follow this introduction in which a summary of every speaker is given. After you will find articles by different speakers in which they describe in depth their perspectives. We intentionally offer such a detailed report because the insight and practice that has been gathered was diverse and profound yet the synthesis will only emerge in the years to come.

Unraveling the blurring of financial flows

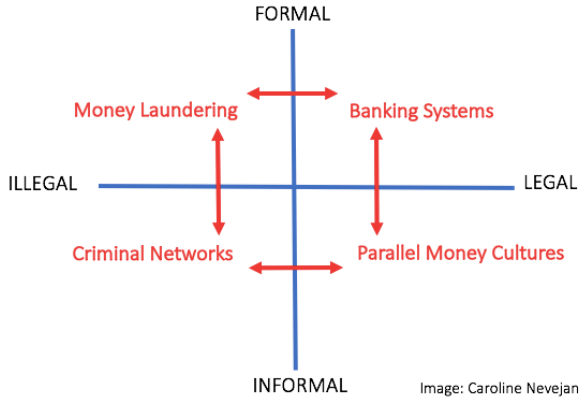


Image: Caroline Nevejan

As result several things were realized:

- Undermining thrives by the blurring of formal and informal cultures and by integrating legal and illegal activities. This requires new methods that address both formal and informal cultures.
- International collaboration needs to take into account that different cities in different countries have different ways of blurring formal and informal, legal and illegal practices.
- The various forms and orders of magnitude of undermining practices vary so much, that it is impossible to point out one successful approach for recognizing and acing upon illicit flows.
- For being able to recognize and understand what is happening, municipalities need to engage with unanticipated new allies such as investigative journalists, professionals in the financial world, ethical hackers, data scientists- and journalists, NGO's and civic initiatives.
- It is of vital importance that different departments within a municipality collaborate and share information in new ways. New processes for information sharing and acting together need to be designed.
- New approaches ask for nuance: what is liveable for one person, is completely the opposite for the other. Any approach that aims to fight illicit financial flows, needs to protect at the same time the bona fide entrepreneur and integer citizen who are vital for the prosperity and well-being of Amsterdam.
- For developing new approaches theory and analyses need to deconstruct undermining practices into different elements which can each have their own measure and within the potential and limitations of the Dutch and European Law of course.

When looking at the blurring between formal and informal cultures and between legal and illegal practices, the landscape for municipalities in which they have to operate is indeed very international. Yet effects of this landscape are extremely local. At the conference the tension and the relation between local and international organisation became very tangible.
Different areas where new research needs to be developed were identified. The financialization of our economy has severe impact on public life, business life, personal lives, and more. Financialization creates new relations between cause and effect and offers new challenged for municipalities to understand and control. Also, financialization helps to blur the boundaries between the different practices and legal frameworks.
Secondly, data gathering offers new opportunities for identifying undermining practices. In local and in international context these opportunities need to be studied and developed. Even though it appears that every city and nation has its own data gathering protocols, new research needs to study how synergy between the diverse identities and approaches can be obtained.
Thirdly, the possible space for action of a city is limited by national and international laws and trade agreements. Nevertheless, the call for local action for countering local effects of undermining practices is wide spread. Research needs to study how local impact of global developments can become a factor of design instead of a factor of surrender and victimization.

Last but not least: we have to be realistic to what account we can stop illicit financial flows. Fraud, corruption and other criminal behaviour occurred in all times and the disappearance of one phenomenon leads to the occurrence of another. Mankind is adaptive. Fighting this phenomenon asks for persuasion, intrinsic motivation and perseverance. Faced with global crime taking over many cities in the world, the fight for our freedom, for our integrity, for a safe everyday life, is at the heart of urban futures around the world.

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