

University Presentations by Raymond W. Baker on Financial Secrecy

based on his book

Invisible Trillions: How Financial Secrecy is Imperiling Capitalism and Democracy— And the Way to Renew Our Broken System

Raymond W. Baker welcomes the opportunity to speak with undergraduate and graduate students about financial secrecy, inequality, and democracy. He has spoken to students at Harvard, Yale, Wharton, Stanford, and many other schools around the world, both in person and virtually.

Format: Raymond can tailor the format of his presentation, such as an hour-long lecture, a 20- or 30-minute talk, or a Q&A directed by faculty members or students. Presentations can be in person or via Zoom. In-person talks can include a social gathering for more personal interactions.

Topics: The main theme of Raymond's talks is financial secrecy and how it harms the economy, democracy, and society. Raymond can adapt his presentation to a specific course curriculum. Sample topics include:

- **Business and Society:** Is capitalism today helping or hurting across a range of social issues including economic inequality, racial justice, gender balance, political grievances, and more?
- **Trade Legitimacy:** How much trade is conducted outside of legal frameworks? Is this an issue of concern and, if so, what can be done about it?
- **Money Laundering:** How much money is laundered, and by what means? Who is harmed by money laundering? Who is responsible, and what can be done about it?
- **Banking:** What bank business practices enable the financial secrecy system? What business-as-usual practices need to change to rein in the financial secrecy system?
- **Accounting and Auditing:** What accounting practices enable the financial secrecy system? What business-as-usual practices need to change to rein in the financial secrecy system?
- **Board Reform:** In order to address inequality and other societal issues, should the call for workers' representation on boards of directors be enacted into law, and should ESG reporting be required?

- **Financial Reporting:** In the interest of financial transparency, should corporations be required to file publicly available tax returns on every entity, and should corporation accounts and tax returns be reconciled?
- **Corporate Taxation:** To assure that companies pay their fair share, what is the appropriate level of corporate taxation and should there be a minimum level of taxation across the country and the world?
- **International Development:** Do economic development experts adequately consider the impact of the financial secrecy system and illicit financial flows on other countries? How would an understanding of the financial secrecy system change how international organizations operate in the developing world?

Courses: Raymond's presentations are most suitable for undergraduate and graduate courses in business, accounting, finance, international trade, and economic development.

Speaking Fees: Free with purchase of materials from Berrett-Koehler Publishers.

Contact: To schedule Raymond W. Baker for your class, please contact Jennifer Nordin at jnordin@rwbakergroup.com.

About the Author



Raymond W. Baker is a businessman, author, and internationally respected authority on corruption, money laundering, and foreign policy issues.

Raymond has conducted business around the world, buying and building companies, consulting on anticorruption strategies, and advising on economic matters at the highest levels of government. These experiences taught Raymond that standard business practices, both legal and illegal, funnel money out of poorer countries into richer countries.

Raymond received a MacArthur Foundation grant for his research as a guest scholar at the Brookings Institution. He interviewed hundreds of experts around the world on the relationships between bribery, commercial tax evasion, money laundering, and economic growth. This project culminated in his first book, *Capitalism's Achilles Heel: Dirty Money and How to Renew the Free-Market System*, cited by the Financial Times as one of the “best business books of 2005.” His second book, *Invisible Trillions: How Financial Secrecy Is Imperiling Capitalism and Democracy—and the Way to Renew Our Broken System*, was published in 2023.

Raymond co-founded Global Financial Integrity in Washington, DC, to focus on issues surrounding harmful economic practices. He also serves on the High Level Panel on Illicit Financial Flows from Africa.

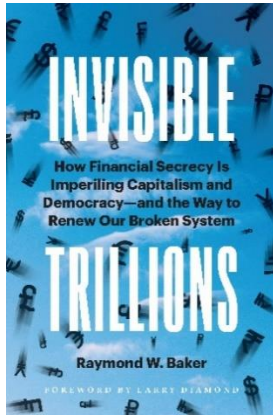
Raymond has testified before legislative committees in the United States, Canada, the United Kingdom, and the European Union. He has commented on global news outlets, including ABC's Nightline, Bloomberg TV, the CBS Evening News, CNN, NPR, PBS, BBC, and Al Jazeera.

Raymond is a graduate of Harvard Business School and Georgia Institute of Technology. He and his wife, Dr. Pauline Baker, live in Bethesda, Maryland.

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Synopsis of *Invisible Trillions*



Over the last half century, capitalism has created the means for trillions of dollars, euros, pounds, and other stores of wealth to move invisibly—beyond the control of central bankers, law enforcement agents, and international institutions. With an entire financial secrecy system now dominating capitalist operations, riches flow inexorably upward and accelerate economic inequality. And rising inequality is directly imperiling democracy.

This book is not a screed against capitalism—it is a call for capitalism to return to its roots, reenergizing its synergies with democracy.

