THE CONSEQUENCES OF ECONOMIC-FINANCIAL CRIME ON THE ECONOMY

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ABSTRACT: *Economic and financial crime is a distinct area of illegal activities involving prohibited financial practices. This form of crime can cause significant damage, not only undermining the credibility of companies and institutions, but also contributing to bankruptcies and job losses. In developed countries, the impact of these crimes can be managed more effectively due to the size of their economies and their ability to implement adequate regulations. In contrast, in developing countries, the long-term consequences for sustainable development and associated costs are significantly greater, due to weaker regulations and limited government capacity. Combating this global threat is a central concern for economic decision makers worldwide. Economic and financial crime is an integral part of what is called "transnational organized crime", and fighting it involves efforts similar to those made in the fight against terrorism. It is a type of criminality that crosses cultural, social, linguistic and geographical boundaries, regardless of boundaries or rules. Tax Fraud and Evasion, Customs Fraud, Currency Trafficking, Drug Trafficking, Migrant Trafficking, Human Trafficking, Money Laundering, Firearms Trafficking, Counterfeiting, Wildlife Trafficking, Protected Species Trafficking, Cultural Property Trafficking and Certain aspects of cybercrime are all activities that fall within the scope of transnational organized crime. The objective of this article is to analyze and highlight the effects that economic and financial crime has on the economy.*

Keywords: *economic-financial crime, market, economy, sustainable development.*

JEL Classification: *G00, G19*

1. INTRODUCTION

Economic-financial crime is a breeding ground for criminal organizations to thrive, despite efforts to develop increasingly sophisticated legal instruments, both nationally and internationally. Effectively addressing this issue requires political will to implement a truly effective policy. This policy focuses on three main directions: a better understanding of the phenomenon, the intensification of prevention efforts and the adaptation of the punitive approach.

In the contemporary world, where the influence of the market economy shapes society and where national economies are involved in a process of globalization of information, trade and finance, physical borders and regulations are emerging that are becoming increasingly

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insignificant. This process facilitates not only the accumulation of capital globally, but also the development of a criminal economy, which is integrated into the legal economy. The criminal economy presents itself as a complex and invisible system that interacts with the legal economy. Today, it is evident that organized crime is moving into commercial activities, especially in terms of money laundering, the rise of cybercrime and even the threat of terrorism. The traditional approach to economic-financial crimes, characterized by violations of technical, accounting or financial standards, or involvement in the field of corporate law and committed by socially well-integrated individuals, must be reevaluated. This process of disintegration of physical and regulatory borders, which facilitates the accumulation of capital globally, also leads to the development of a criminal economy, which has become a component of the global economy as it mixes with the legal economy. The criminal economy thus interacts with the legal economy, forming a complex and hidden system. In this context, it is evident that organized crime is infiltrating the field of commercial crime, with notable aspects such as money laundering, the proliferation of cybercrime and even the threat of terrorism.

Economic-financial crime involves the conduct of illegal activities, often characterized by intelligence (cheating) or fraudulent (forgery and counterfeiting), abuse of power (corruption) or exploitation of trade secrets and confidential information (insider trading). These illegal activities, in principle, require specialized knowledge and skills in the economic, commercial or financial world. With the advancement of new information and communication technologies, the importance of cybercrime is increasing, with the majority of economic crimes being committed with the help of these technologies. Economic crime is a complex, diverse and constantly evolving field.

According to the definition provided by the United Nations Office on Drugs and Crime, the term economic and financial crime generally refers to any form of non-violent crime that results in financial loss. This crime category covers various illegal activities, including fraud, tax evasion and money laundering, the latter being one of the most widespread forms of economic and financial crime.

