Keep Your Eye on the U.N.’s Fat Kleptocats

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Al Capone has much to teach the would-be pursuers of today’s global kleptocrats. Big Al eluded capture for murder and mayhem so effectively that frustrated prosecutors came up with a novel way to jail him: for tax fraud after a lifestyle audit. How did a man without a bank account who never filed a tax return afford a $39,000 phone bill?

In government and business, lifestyle audits are central to detecting fraud. When an employee’s spending exceeds his income, basic math reveals illicit enrichment.

The modern world is awash in Capones, but the most brazen don’t run brothels, guns or moonshine. They run countries. Many even get generous financial support from American taxpayers. Far from turning a blind eye to this corruption, the wealthiest countries oversee a labyrinthine system of financial institutions that inadvertently enable international crime.

Corruption costs the world $2.6 trillion a year, according to one estimate [cited](https://www.oecd.org/cleangovbiz/49693613.pdf) by the Organization for Economic Cooperation and Development. This endemic problem cannot be lost on institutions like the World Bank and International Monetary Fund, yet they continue to hand billions of dollars to nations whose leaders are on the take. Why not put these jokers through an audit?

Brazil has so many crooks—convicted and alleged—that you need a scorecard: One ex-president, Lula da Silva, was convicted in July on corruption charges. His successor, Dilma Rousseff, was impeached last year and removed from office. Her successor, Michel Temer, was formally charged in June with taking bribes, though he denies the accusations. Eduardo Cunha, a former speaker of Brazil’s lower house of Congress, was convicted on corruption charges and sentenced in March to 15 years. The case was built around Mr. Cunha’s lifestyle. He earned $120,000 a year but reportedly [spent $40,000](https://www.theguardian.com/world/2016/apr/21/brazil-dilma-rousseff-impeachment-eduardo-cunha-investigation) during one nine-day vacation to Miami.

While Mr. Cunha and Mr. Silva were lining their pockets, the Inter-American Development Bank [lent Brazil](http://www.iadb.org/en/countries/brazil/brazil-and-the-idb%2C1002.html) at least $11 billion. Since 2000, the World Bank has poured [more than $30 billion](https://finances.worldbank.org/Loans-and-Credits/brazil/3v3f-qvcu) into the same rabbit hole. Transparency International [ranks Brazil](https://www.transparency.org/country/BRA) 79th out of 176 countries on corruption.

Then there’s Angola, which Transparency International [ranks 164th](https://www.transparency.org/country/AGO). The World Bank has granted the country [more than $1.7 billion](http://www.worldbank.org/en/country/angola/projects/all?qterm=loans%20to%20angola&lang_exact=English&x=0&y=0) since 2000, and the IMF [another $1.4 billion](https://www.imf.org/en/News/Articles/2015/09/28/04/53/socar112309b). Neither group seems interested in investigating how the daughter of President José Eduardo dos Santos, who has ruled Angola since 1979, became what Forbes calls “Africa’s richest woman” (net worth $3.5 billion). The daughter, Isabel dos Santos, has not been accused of corruption, but it can’t be bad for business that the country’s boss is her daddy. “There is no doubt that it was the father who generated such a fortune,” a former Angolan prime minister [told Forbes in 2013](https://www.forbes.com/sites/kerryadolan/2013/08/14/how-isabel-dos-santos-took-the-short-route-to-become-africas-richest-woman/#3525fb7a45f5). (Ms. dos Santos has denied suggestions in the media that she benefited from illegal wealth transfers or state financing.)

When Western institutions drop money into the capitals of developing countries, they think themselves do-gooders. Instead they’re tools in an unprincipled scheme. Here’s how the racket works: German plumbers and New York waitresses pay taxes. Their respective governments contribute some of that money to the IMF, the World Bank and an alphabet soup of other outfits. Those groups funnel money to nations with corrupt politicians.

Sure, there’s no way to track any specific dollar from the waitress’s wallet to the ruler’s pocket, but money is fungible. A dollar donated by the Group of Seven spends just the same as a dollar collected in Brasília or Luanda.

Every dollar sent to corrupt countries also liberates local taxes for other use—or misuse. Poor farmers don’t know or care whether their new road is built with capital from a state-owned monopoly or taxes withheld from waitresses in Manhattan. But corrupt politicians do care, deeply. Paying for local infrastructure with foreign money allows them to claim credit for good works and to liberate cash for their own use.

International institutions should stop funding countries with weak rule of law and endemic corruption. Perhaps the best practical approach would be to replicate what the feds did to Capone. The case against Big Al was the most famous lifestyle audit of all time. Investigators cataloged his spending on everything from jewels and custom shirts to cars and hotel suites.

Given the billions of dollars at stake, donor countries should require the IMF, World Bank and similar institutions to know their customers and conduct lifestyle audits of major politicos in recipient countries. Many companies offer databases, some with more than a million names, that track what the Financial Action Task Force defines as “politically exposed persons”—officials whose power presents a heightened risk of corruption. These lists include politicians, judges, generals and executives of state-owned companies, plus their friends and families.

Convincing the world’s financial cops to demand such strict standards will be difficult. Paul Wolfowitz made fighting corruption a priority during his brief tenure as the World Bank’s president from 2005-07, suspending loans to India and debt-relief talks with Congo. But the system, including donor countries, rebelled against Mr. Wolfowitz and went back to business as usual when he departed.

Perhaps average citizens can help shrink the problem of tracking corruption. Today it’s feasible, as never before, to mobilize the crowd to itemize what world leaders are spending. Next week the perfect opportunity will be at hand, as thousands descend on New York for the United Nations General Assembly.

The uninitiated might be forgiven for thinking the U.N. meeting’s purpose is conspicuous consumption, as visiting dignitaries are whisked from their official jets to Madison Avenue. So let’s keep track. Do you see a foreign leader going into Cartier or hopping into an idling Bentley ? Take a pic! We can turn the observable behavior of free-spending politicos into hard data.

Corruption in developing nations is not a victimless crime, and giving fungible money to shady governments makes American taxpayers into dupes. When foreign dignitaries take each other out to dinner in New York next week, their waitress should not be the sucker who picks up the tab.