Funding the Future

You couldn't make it up......

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Days after John Christensen raised searching questions of Transparency International's Corruption Perception Index (CPI) because it fails to deal with the high level supply of systems to facilitate offshore corruption and on and offshore tax abuse comes the news that the CPI is to be sponsored by Ernst & Young.

As John said in his paper:

'*The elephant in the living room of the corruption debate is the role played by the global infrastructure of banks, legal and accounting businesses, tax havens and related financial intermediaries in providing an offshore interface between the illicit and licit economies.*'

And as the *US Senate said in its report on offshore tax abuse published on 1 August 2006:*

A sophisticated offshore industry, composed of a cadre of international professionals including tax attorneys, accountants, bankers, brokers, corporate service providers, and trust administrators, aggressively promotes offshore jurisdictions to U.S. citizens as a means to avoid taxes and creditors in their home jurisdictions. These professionals, many of whom are located or do business in the United States, advise and assist U.S. citizens on opening offshore accounts, establishing sham trusts and shell corporations, hiding assets offshore, and making secret use of their offshore assets here at home.

Let me be explicit: Ernst & Young are a part of this infrastructure. They operate in numerous tax havens where even if all the business they undertake is 100% legitimate (and I have no reason to suggest otherwise) they afford credibility to that cadre to which the US Senate referred. That is, in itself, enough to include them on the charge sheet.

And let's also be clear. Ernst & Young are not as pure as the driven snow. The US Senate Permanent Subcommittee on Investigations stated in a report in 2005 that Ernst & Young "*engaged in aggressive effort to develop and market generic tax products to* *multiple clients*" and just one of the schemes may have netted the firm $27.8 million in fees (p. 87). An internal e-mail of the firm noted "*we have great inventory of ideas. Let's keep up the R&D to stay ahead of legislation and IRS movements*" (p. 83).

I think that pretty succinctly demonstrates why we are concerned.