2. RESEARCH METHODOLOGY

The research methodology adopted to examine the consequences of economic-financial crime was meticulous and comprehensive. Through careful analysis of data from various government sources, international organizations and academic studies, a solid foundation for assessing the impact of this complex phenomenon has been provided. The use of qualitative research in the making of the article was essential to gain a deep understanding of the impact of this phenomenon on society and the economy. Qualitative research provides a detailed and comprehensive perspective on complex issues, such as the consequences of economic-financial crime. The use of qualitative research is essential to deeply understand the consequences of economic-financial crime on the economy. This approach allows researchers to explore individual perspectives, identify the complex causes and effects of the phenomenon, and adapt the research to the specific local context. Through qualitative research, we can obtain a more complete and detailed picture of the impact of this serious problem on society and the economy, thus contributing to the development of more effective policies and strategies to prevent and combat economic-financial crime.

3. REVIEW OF SPECIALIZED LITERATURE

3.1. Definitions

3.1.1. Economic and financial crime

According to Marius PANTEA, economic-financial crime represents the segment of crime that involves the maximum exploitation of profit through illegal means sanctioned by criminal law in the context of commercial relations. Economic -financial crimes include the crimes provided for by special laws with criminal provisions, belonging to the criminal law of business, targeting commercial companies, competition, intellectual property, banking regime, money laundering, securities, accounting regime, tax evasion, customs regime, land fund, public authority etc. [Pantea M., 2010]

3.1.2. Macroeconomic and financial crime

Economic-financial macrocrime is the segment of economic-financial crimes committed by groups of specialized criminals, which results in the creation of major damage or the creation of dangerous situations, which often takes the form of a cross-border crime, involves acts of high-level corruption, are likely to harm the interests of the state and national security, as special laws expressly provide for this. [David M., 2008] Economic and financial macrocrime can be considered the hidden part of crime for at least three reasons [Pantea M., 2010]:

- It is much more difficult to identify and prove, due to its complex characteristics compared to other traditional forms of economic-financial crime;
- Its effects, extremely serious in terms of the damage created and the large number of people (physical and legal) affected, are less immediately visible, they usually spread over a long period of time;
- Since the result of economic and financial crimes is not always spectacular (compared to murder, drug trafficking, etc.), such facts have less media coverage.

3.1.3. Economic-financial microcrime

Economic-financial microcrime refers to the category of economic and financial crimes characterized by minimal violation of social values protected by criminal law. However, due to its repetitive nature and negative impact on individual lives, it can cause significant harm and pose a potential danger in the future. [Burlacu G., Patroi D., 2005]

Illegal profits generated by criminal activities require the introduction of the money laundering process within the legal financial system. Through money laundering, criminals obtain a flow of cash and capital that they can reinvest. Similar to other forms of economic and financial crime, countries with poor regulations and controls in the financial sector are most vulnerable to this phenomenon. This situation undermines the integrity of financial institutions in these countries, distorts capital markets and discourages foreign direct investment.

3.2. Money Laundering

According to Paul Ashin, money laundering is the process of giving the appearance of legality to funds from illegal activities. Profits from crimes such as fraud, theft or drug trafficking are funneled into seemingly legal bank accounts, real estate or luxury goods to make them appear to have come from legitimate activities. This allows criminals to obtain wealth and lead a life without attracting suspicion. In addition, they can use the laundered capital to develop illegal businesses and thereby increase their wealth and influence. This gives them the opportunity to corrupt government officials and obtain protection from them. [Ashin P., 2012]

If there were no crimes such as fraud, tax evasion, insider trading, drug trafficking, corruption or other profitable criminal activities, then the concept of money laundering would not exist either. The close existence of the crime that generates illegal income and the process of laundering this income makes it very difficult to separate the two aspects, although, from a legal perspective, they are considered distinct. Money laundering is an essential component of any profitable crime, because without this process, the crime could not generate profits.