Raymond W. Baker explains the tax havens, secrecy jurisdictions, disguised corporations, anonymous trusts, fake foundations, regulatory loopholes, money laundering techniques, and more that make up the financial secrecy system. But he goes beyond the “what” to the “why,” examining the motivations driving the system that generates and shelters trillions of dollars that could go toward spreading wealth, generating public goods, and protecting the environment.

Going deeper, Raymond illustrates how these realities further corrode the commonwealth, with chapters devoted to the facilitating activities and impacts of banks, corporations, enabling lawyers and accountants, governments, and international institutions.

Finally, he provides specific, pragmatic measures to reset capitalism so that it once again contributes to shared prosperity and sustained democracy. This is a magisterial treatment of an issue that is at the root of so many problems that plague our nation and the world today.

More information on the book, including reviews and endorsements, can be found on the [author's website](#).

Author Q&A: Raymond W. Baker

***Invisible Trillions: How Financial Secrecy Is Imperiling Capitalism and Democracy—and the Way to Renew Our Broken System* (Berrett-Koehler Publishers, 2023)**

1. What was your inspiration for your book?

After my first book, *Capitalism's Achilles Heel*, was published in 2005, I founded Global Financial Integrity, seeking to achieve greater propriety in global economic affairs. We, along with other organizations, have spent years pushing for integrity in international financial dealings, making inadequate progress. *Invisible Trillions* grew out of a desire to accelerate the pace of change. With my new book, I want to achieve greater transparency and accountability in capitalism's operations. This is absolutely necessary in order for capitalism to be an effective partner with democracy in spreading prosperity and securing freedom.

2. What are three things you hope that every lay reader learns from your book?

First, we in the richer western countries—not drug dealers, not traffickers, not terrorist financiers—have created every single element of the corrupt, illegal, and harmful system now handling so much of financial affairs. Second, this financial secrecy system now moves close to half of global financial transactions. And third, this system is responsible for rising economic inequality within almost all countries, as the rich find it easy to move, hide, and shelter ill-gotten gains.

3. How do you define the “financial secrecy system”?

The financial secrecy system comprises tax havens, secrecy jurisdictions, disguised corporations, anonymous trust accounts, and fake foundations. Then there are all sorts of money laundering techniques, hybrid entities that can pass as different forms of business in different places, and holes left in the laws of western countries which facilitate the movement of money through this financial secrecy system and ultimately into our own economies. The core of this financial secrecy system is falsified trade, meaning that invoice values do not correspond to real values. In global trade, invoice price and real value are entirely different concepts, done for the purpose of a) tax evasion and b) shifting money from soft currencies into hard currencies.

4. Who are the major instigators of financial secrecy?

Multinational corporations are the major users of the financial secrecy system. I have never known a multinational, multibillion dollar, multiproduct corporation that did not use the financial secrecy system to move and hide some of its money. This has become utterly normalized in international financial affairs. Banks bend over backwards to handle deposits and transactions that are obviously criminal or tax evading. When handling such

transactions, US banks are required to file a Suspicious Activities Report or a Currency Transaction Report. Can you imagine how many such reports are filed? On average, 80,000 a day! In other words, US banks will find some excuse to take in or handle just about every dollar no matter how dirty it looks, and then just file a report to FinCEN, the U.S. financial intelligence agency.

5. How does financial secrecy drive inequality?

When I graduated from Harvard Business School in 1960, the ratio between executive pay and workers' wages was about 20 to 1. Today, this ratio is more than 350 to one. The financial secrecy system is specifically designed to move money from poor to rich, as well as from corrupt to respectable and from criminal to legitimate. And it does so very effectively every single day.

6. How does financial secrecy undermine democracy?

Widening economic inequality undermines democracy. And widening economic inequality is a direct outcome of the financial secrecy system. We have reached a point where the richest 1 percent of the world have almost as much money as the remaining 99 percent of the world. The richest 10 percent have much more than the remaining 90 percent. The democratic-capitalist system simply cannot survive this level of inequality in a world moving toward 10 billion in population, most living in economic straits.

7. What do you say to people who may think that “democratic capitalism” is an oxymoron and that greed, corruption, and inequality are just features of capitalism itself?

The 15-year period after World War II marked, at least in the United States, the highest level of responsible capitalism ever achieved. Veterans retrained for new jobs, employment rose, investment soared, relations between labor and management were generally good, banks and corporations promoted balanced growth, consumption climbed. When you run it right, you can trust the free-market system to do a satisfactory job of spreading the benefits of growth and development. It's when you run it wrong that you get into trouble. And with the financial secrecy system in place, ill dealings within capitalism have become routine and accepted.

8. In the book, you explain that there is a whole network of tax havens, fake trusts, etc., and unethical enablers (lawyers, accountants, auditors, and bankers) that support the financial secrecy system. Who do you think are the most egregious actors among them all?

