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## HOW MUCH INFORMATION SHOULD GOVERNMENTS SHARE?

Most people are in favor of governments sharing information about terrorists or suspected potential terrorists. On the other hand, many are concerned about governments sharing extensive private financial information on individuals for the sole purpose of obtaining more taxes.

The government of the Cayman Islands is always under some pressure from foreign governments and international institutions to share more information about the financial doings of people and companies with accounts in Cayman. To date, the Cayman government has been able to strike a reasonable balance between protecting the legitimate rights that people have to financial privacy, but at the same time making sure that Cayman does not become a haven for terrorists, money-launderers, and other assorted criminals.

The concept of absolute bank secrecy is long gone in all legitimate financial jurisdictions, including Switzerland and Cayman. What these jurisdictions do offer is a high degree of financial privacy to those who are not engaged in criminal or terrorist activities.

However, the struggle to keep reasonable financial privacy is a continuing one. Those who argue for stripping away all financial privacy argue that if you haven't done anything wrong, and are not a drug dealer, criminal, or terrorist, why should you care who sees your bank and credit card statements and tax returns. This argument sounds good until you begin to think about the consequences.

Many 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 are active with 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 those of the high-tax countries.

The arguments of these advocates are that, without eliminating financial privacy in 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 correct 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.

Back in 2002, the Task Force on Information Exchange and Financial Privacy in the United States 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 leading public policy organizations. Former U.S. Sen. Mack Mattingly chaired the Task Force, and former U.S. Attorney General Edwin Meese and U.S. 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.

The Task Force also 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. 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 argument is often made that one can "trust the government" to protect sensitive information about individuals and companies. However, the empirical evidence clearly shows that even the most honest governments have been incapable of protecting sensitive

information. For instance, in November 2007, the British Chancellor of the Exchequer admitted that two computer discs containing the personal details of 25 million British individuals, including bank account details, were missing. These discs had the kind of information that identity thieves could use to procure fake documents, commit fraud, and empty bank accounts. The U.S. government has an equally poor record of keeping personal information confidential. For example, in 2006, the data on 26.5 million people were stolen from an employee of the Department of Veterans Affairs.

The record of protecting personal and financial privacy for most governments is actually much worse than that of the U.K. and U.S. Other than the countries of Northern Europe, Switzerland, Australia, New Zealand, Canada, and a handful of others, corruption in government offices is commonplace, and the citizens can have little faith that sensitive information about them is being protected. The history of the 20th century clearly shows most people are at much greater risk from rogue governments than 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.

Cayman and other governments, with laws and procedures that protect reasonable financial privacy and limit information sharing among governments to specific cases of suspected wrongdoing, protect the liberties of not only their own citizens but others who may not enjoy such protections in their homelands.

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