From a legal point of view, money laundering is defined as any attempt to involve in a financial transaction goods of illicit origin. To obtain a conviction, prosecutors must prove that the defendant was involved in financial transactions or transferred funds between countries in the context of "specified illegal activity." The list of these illegal activities is long and includes bribery, counterfeiting, drug trafficking, espionage, extortion, fraud, murder, kidnapping, fraud and certain banking practices. [Bauer P., U. Rhoda, 2001]

Under the legislation, inspired by the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988) (Vienna Convention) [Convention de Vienne, www.unodc.org/pdf/convention_1988_fr.pdf]. and the United Nations Convention against Transnational Organized Crime (2000) (Palermo Convention), are considered money laundering: [Convention de Palermo, http://untreaty.un.org/English/TreatyEvent2001/].

- the transformation or transfer of goods, with the intention of masking or disguising their illicit origin or to help any person involved in the commission of the main crime to avoid the legal consequences of his actions;
- masking or concealing the true nature, origins, locations, dispositions, movements or properties of assets;
- the transformation or transfer of goods, in order to hide or mask their illicit origin or to assist any person involved in the commission of the main crime to avoid the legal consequences of his actions;
- masking or concealing the true nature, origins, locations, dispositions, movements or properties of assets;
- the purchase, possession or use of an asset by a person who knows that the asset in question comes from a crime.

Money laundering is classically carried out through three successive stages:

- the placement phase (also called the pre-washing or immersion phase), during which the money of criminal origin is introduced into the financial system;
- the stacking phase (dispersion or mixing), during which numerous transactions are accumulated to reduce the traceability of funds;
- the integration phase (recycling or spinning), consisting in the integration of funds in various sectors in the form of investments.

3.2.1. Placement phase

In this first phase, a transformation of illicit funds is carried out to mask their origin. For example, the proceeds of drug trafficking are initially in the form of small banknotes, which are bulkier and heavier than the drugs themselves. Thus, these funds must be converted into higher value notes, checks or other negotiable financial instruments. This conversion often occurs through businesses that handle large amounts of cash, such as restaurants, hotels, ATM management companies, casinos, or car washes. These businesses can be used to "clean" money and make it look legitimate.

3.2.2. Stacking Phase

In this phase, the money launderer carries out a series of complex financial transactions to dissociate the funds from their original source. For example, those looking to launder significant amounts of money may set up shell companies in countries known for strict bank secrecy laws. Here, funds of uncertain provenance are transferred from one company to another until they appear to be seemingly legitimate. Various tactics are used to mask these maneuvers, including "own loans" and double billing.

In the first scenario, the money launderer deposits the funds in an offshore account that he secretly controls and then obtains a loan. This method is effective because it is difficult to identify who really controls the offshore accounts in certain jurisdictions. Double invoicing involves the transfer of capital from one country to another through an offshore financial institution that maintains two separate ledgers.

Other layering techniques involve expensive purchases, such as securities, cars, airplanes, or transportation tickets, registered in the names of friends in order to further hide the illicit origin of the funds. Sometimes money launderers use casinos because they handle significant amounts of cash. After the funds are converted into chips, they become indistinguishable from legitimate winnings at the gaming tables and can later be exchanged for checks issued by the casino.

3.2.3. Integration phase

The last stage, integration, is the most profitable for the washer. In this phase, the launderer can invest the funds in legal economic activities, including the purchase of businesses, real estate or luxury goods. This stage allows him to use the funds legally and earn profits from these investments.

3.3. Fraud, tax evasion and tax havens

Fraud and tax evasion represent economic crimes of the most serious nature. The links between money laundering and tax fraud are often discussed, especially in the context of territories that enforce bank secrecy. In some cases, these territories may lift bank secrecy in money laundering cases, provided no tax fraud is involved. However, some observers argue that money laundering and tax fraud are two separate problems. In reality, the two crimes are often closely related, as income from illegal activities is rarely declared for tax purposes and money resulting from tax fraud is often laundered to be reinvested in the legal economy. Therefore, efforts to combat money laundering can only be effective if they are supported by comprehensive measures to combat tax fraud and if adequate resources are allocated to this purpose [Radu et al., 2022].

