

The Washington Times

www.washingtontimes.com

Vulture or Watchdog?

By Richard W. Rahn

Published August 31, 2010

Beware of bill providing cover for foreign kleptocrats

Have you noticed that many in the political class are absolutely shameless in trying to protect themselves and their colleagues from legitimate inquiry into their activities? For instance, Congress has passed a number of whistle-blower statutes, including the "financial-reform bill," to protect government and private-sector employees from retaliation when reporting the misdeeds of their superiors. Yet, the staff of members of Congress - precisely the people who are most likely to know about political corruption - enjoy no such protection.

Congress, under the guise of "campaign-finance reform," has repeatedly tried to find constitutional ways of limiting the free speech of real and potential opponents. What is even more remarkable, some members of Congress are not content with just trying to protect themselves, but have gone so far as to try to protect corrupt foreign leaders from those who may wish to expose their wrongdoing.

Exhibit A in this tawdry tale is a bill introduced by a notorious member of Congress, Rep. Maxine Waters, California Democrat, now up before her colleagues on ethics charges involving her successful attempt to get the taxpayers to bail out a bank where her husband sat on the board and where the Waterses had a substantial financial interest. This same Ms. Waters sponsored a bill, HR 2932, known as the "Stop Vulture Funds Act," which would basically prohibit investment funds that have acquired foreign debt that is now in default from seeking restitution from the defaulting and often highly corrupt governments.

These funds, which those who pander to the corrupt and irresponsible call "vulture funds," are actually the "good guys," because the investment fund managers have a very strong incentive to make sure that crooked government officials do not run off with their money, and thus they are willing to spend considerable time and money to provide the necessary evidence about ethically challenged government officials to the courts and news media.

Most of these fund managers do not undertake this activity for high-minded purposes, but to make a profit. As Adam Smith noted more than two centuries

ago, the butcher, the baker and the candlestick maker provide useful products for their fellow citizens primarily because they wish to make a profit - but in doing so, everyone benefits.

Why has Mrs. Waters introduced a bill to try to eliminate some of those who expose government corruption? In an excellent article in The Washington Post last week, Carol Leonnig explained how the corrupt president of the Republic of Congo, Denis Sassou-Nguesso, had funded a number of Washington lobbyists - to the tune of \$10 million - with the goal of shutting down the sovereign debt investment funds. These lobbyists, in many meetings with Ms. Waters' staff, convinced her to introduce the legislation, which they largely wrote. But there is more to the story.

Back in 2006, I wrote several articles for The Washington Times exposing the misdeeds of Mr. Sassou-Nguesso - including his misuse of Washington lobbyists. These articles described, as others are now doing, how Mr. Sassou-Nguesso left his people in poverty while enriching himself from the Republic of Congo's huge oil wealth. English courts had certified his corruption, in part based on the good legal and investigative work of one of the foreign government debt investment funds. As a result, Mr. Sassou-Nguesso finally settled most of his country's debts. Now he appears desirous of getting revenge by trying to get the U.S. Congress to prohibit funds that have invested in government debt from legitimately going after those who defrauded them and other investors.

In last week's column, I described an arms deal between the French and Saudi governments, whereby the French are alleged in documents that will be presented to the court to have overcharged grossly the Saudis in order for kickbacks to be given to officials in the government of former President Jacques Chirac and his political party. The only reason this multibillion-dollar scam came to light was because of a complaint and legal filing in Paris by an individual involved in the case who felt cheated out of his commission. This is another example of a private party pursuing his own self-interest but, in doing so, revealing a major crime involving government officials. In an interesting twist, Jean-Yves Ollivier, a crony of Mr. Chirac, set up the system of international accounts to hide funds for African dictators, as documented by Global Witness and court filings in Hong Kong and London. Mr. Ollivier received \$1 million dollars from the same Washington lobbying firm that received millions from Mr. Sassou-Nguesso and convinced Mrs. Waters to introduce "The Stop Vulture Act." Why, why, why?

Corruption in the issuance of government contracts is often brought to light by businesses that were deprived of the right to compete on a fair basis. Organizations representing taxpayers and public policy think tanks have identified many hundreds of billions of dollars of waste, fraud, abuse and unconstitutional federal spending, which, if corrected, would take away any

excuse by the political class about the "need" for tax increases. Rather than eliminate the unnecessary spending, some of the political class, directly or indirectly, threaten Internal Revenue Service audits or the tax-exempt status of these spending watchdogs.

Governments rarely adequately police themselves, and international organizations, such as the United Nations, International Monetary Fund, Organization for Economic Cooperation and Development, World Bank, etc., not only fail to police their member governments, but often end up sanctioning some of their members' worst practices. Thus, the news media, private companies, including investment funds, private individuals, and taxpayer and good-government organizations must not be quashed in their efforts to expose corrupt government officials. Fortunately, we can still vote out those in power who seek to restrict our ability to expose their wrongdoing.

Richard W. Rahn is a senior fellow at the Cato Institute and chairman of the Institute for Global Economic Growth.

<http://www.washingtontimes.com/news/2010/aug/30/vulture-or-watchdog/>

Copyright © 2010 News World Communications, Inc. All rights reserved.