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Do You Need Financial Privacy?

Richard W. Rahn

If you haven't done anything wrong, and you are not a drug dealer, criminal, or terrorist, why should you care who sees your bank and credit card statements and tax returns? This is the argument that is given by those who argue for stripping away all financial privacy, and it sounds good until you begin to think about the consequences.

Some of those making the argument to get rid of financial privacy are not members of some radical fringe group, but are in fact members of the international establishment who have been part of efforts to create a United Nations international tax organization, or the Financial Action Task Force (FATF).

Proposals from these and other international organizations have called for full sharing of sensitive individual and business financial information among all governments of the world, and the end of financial privacy in any country. In addition, they have also called for "tax harmonization," where low-tax countries would be forced to raise their tax rates to levels close to that of the high-tax countries.

The arguments of these advocates are that, without eliminating financial privacy and low-tax regimes, money-launderers, drug-dealers, assorted criminals and terrorists will be able to hide their "dirty money."

The advocates of an end to financial privacy are right in that some bad people are now able to hide the fruits of their evil deeds. But if we look closely at the consequences of an end to financial privacy and tax competition, we find we will have a far less safe, prosperous, and free world.

Last week, the Task Force on Information Exchange and Financial Privacy issued its "Report on Financial Privacy, Law Enforcement and Terrorism." The Task Force was comprised of tax, legal, economic, and law-enforcement experts from many of the nation's leading public policy organizations. Former U.S. Sen. Mack Mattingly chaired the Task Force, and former Attorney General Ed Meese and vice-presidential candidate Jack Kemp were advisers.

The Task Force warned that, if financial privacy were eliminated, law-abiding citizens and businesses of any country would be in danger of having all of their financial information shared with corrupt and even terrorist regimes, subjecting them to extortion, blackmail, kidnapping, etc.

In addition, such information could be used for inappropriate commercial, political, civil, tax and other purposes. Most of the world's population still lives under regimes that do not fully respect fundamental rights and individual liberties, and therefore denial of financial privacy, coupled with information-sharing, would put everyone on the planet at considerable risk.

In addition, the Task Force found that **information sharing** would drive needed foreign capital out of the U.S. and result in sensitive business and personal financial information being shared with governments and parties hostile to U.S. security interests. Also, tax competition is needed to force reasonable fiscal discipline on governments and to prevent them from unduly burdening their citizens and stifling economic growth. Thus any restrictions on tax competition should be rejected. In addition, the Task Force recognized that one group of countries does not have the right to tell other sovereign countries what their financial confidentiality policies and tax rates should be.

The Task Force did support steps to make information-sharing more effective among democratic countries that fully respect individual rights and the rule of law. The present system of collecting large amounts of information on

mainly innocent individuals was determined to be unnecessarily intrusive and not cost-effective and should be replaced by a system that focuses on those about whom there is a reasonable suspicion of wrongdoing.

For instance, reports had been filed on the terrorist Mohamed Atta, but these were buried in millions of other reports on totally innocent people, and hence were not found until several months after September 11.

The history of the 20th century clearly shows most people are at as much risk from rogue governments as they are from individual criminals.

America's Founders recognized financial privacy as a fundamental human right which, in part, is protected under the Fourth Amendment of the U.S. Constitution. There is no more fundamental right than that of self-defense and, without financial privacy, anyone can become prey to assorted criminals, corrupt and despotic governments, and even rogue government employees in democratic countries.

Putting everyone at risk and denying fundamental liberties is too high a price to pay to catch a few more criminals or terrorists. As Benjamin Franklin warned us, "They that can give up essential liberty to obtain a little temporary safety deserve neither safety nor liberty."

Richard W. Rahn is a senior fellow of the Discovery Institute and a member of the Task Force on Information Exchange and Financial Privacy.