3.3.1. Tax evasion

Tax evasion is an intentional form of violation of tax laws, usually punishable by criminal law. This includes situations where false statements are made or false documents are knowingly produced. The practice involves the evasion or fraudulent attempt to evade the full or partial payment of tax. The government suffers fiscal losses as a result of taxpayers' abusive claims for illegitimate tax advantages, such as abusive tax credit or fraudulent tax refund claims. These losses may also include incorrect payments of taxes collected by government agencies.

Tax evasion is often associated with illegal practices that seek to evade or ignore tax obligations. This means that taxpayers pay less tax than they should under the law, often by hiding income or information from the tax authorities. A significant source of tax evasion is the black economy, which includes all legal economic activities hidden from the state by individuals or companies. This can involve undeclared or underreported work, hiding income or understating turnover for companies. [Florescu D. A.P., Dan Bucur, Theodor Mrejeru, Marius Pantea, Andreea Martinescu, Vasile Manea, 2013].

Besides the black economy, illegal activities are also a major source of tax evasion. These activities divert significant amounts of money to shadow networks, instead of fueling the legal economy and providing tax revenue to the government. There are various reasons why a person may resort to tax evasion, including saving money by paying lower taxes or purchasing goods and services at reduced costs. Sometimes the high level of taxes can be a factor that motivates tax evasion. In the case of certain companies, tax evasion can be used to increase profits by hiding income, reducing production costs or avoiding government regulations. [Florescu D. A.P., Dan Bucur, Theodor Mrejeru, Marius Pantea, Andreea Martinescu, Vasile Manea, 2013]

3.3.2. Tax havens

A tax haven gives individuals the opportunity to make shady and illegal financial transfers, which allows them to avoid paying taxes in their home countries. Also, these tax havens allow money laundering, i.e. the introduction into the banking system of sums of money from illegal activities, such as drug trafficking or crimes. According to the OECD definition, a tax haven is a financial center characterized by low or non-existent taxes, an opaque tax regime and lack of information exchange with other states. Tax fraud and evasion in developing countries is several times higher than the total amount of development aid given each year. This problem is furthered by the existence of tax havens, which provide the necessary infrastructure and services to carry out opaque financial transactions.

3.4. Shell companies and offshore companies

As far as organized fraud is concerned, it is necessary to have a certain number of structures to guarantee both anonymity and to slow the flow of information as much as possible in case of investigations. The purpose is to make the illegitimate outflow of funds from a particular company credible. [Dascălu I., 2001]

Companies and other legal entities that are anonymously owned and controlled play a key role in facilitating tax fraud. To transfer their assets, tax evaders often use the same techniques as criminals involved in corruption, terrorist financing, nuclear proliferation, arms trafficking and other illegal activities. Money laundering and crime thrive mainly because of the opacity of these entities and other complex legal arrangements. [Dascălu I., 2001]

3.4.1. Shell Companies

Shell companies, also known as shell companies, are entities, either with real legal activity or only in appearance, that those involved in money laundering create in order to introduce funds into the banking system or to hinder investigations by the authorities. In many cases, these companies only serve as intermediaries and do not carry out actual commercial activities. A shell company acts as an intermediate layer between two complicit entities, thus hiding the links that exist between them. This involves legal manipulation, where once established, the legal entity (whether a shell company or not) exists and is legally compliant. Through these companies, a result can be achieved that would not normally be authorized by law, and thus they become the vehicle for criminal arrangements. In money laundering, the most common shell companies are the offshore ones, which offer significant advantages for such operations.

