

# Financial Crime and Political Extremism in the U.S.

## OVERVIEW

A descriptive analysis of Extremist Crime Database (ECDB) data reveals that both far-right and al-Qaida-inspired extremists in the U.S. engaged in different types of financial schemes, followed distinct *modi operandi* and were prosecuted for a variety of both financial and non-financial crimes. Despite these differences, a common trend was identified—the involvement of non-extremist accomplices who provided useful resources for the crime commission process.

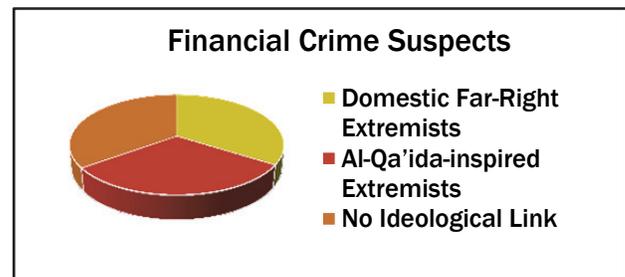
## PROJECT BACKGROUND

The purpose of this research was to investigate the relationship between financial crimes and political extremism in the United States through a systematic analysis of federal judicial cases involving political extremists (far-right extremists and al-Qaida-inspired extremists) indicted in 2004 for their participation in a financial scheme. Using data from the ECDB, this study provides a descriptive analysis of (a) *financial schemes* (i.e., illicit financial operations carried out over an extended period of time by one or more suspects); (b) *crimes* (i.e. the criminal offenses charged by prosecutors); and (c) *techniques* (i.e., activities carried out to execute the scheme) by political extremists and their non-extremist accomplices, comparing similarities and differences between far-right extremists and al-Qaida-inspired settings.

## INTERIM FINDINGS

This project has identified 38 federal judicial cases concerning at least one political extremist indicted by U.S. federal courts in 2004 for participating in a financial scheme. Using judicial cases as a starting point, we identified 54 financial schemes, approximately half of which included at least one al-Qaida-inspired extremist (52 percent), while the other half were linked to far-right extremists (48 percent). These cases involved 164 suspects: 34 percent appeared to be supporters of the extreme far-right, 31 percent were identified as al-Qaida-inspired extremists and the remaining 35 percent appeared to have no ideological link.

A key finding was the pivotal role played by non-extremists within both far-right extremist and al-Qaida-inspired settings. With respect to the extreme far right, our findings suggest that these may be individuals with specialized skills and *know-how* who provided professional services and expertise on a variety of issues (e.g., tax preparation, business ventures, financial and legal counseling, etc.). Extremists inspired by al-Qaida seem to have relied on non-extremist accomplices for a more diverse set of reasons—as middlemen to conduct wire transfers and manage bank accounts, couriers for cash smuggling and nominees to set up storefront businesses.



**Far-right extremists engaged mostly in tax avoidance schemes as a form of anti-government protest.**

The comparison of financial schemes, crimes and techniques revealed significant differences in the financial criminality of extreme far-rightists and al-Qaida-inspired extremists. Far-right extremists engaged mostly in tax avoidance schemes as a form of anti-government protest. These schemes were perpetrated using techniques that require both proactive and passive behaviors. Proactive behaviors included filing false tax documents, underreporting income, marketing anti-tax packages, using bogus trusts and setting up offshore “shell” corporations. Passive behaviors included ideologically

motivated tax refusal—a popular crime of omission that involves the failure to file an income return or to pay employment taxes on the basis of misinterpretations of tax laws and the Constitution, usually rejected as “frivolous arguments” by U.S. courts.

**The majority of al-Qaida-inspired - schemes involved “money-dirtying” and money-laundering strategies for self-financing purposes.**

The majority of al-Qaida-inspired extremist schemes involved “money-dirtying” and money-laundering strategies for self-financing purposes. Money-dirtying refers to the process of using money raised legitimately (e.g., through donations or legitimate investments) for illicit purposes (e.g., terrorism financing). Although there are some similarities between money-laundering and money-dirtying strategies, there are also at least two important differences: (1) the *source* of the money is criminal in money laundering (e.g., drug dealing, tax evasion, cigarette smuggling, etc.) as opposed to being legitimate in the latter; and (2) the *goal*, is to transform “dirty” money into expendable income in money-laundering as opposed to channeling funds of any origin to individuals or groups to enable

acts of terrorism in money-dirtying. To carry out these schemes, al-Qaida-inspired extremists made ample use of traditional money transfer mechanisms both domestically and internationally (wire transfers, cash deposits, checks). They also used simpler methods that do not leave paper trails, like conducting transactions in cash and physically transporting money across borders.

There were differences in the way the financial crime cases of far-right extremists and al-Qaida-inspired extremists were handled by federal prosecutors. Comparing criminal charges in federal indictments revealed that cases involving far-right extremists were usually prosecuted for typical financial crime offenses (e.g., tax evasion, mail fraud, money laundering) whereas suspects in cases suspected to be al-Qaida-inspired were indicted for a variety of criminal offenses, ranging from money laundering to providing material support to a foreign terrorist organization (FTO), immigration fraud, RICO conspiracy and false statements.

These preliminary findings bear significant policy implications. First, they provide evidence that political extremists today engage in criminal behaviors that have traditionally been associated with profit-driven crime for various reasons and using different methods. Second, the differences in the *modus operandi* and goals pursued highlight the importance of conducting systematic analyses of crime patterns using an “all-crimes/all-threats” approach to improve threat assessment and prioritization strategies. Lastly, they highlight the need to investigate the role of non-extremist accomplices as well as the nature and scope of their interactions with political extremists, as they may provide crucial resources in the form of knowledge, skills and contacts.

## METHOD

The ECDB is a relational database that collects data on extremist crimes, violent and non-violent/financial, ideological and routine, reported in an open source since 1990, including information on extremist suspects (far-right extremists, environmental extremists, and al-Qaida-inspired extremists) and non-extremist accomplices. The financial crimes section of the ECDB includes more than 500 variables that focus on key characteristics of:

1. Financial schemes (e.g., type, goal, length, geographic scope)
2. Suspects (e.g., demographics, ideological affiliation, techniques, social networks)
3. Business entities (e.g., type, location, services provided, etc.)
4. Quality of open-source data (e.g., number, type, validity and reliability).

## FUTURE DIRECTIONS

Data collection on financial extremist schemes is currently ongoing. As of December 2011, we have coded more than 384 far-right financial schemes and approximately 100 Islamic-related financial schemes committed between 1990 and 2010. Upon completion of data collection, ECDB researchers plan on conducting longitudinal analysis to examine changes in extremist financial crime trends over time. Another line of research will focus on exploring the relational ties between extremists and non-extremist associates to understand how extremist financial networks are formed and operate.

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The National Consortium for the Study of Terrorism and Responses to Terrorism (START) is supported in part by the Science and Technology Directorate of the U.S. Department of Homeland Security through a Center of Excellence program based at the University of Maryland. START uses state-of-the-art theories, methods and data from the social and behavioral sciences to improve understanding of the origins, dynamics and social and psychological impacts of terrorism. For more information, contact START at [infostart@start.umd.edu](mailto:infostart@start.umd.edu) or visit [www.start.umd.edu](http://www.start.umd.edu).

This research was supported by the Science and Technology Directorate of the U.S. Department of Homeland Security and the National Institute of Justice through awards made to the START and the first author. The views and conclusions contained in this document are those of the authors and should not be interpreted as necessarily representing the official policies, either expressed or implied, of the U.S. Department of Homeland Security, the National Institute of Justice or START.