

The Washington Times

www.washtimes.com

Nightmare on FATF street

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Published 9/6/2002

Assume a friend came to you and said: "Do you know there is this international government organization that is trying to take away your right to protect yourself from criminals; is demanding that your lawyer, accountant, real estate agent, bank teller, jewelry store clerk and car salesman spy on you; and is going to take your personal financial records and give them to every government in the world including those of Iraq, Libya, Syria, Iran and Cuba?"

Your first reaction might well be that perhaps your friend was smoking the wrong thing and watching too much science fiction.

Unfortunately, there is indeed such an organization, and what your friend described is exactly where it is headed. The organization is the Financial Action Task Force. The FATF was originally set up by the Group of Seven (G7) leading industrial nations to make recommendations about how to reduce money laundering. It is staffed by unelected bureaucrats from 31 countries who, in their quest for power and influence, appear to have forgotten that individuals have civil liberties, including the right to privacy and self-protection. Recently, FATF produced a paper to update its "Forty Recommendations," which in effect are used by high tax countries and many large governments to deny civil liberties to their citizens and coerce, under the threat of sanctions, small countries into giving up some of their sovereign rights.

The core of the FATF proposals is to deny any individual or organization on the planet almost any financial privacy. In order to achieve this goal, the proposals demand almost unlimited information-sharing of financial data among governments.

But mere information-sharing among governments is not good enough for FATF because, in its view, many governments do not collect enough information about their citizens. For instance, countries that do not have income tax systems most often do not collect income data from their citizens, but now FATF wants such reporting. Because it is not politically correct to note that the governments in some countries are criminal or corrupt and even sponsor terrorism, FATF does not distinguish between which governments should and should not receive information, and what limitation should be put on the information usage.

The FATF demands that lawyers, accountants, real estate agents and those engaged in selling any expensive item such as jewelry and automobiles spy and report on their clients for "suspicious activities." In many countries like the United States, such activities by non-law enforcement personnel are considered (for good reasons) inappropriate and in many cases illegal or unconstitutional. The FATF seems unconcerned with such legal and civil niceties.

A concerned coalition of leading public policy organizations issued a "Report on Financial Privacy, Law Enforcement and Terrorism" in May. David Burton, executive director of the coalition, noted last week in his response to FATF proposals: "Financial privacy can prevent kidnapers from identifying profitable targets. Financial privacy can allow people to protect their life savings when a government confiscates its citizen's wealth, whether for political, ethnic or other reasons. Financial privacy can be the difference between a business failing or succeeding. Financial privacy, in short, is of deep and abiding importance to the improvement of the human condition because many, perhaps most, governments are capable of routinely abusing private financial information." The FATF seems oblivious to the costs of its proposals, particularly in relation to the presumed benefits. It confuses useless information collection with effectiveness. It has no established metrics for ranking one proposal against another. It seems both ignorant of the benefits of new technology and hostile to it.

For example, it wants to tightly restrict the use of private money electronic transfers including "smart" and mag stripe cards because someone might use them to launder money. What it misses is that a large percentage of all crimes, including thousands of murders each year, are committed when someone is trying to seize someone else's currency and coin. Electronic money is far harder to steal, and thus should be encouraged both for its economic efficiency and its safety.

The FATF proposals will result in millions of needless property crimes and tens of thousands of murders that could be avoided, all to make it a little more inconvenient for a few money launderers.

The folks at FATF are quite simply a danger to our liberties, pocketbooks and lives, yet they push on because of inadequate oversight. In the United States, the Treasury Department is supposed to oversee FATF, but it is clear that both the Clinton and Bush administrations' Treasury Departments have been AWOL when it comes to FATF. One gets the impression that certain Treasury officials may have put a higher premium on the junkets to Paris and Brussels with the fine wines and meals than protecting the American people from the international bureaucrats who dream up these dangerous ideas.

Fortunately, the administration's economic council and its director, Lawrence Lindsey, have been concerned and have taken an active role in stopping some of the more outrageous proposals coming from international and foreign organizations, which would violate our privacy rights and severely damage our economy.

Before joining the administration, Mr. Lindsey wrote, "There is no question the threats posed by international terrorists and drug cartels are serious threats to our national security and to our individual liberty. But it is also true that threats to our individual liberty by a potentially abusive government exist as well. As citizens, we must use what was recommended to us — eternal vigilance, over our government, not a one-time, fix-it solution — to make sure the right balance is being struck."

September 11, in part, happened because international law enforcement was collecting too much information on too many people who posed little risk, while too little attention was paid to the small number that posed a very high risk. The people at FATF appear to have learned nothing.

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