3.4.2. Offshore companies

Offshore companies are only allowed to conduct business outside the country in which they are incorporated. They are located in countries reputed to be financial havens and are not subject to tax. In addition, they are exempt from a large number of rules that are normally imposed on onshore institutions. [Buzan, C., G., 2012] Transactions of such companies are also exempt from taxes, reserve requirements, free from any restrictions on interest rates and often, but not always, exempt from any regulatory checks on cash flow or value of capital. [Trandafir, C., 2012]

Being in business with non-resident clients, and almost always with other financial institutions, they usually carry out wholesale transactions denominated in foreign currency. [Buzan, C., G., 2012]

Shell companies play a crucial role in giving legitimacy to illegitimate products, which otherwise could not be easily integrated into a company's financial statement and transferred through banks without raising suspicion. By combining multiple companies, entities and using offshore locations into a single operation, the risk of prosecution can be minimized if necessary. These front companies can produce an impressive variety of fake documents, which they use as a means of camouflage. The creation of chains of companies generates complex flows of cross-invoicing, which complicates control efforts and facilitates fraud. They can also serve as effective intermediaries for those involved in fraud, providing credible and quickly available supporting documents when an urgent withdrawal of ill-gotten cash is required. In the case of internal fraud, a purchasing or sales manager may use such companies to organize corruption schemes, overbilling, or illegally increase their bonuses.

3.5. Transnational organized crime

Transnational organized crime encompasses a wide range of serious, profit-motivated criminal activities that take place internationally and involve multiple countries. These activities can include drug trafficking, migrant smuggling, human trafficking, money laundering, firearms trafficking, counterfeit goods smuggling, wildlife trafficking, cultural goods trafficking and even various aspects of cybercrime. Transnational organized crime is a threat to human peace and security, undermining human rights and undermining economic, social, cultural and political development as well as civil society around the world. It involves massive amounts of money, which can undermine the legal economy and influence governance, particularly through corruption and influencing election results. Various forms of transnational organized crime include: drug trafficking, human trafficking, migrant smuggling, illegal arms trade, traffic in natural resources, illegal wildlife trade, sale of fraudulent medicines, cybercrime, laundering of ill-gotten gains.

These are just a few examples of transnational criminal activities and their various manifestations that threaten international order and require considerable efforts to combat them.

Money laundering and terrorist financing

Terrorism and transnational organized crime are growing phenomena, influenced by several factors, including the free movement of capital, goods, people and services, as well as the progressive elimination of customs barriers at the regional level. These factors facilitate the emergence of organized criminal groups. Terrorist financing refers to the process by which a person attempts to raise or make available funds for the purpose of using them to commit a terrorist act or to support a terrorist organization. After the events of 11 September 2001, the member states of the United Nations recognized the links between terrorism, transnational organized crime, international drug trafficking and money laundering. Thus, they urged States that had not yet done so to become parties to the relevant international conventions, including the 1999 International Convention for the Suppression of the Financing of Terrorism.

The term "terrorist act" refers to any act that constitutes an offense under international conventions and treaties on terrorism or any other act intended to cause death or serious injury to a person not directly participating in hostilities in a situation of armed conflict. These actions are intended to intimidate the population or force governments or international organizations to take or refrain from certain actions.

The techniques used to launder money are similar to those used to conceal the source and use of funds in terrorist financing. Funds used to finance terrorism can come from legitimate sources or from illegal activities, and concealing their origin is crucial, regardless of their nature. This allows further financing of other terrorist activities. It is also important for terrorists to disguise how they use funds to avoid detection of terrorist financing activities. There is a significant difference between money laundering and terrorist financing, namely that terrorist financing can also involve legitimate sources, while money laundering mainly refers to funds resulting from criminal activities. However, both threats must be effectively countered, as laundered funds pose the same threat in terms of economic power generated, whether it serves the mafia or terrorist cause. Combating these threats involves tracking money and uncovering the hidden financial circuits used by terrorist and criminal groups.

4. RESULTS

The main influences on economic-financial crime are divided into two levels: the micro level, which focuses on issues related to corporate governance, including the quality of financial auditing and reporting, and the macro level, which involves a range of economic, political, legal and sociocultural.