Corporations that purposefully misinvoice trade transactions to shift money are the biggest culprits. Banks that readily accept almost every dirty dollar possible are next. Lawyers willfully handle hundreds of millions in ill-gotten gains. But the smallest group, the

accountants, are the most conflicted of all, because accounting firms have a built-in conflict of interest. They can advise on dubious transactions and then audit and approve those same transactions. These two activities must be separated. This has happened to an extent in the U.S. and needs to be made a global norm. You can advise or you can approve, but you can't do both.

9. What else does the financial secrecy system enable besides massive tax abuse?

Many people think that tax evasion is the only problem and therefore the answer is to make corporations pay taxes. Tax evasion is the principal reason for use of the financial secrecy system in transactions between rich countries. But in transactions between poor and rich countries, tax evasion is of lesser importance, because by far the primary motivation in these transactions is converting soft currencies into hard currencies. Misprice the trade and shift the money into your hard currency accounts. Take Africa as an example. The best data available show that more money is transferred illegally out of Africa than the total amount of foreign aid and foreign investment going into Africa. In other words, Africa is a net creditor to the rest of the world. Instead of us supporting them, they are supporting us. The financial secrecy system facilitates massive transfers of wealth across borders, enriching the wealthier countries and impoverishing billions of other people around the world.

10. How does financial secrecy affect U.S. foreign policy and other global issues?

How do you promote democracy and at the same time welcome just about every dollar of dirty money that pours out of other countries, especially authoritarian regimes such as China and Russia? How do you do that? You can't. The conflict between our democratic values and our economic practices is stark. It is evident to every foreign government we encounter. If we want to sell democracy, we need to clean up its counterpart ideology, capitalism.

11. What are some pragmatic solutions to address financial secrecy?

The broad answer is to require greater transparency and accountability in economic affairs. For example, 1) get rid of disguised corporations, which exist in the tens of millions around the world, by requiring every corporation to reveal its real, human beneficial owners. 2) Require trade transactions to be properly priced in order to avoid cheating any country out of its fair share of revenues. 3) Require banks to make stronger efforts to determine if money is criminal or corrupt in origin or transmission. None of this is rocket science but instead a matter of political will. We have to decide we don't want the dirty money rather than giving mixed signals and turning a blind eye to it.

12. How do we curtail financial secrecy and at the same time save capitalism?

That's the wrong question. The right question is: can capitalism continue amid rampant financial secrecy? I've been looking at this phenomenon for a half century. I know of no way

that the capitalist system can survive while purposefully moving massive amounts of money from criminal to legitimate, corrupt to respectable, and poor to rich. My father was the most honest person I have ever known. I never saw him try to maximize his profits on a transaction. He always wanted to arrive at a fair price on his transactions—fair to him and fair to the other person. As a consequence, he was hugely respected in his community and everyone wanted to do business with him, knowing that he dealt honestly and fairly at every point. That mode of dealings, that reputation served his interests very well indeed. And that motivation for exemplary behavior is so often lacking today.

13. Do you think cryptocurrency should be regulated, and if so, how?

As to the question of regulation, let's draw a difference between digital currencies and cryptocurrencies. Just about every central bank around the world is looking into establishing digital currencies, fully backed by fiat currency and overseen by the regulators of the country. The picture gets murkier with some 10,000 varieties of cryptocurrencies, some of which take on attributes as securities. Those that cross the line into securities in my view should be regulated. Those that are pure speculation with no underlying reality, I'm not yet ready to say they should be regulated. This is an evolving picture, fraught with complexities.

14. What do you think about the Trump Organization being found guilty of tax fraud schemes? Also, a recent congressional report revealed that the Trump presidency was marked by some of the same questionable tax maneuvers that had characterized his business career.

Tax evasion has become sport in America. The fact that the Trump Organization indulged in tax evading practices should come as no surprise to anyone. Having said this, the trial did not nail Trump himself for approving the schemes. Therefore, I doubt that this particular example of malfeasance will affect his base. All over the world I have seen government officials steal money but remain heroes to their tribe or caste or social group. The view so often is, "He may be a crook, but he's our man." For Trump, the charge of tax evasion will not affect his stature among his diehard supporters.

15. Are there any other stories of financial secrecy that you think the media may be missing and should know about?

Let me provide an example of the type of media stories that have no impact on an issue. For a half century I've read stories about the drug trade—drug dealers and cartels and smuggling tunnels and bales of marijuana and stacks of cash. And, despite this half century of media attention, the Drug Enforcement Agency has never curtailed the supply or increased the price of drugs coming into the United States. Minor blips along the way but nothing sustained or substantial. How is this possible—a half century of media attention and zero impact on the problem? The answer is that the media never take their stories to the bottom line—the fact that we in the United States provide the financial secrecy

arrangements that facilitate the drug trade operations. The story is always about “those terrible people over there” and very, very seldom about “us facilitators over here.” Media attention is almost always focused only on the story and not on the explanation behind the story. In other words, they don’t follow the money. In so many cases of criminal and corrupt activity, we are dealing with *our* failings, not *their* failings. This is precisely why I have written *Invisible Trillions*, to shine a bright light on us.