

#1 Jack Blum: big picture

Jack: People always think, oh my god, this is all new and we haven't been here before. The fact of the matter is we were there. We were there big time, and it's just that you forgot.

Naomi: Jack Blum is one of the United States' leading white-collar crime lawyers. He's specialised in investigating money laundering, financial crime and international tax abuse.

Jack: And it was like, you're sitting in an easy chair looking down a manhole cover in an open sewer.

Naomi: As US Senate staff attorney, Jack was the power house behind some of the biggest corruption investigations of the last hundred years including the BCCI scandal, Panamanian dictator Noriega's cocaine trafficking and Lockheed Aircraft's overseas bribes. Jack's travelled the world holding to account notorious drug and gun runners, key informants, intelligence agents, politicians, lawyers, accountants and heads of multinational corporations alike. He served countless US administrations as presidents have risen and fallen. And he's advised governments on asset recovery and fighting corruption.

Over a week, Jack sat down with us to talk about his life's work. You're going to hear some incredible stories. And you'll hear his unique perspective on the fight against corruption, which remains the most compelling ethical challenge of our times.

I'm Naomi Fowler, and this is The Corruption Diaries from the Tax Justice Network.

Jack: when society is confronted with a murder and you've got a corpse with a knife sticking out of it or a bullet hole in the front of the forehead, you know you've got to do something.

Naomi: This is an obvious problem, and one that the police and other law enforcement agencies deal with all the time. In this example, the crime's pretty clear.

Jack: You move down the ladder to assault and crimes of violence and those are pretty much in the same category, although not with quite the same urgency. crimes against property that are violent or involve break ins. Again, you know, a little bit less, but still, you know, of interest to the law enforcement people.

If you now move it to the next level, you're talking about crimes of adhesion. And these are crimes where everybody in the transaction is happy with the outcome, except the society as a whole is the loser.

Naomi: Let's take drug trafficking as an example. The buyer wants drugs, and the seller's happy to provide.

Jack: It's one of the few products for sale that actually works as advertised.

Naomi: With drug trafficking, the impacts we can largely see, and understand. But what about the *systems* all corruption relies on? *Not* so visible...

Jack: The least reported and the least prosecuted are financial crimes. Because for the most part, they're the result of transactions which are adhesion. That is to say, both parties are happy. And, the victims turn out, even when they've been victimised for large sums of money, to be too embarrassed to really come forward. The investigation of the crimes is an incredibly difficult undertaking. And the criminal justice system tends not to be capable of understanding the crime, much less prosecuting it.

Naomi: It's *this* type of crime that has been the overriding focus of Jack's work.

Jack: The simple example would be, we're back in mediaeval London or somewhere out in the British countryside, somebody steals my cow. Everybody knows what a cow is, everybody knows whose is what, and everybody knows when the cow disappears and it turns up somewhere else that a crime's been committed.

You know, take that to a Bernie Madoff situation and people don't get it at all. I made a deposit with Bernie. Well, whose money was it? And you have an account and it says you have so much, but you don't. What happened to the money? These are questions juries really have a very difficult time with. And in Bernie's case it was simplified by the fact that he confessed. But time and again, these people don't confess and there's no result. So, we get a criminal justice system that just doesn't like to do this kind of work. It doesn't produce results.

Jack: I've been lucky in the course of the investigative work I've done to be able to focus on getting at what I would call the big picture. When law enforcement officials go after a big case, what they're always trying to do is pin down a specific count in a specific indictment of a given individual. The amount that's visible, particularly in the area of financial crime, is relatively limited. And what we know is it's always more

than what we see. We always know we're dealing with an iceberg when, when we look at a particular problem, no matter how colossal it happens to be.

Jack: I've always had the luxury of being able to sit with people who've been involved in the drug trade and say, now tell me, how did you get into the business? How does it work? Who do you have to deal with and who do you have to go to? And what did you do with the money you got? And where, where did you put the money and how did it work? And these are questions which if you're running a prosecution, you're less interested in. You want to be able to find the identifiable transaction that will prove the person's guilt beyond a reasonable doubt and simply get them off the street.

Naomi: With the advantage of institutional support, Jack's had unprecedented access to witnesses, and to people who've been brought to justice.