At the micro level, corporate governance plays a crucial role in determining economic and financial crime. This refers to how organizations are run and overseen, as well as their transparency and accountability to shareholders and other stakeholders. The quality of financial auditing and reporting is also critical as it ensures the accuracy and integrity of financial information, thereby reducing the risk of fraud or illegal behavior.

At the macro level, several factors influence economic-financial crime. Economic factors such as economic development, fiscal pressure, development of the financial and banking system, technical and scientific revolutions, technology and the digital economy have a significant impact [Danaila et al., 2023]. For example, healthy economic growth can reduce the motives for committing financial crimes, while technological innovations can open up new opportunities for crime.

Political and legal factors such as public governance, the effectiveness of institutions, the quality of regulations and the rule of law are also essential. Transparent and efficient governance can reduce corruption and criminal behavior in government and organizations. In turn, sociocultural factors such as tax attitudes, tax morale, culture, religion and education, including the level of trust in institutions, can influence the economic-financial behavior of individuals and companies. These determinants are detailed in the following chapters to provide a deeper understanding of how these factors interact and contribute to economic and financial crime at the micro and macro levels. [Achim M. V. & Borlea S.N., 2020]

The main categories of financial crimes usually include the following:

- Cybercrime - crimes committed using computer technology, such as online fraud, identity theft and cyberattacks.
- Bribery and corruption - illegal actions involving giving or accepting money or advantages to influence the decisions or actions of other people for personal or illegal purposes.
- Fraud - includes various types of financial fraud such as insurance fraud, bank fraud and fraudulent investments.
- Money laundering - the process by which illegally obtained money is "laundered" to appear to come from legal sources, thereby concealing its illegal origin.

- Information security - crimes related to unauthorized access to sensitive data and information, as well as their theft or manipulation.
- Market abuse and insider trading - include illegal activities that affect the functioning of financial markets and insider trading, such as price manipulation and insider trading (transactions based on confidential information).
- Terrorist financing - involves providing funds or financial resources to terrorist organizations to support their illegal activities.

These categories of financial crimes represent a wide range of illegal behaviors that impact financial systems, economies and societies. Combating these crimes requires concerted efforts by authorities and financial institutions to prevent, detect and investigate such illegal activities. [Bharti, S., 2022]. There is a close connection between crime and development. A society cannot progress in an environment where crime dominates. Development is a complex process involving the transformation, reorientation and restructuring of socio-economic systems in a holistic manner, with end results leading to the improvement of the overall well-being of the people. This process includes changes in mindsets, changes in institutions and structures, promoting economic growth, reducing inequalities and eradicating poverty. It is important to emphasize that no society will succeed in developing in an environment characterized by a high crime rate. Therefore, governments around the world are making considerable efforts to minimize the crime rate in their countries. Crime knows no geographical boundaries and does not take into account the social status of individuals, affecting people from all walks of life.

It is a well-known fact in the academic community that economic-financial crime tends to diminish public safety, disrupt social order, and generate chaos and confusion. This negatively affects collaboration and trust within the community and can lead to significant economic costs for both individuals and the nation as a whole. An increase in the level of crime tends to hinder the development of a community, identifying its social, psychological, economic and behavioral consequences on society.

The socio-psychological consequences of crime include the tendency of people to avoid involvement in street events, increased distrust between neighbors and decreased cooperation between individuals. Also, the behavioral consequences of crime may lead people to limit their activities in public space, participate less in local community affairs, and consider migration from their neighborhood in response to high levels of crime.

In essence, crime has a significant impact on community life, undermining social cohesion, trust and sustainable development. It is important to understand these effects in order to develop effective crime prevention and control strategies.

The negative effects of money laundering on the economy

Money laundering has a devastating impact on the economy, affecting key financial institutions essential to driving economic growth. This favors the proliferation of crime and corruption, which in turn slow economic progress and compromise efficiency in the real sector of the economy. Global research predominantly focuses on two major areas of money laundering: drug trafficking and terrorist organizations. The effects of success in withdrawing money from the drug trade become evident in its amplification, crime and violence.

The link between money laundering and terrorism can be complex, as terrorists often adopt tactics to hide funds to avoid authorities' oversight and prepare planned attacks. Money laundering is a threat not only to global financial markets and maritime hubs, but also to emerging markets. As developing economies open up their financial sectors and economies, they become increasingly vulnerable to money laundering activities. This phenomenon generates unpredictable changes in the demand for money, causing significant fluctuations in international capital flows and exchange rates.

The impact on money demand is often evident in countries with minimal money laundering risk. In economies where there are no money laundering regulations, where bank secrecy is strictly practiced and there is a system for keeping bank information and customer data, the informal economy can represent a significant proportion of the national economy. This aspect facilitates easy cash flow laundering. The speed and lack of control of the inflow of money into the country can lead to significant increases in the consumption rate, especially in the luxury sector. However, these increases can cause significant changes in exports, imports, the balance of payments deficit, inflation, interest rates and unemployment, adversely affecting monetary policy.

False signals about money laundering activities can prevent authorities from taking the necessary steps to address problems such as budget deficits and high inflation, particularly in developing countries. These aspects negatively influence the efficient management of the economy. From a global perspective, such activities endanger the stability of financial markets, and financial crises in one country can have consequences for other states. The reaction of central banks to this unstable demand for money can lead to failures in their monetary policies.

Effects of money laundering on the economy

Impact on growth rate: Financial instability in a country can exert a significant impact on real sectors of the economy. As a result, foreign investors become essential for companies. However, attracting foreign investors to countries affected by money laundering is proving to be a difficult task. The price instability generated by the presence of black money in the financial system diminishes economic credibility at the international level. Thus, rational investors may be reluctant to invest in such countries, given the risk associated with them. If the flow of legal capital is not sufficient, investment may decline, leading to lower long-term economic growth. Countries with high volumes of black money are considered risks for investors. In order to attract international capital, an effective fight against money laundering is a crucial message that strengthens investor confidence. Through the effectiveness of this struggle, investment can increase, having a positive effect on the growth rate and the economy as a whole.

Impact on income distribution: Significant losses of black money from sources of income create significant problems in the financial system and have social consequences. Significant increases in the wealth of specific individuals and groups can contribute to the degradation of social cohesion. One of the worst effects of money laundering is the negative impact on income distribution. While it is difficult to precisely measure the negative impact of declining incomes and differentiation in the income distribution, it is equally difficult to offset the social damage. Differences in income distribution can stimulate the propensity to commit crimes and make black money extremely attractive. Furthermore, since tax evasion is often found in informal economies, the tax burden on those operating in the formal sector may increase, having a negative impact on income distribution.

Impact on tax revenues: Tax revenues represent a significant part of public revenues. The reduction of these revenues can lead to the inability to cover public expenses and, implicitly, to the appearance of budget deficits. Profits generated from money laundering activities are not subject to taxation, leading to a decrease in tax revenues. When tax revenues fall, the state is faced with two options. The first option is borrowing, which reduces productive investment by the private sector, impacting the economy. In addition, as the value of bonds increases due to borrowing, market interest rates rise, creating new problems. The second option is coin issuance, with similar results. Both choices negatively affect the economy.

Consequences and measures to combat economic and financial crime

Economic-financial crime, through its negative consequences, threatens the development and economic growth of vulnerable countries, accentuating their state of underdevelopment and poverty. Money laundering exerts a direct adverse impact on economic growth, channeling resources to less productive activities. Laundered illicit funds follow a different route through the economy than legal funds. Instead of being productively invested or integrated into the economic circuit to support development, these funds are often directed to passive investments, designed to retain their value or become more easily transferable. Such investments may include, for example, real estate, works of art, jewellery, antiques or luxury goods such as expensive cars. Such investments contribute in a limited way to the economy as a whole. Worse, criminal organizations can manipulate productive businesses to use them for useless purposes, focusing on laundering illegal proceeds instead of generating legitimate profits. These economic entities do not adequately respond to consumer demand or other productive and ethical purposes of capital. The inefficient allocation of the country's resources in unnecessary investments ultimately contributes to the reduction of overall economic output.