Jack: Once you've been incarcerated and people have forgotten about you, it turns out that you're terribly interested, if you're in for 20 years or whatever for doing whatever you did, having someone listen to your story, because for you this is an opportunity to let people know how you got where you are and who you are and gives you some relief from the boredom of just 20 years of incarceration. So what I was always able to do was ask these questions, particularly after people had been arrested, and busted, and convicted. And, I would always find myself surprised when people would say, nobody's ever asked me that before. But I found that the information that I got by asking questions that went far beyond individual transactions were far more interesting than the individual transactions. Knowing how the system works is more important if you're really thinking about reform than knowing about a specific transaction of one kind or another. And time and again asking about the system led to other discoveries, which I could then pursue, and give me a broad understanding of how things worked.

Naomi: And Jack's big picture approach brought him to the frontline of identifying and trying to change those systems.

Jack: People who've raised concerns about offshore and taxation and the ability of people to loot countries, and corruption, also should be deeply concerned about how this offshore kind of operation, which permits activity outside the reach of the law, affects the possibility of global capitalism actually working. There have been a series of financial frauds over the last 20 years, 30 years, 40 years, that have shown us how huge frauds can be, and the damage that they can create. And we keep getting bigger and bigger frauds that involve bigger and bigger institutions.

If capitalism in a global environment is to survive, it has to come up with ways of stopping the financial crime, and that involves ripping up the plumbing that enables it and figuring out how to make law enforcement across borders effective.

Naomi: All too often governments *think* they're acting to protect their national interests when it comes to regulating their finance sectors with a light touch. But those interests often align with criminals as it turns out, along with the wealthiest and most powerful, as well as with corporations, some of them bigger than nation states.

Jack: We're in a terrible tangle right now, and all of this is a direct result of the Treaty of Westphalia which ended the Thirty Years War, what was it, 1450 something? And an agreement, essentially, that everybody is responsible for his own citizens and his own border. But if you want to deal with the citizens of another one of the empires, you better deal with that government, not with the citizen directly. And we've made that all the worse by Woodrow Wilson and the idea that any group of ragtag whoevers who have a flag and a national anthem and we're trying to marry that to a global commercial system that requires complete freedom of movement of capital, freedom of movement of goods, floating and totally unstable currencies, and the two just don't marry up.

We're treating national boundaries as walls against police operation. Cops are permitted to go, one country to another only with the permission of the other state and only after all kinds of restraints are put on the cops. And how do you get evidence? How do you move it across borders?

Naomi: And how indeed do you stop one nation undermining the tax and financial transparency laws of another? Jack's always argued that in a vacuum when there's minimal enforcement and fear of punishment, people are more willing to commit crimes.

Jack: The Nazis invaded Denmark, and when they did, they arrested all the Danish police because they didn't trust the Danish police to cooperate with the Nazi government. There was an immediate crime wave in Denmark because there were enough people who believed that they could get away with it so that they'd go out and commit the crime. And the truth is, in any society, about half the society would never commit the crime because of the way they were brought up or their basic approach to life. About 40 percent of the society is prepared to commit the crime if they think they can get away with it. And basically, most police work focuses on the 10 percent remaining who are sociopaths, who are relatively easy to catch, and provide great fodder for what we call representative prosecution or prosecution which will scare the 40 percent into staying honest. No prosecution – guaranteed

crime wave. We've made prosecution of serious international crime so difficult, and this cross border problem so great, that people figure they can get away with it. And if you compound it with the size of the institutions, and the weight they have politically, and the argument they have that they're too important to be seriously penalized, we really have a problem.

Naomi: *This* problem has been what Jack has devoted his life to. In this series we follow Jack from the Second World War to the present day. It's a period of huge geopolitical change, of transformed global tax and financial systems. And Jack's been right at the coal face during many key events that have defined our world today.

We're going to start at the beginning, with Jack's childhood, where we see how his interest and his particular approach to investigation developed.

That's next time on the Corruption Diaries.

The Corruption Dairies is a production of The Tax Justice Network, made by me, Naomi Fowler and Jo Barratt. Interviews with Jack Blum were recorded over several days at Jack's home in Maryland by Zoe Sullivan.