In addition to the direct impact on economic growth, a country's reputation as a hotbed for money laundering or terrorist financing can significantly harm its development. International financial institutions may decide to impose restrictions on transactions with institutions in that country, scrutinize these transactions, subject them to more stringent requirements, or completely terminate their credit or correspondent banking relationships with those institutions. Companies in that country may find it difficult to access global markets or incur additional costs due to stricter regulations on internal control, business structuring and ownership of their capital. For developing countries, this can severely limit eligibility for foreign government aid. In addition to these detrimental effects on development, economic and financial crime can cause significant capital losses for a developing country, including declines in tax revenues and capital outflows from the country. In terms of illicit financial flows, attention has focused primarily on phenomena such as bribery and corruption, which, however, represent only a small part of the overall problem. Tax losses related to tax evasion practices used by multinationals in tax havens are in fact the most significant problem, especially for developing countries. This tax evasion mainly involves manipulation of transfer prices between subsidiaries and shifting of profits and losses between different jurisdictions to minimize taxes paid.

It is necessary to implement more effective measures at the community and international level to combat economic and financial crime, especially money laundering. A High Level Panel on Threats, Challenges and Change has identified transnational organized crime as a critical threat to the global community and recommended the negotiation of a comprehensive international convention on money laundering. Today, the recommendations of this group serve as the reference framework on which international financial institutions are based for evaluating the efforts of states in the fight against money laundering and are structured around three main pillars:

1. Legislative harmonization: **This involves the introduction of the money laundering offense in the national legislation of the states. The aim is to harmonize legal concepts and definitions to facilitate international judicial cooperation and to enable effective prosecution of money laundering offences.**

2. Cooperation between public authorities, monetary authorities and the financial sector: This aspect is based on cooperation between the various entities involved, including financial institutions, government organizations and firms in industries with a high risk of money laundering. Here particular emphasis is placed on the need for taxable persons to declare suspicious, complex, unusual or high value transactions. These statements are based on deep knowledge of customers and their activities, so that money laundering activities can be more easily identified.

3. International cooperation: Money laundering is a global phenomenon, and therefore requires a global solution. Cooperation between states must be intensified through bilateral or multilateral conventions, to facilitate the exchange of information and collaboration in the investigation and prosecution of money laundering crimes at the international level.

These measures are essential for successfully combating economic and financial crime and preventing the negative effects it can have on national economies and global financial stability.

5. CONCLUSIONS

Economic and financial crime is a significant challenge for the global economy in general and developing countries in particular. The implications of this phenomenon are not only limited to economic aspects, but also have repercussions on social and security dimensions. With its considerable impact on global financial resources, this issue threatens global stability and security. Criminals are exploiting the advantages of economic and financial globalization, as well as advances in technology and communications, to hide the origin of funds obtained through illegal activities. They use a variety of techniques, such as fast money transfers between countries or manipulating social structures to mask the true holder of the funds.

The activities of powerful criminal organizations have serious consequences for society. Laundered money provides drug traffickers, organized crime groups, arms dealers and other criminals with the means to continue their activities and expand their businesses. Without effective countermeasures and prevention measures, money laundering can undermine the integrity of a country's financial institutions. The withdrawal of billions of dollars annually from legal economic activities represents a concrete threat to the financial health of countries and compromises the stability of global markets. Economic and financial crimes only exacerbate poverty, turning the economy into an increasingly vulnerable entity. Even if actions have already been taken to control this spread, given the dimensions of the phenomenon, the authorities still have a lot to do. It is essential to strengthen control systems and step up education and enforcement efforts so that results in the fight against money laundering and related crimes become tangible.

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