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Profiles in Public Integrity: Jack Blum

Jack Blum is a Washington lawyer who is an expert on white-collar financial crime and international tax evasion. He spent fourteen years as a staff attorney with the Senate Antitrust Subcommittee and the Senate Foreign Relations Committee.

Blum played a central role in the Lockheed Aircraft bribery investigation of the 1970's – which led to the passage of the Foreign Corrupt Practices Act – and in the investigation of the Bank of Credit and Commerce International (BCCI). Blum has been a consultant to the United Nations Centre on Transnational Corporations, the United Nations Office of Drug Control and Crime Prevention, and served as the chair of the experts group on international asset recovery, which was convened by the United Nations Centre for Drug Control and Crime Prevention.

Blum often testifies about money laundering and tax evasion before U.S. congressional committees. Currently, he serves as ADA Counsel and is Chair of Tax Justice Network USA, and the Violence Policy Center.



You've spent much of your career working against corruption, including work that paved the way for the Foreign Corrupt Practices Act, the United Nations Convention Against Corruption, and money laundering laws that were part of the Patriot Act. How significant have these tools turned out to be in the global fight against corruption?

When I started working on corruption issues in the late 1960s, corrupt behavior in dealings with the developing world was the international norm. Businesspeople routinely paid bribes to get business. The major international development agencies and the international financial institutions refused to acknowledge the existence of corruption as a problem. The Foreign Corrupt Practices Act, the various conventions against corruption, and the international work combatting money laundering changed the norms. Now the world is on notice that corruption is illegal and unacceptable behavior everywhere.

What do you think is the biggest public integrity problem currently facing the United States, and what can be done about it?

Without question the flood of money into politics is America's most serious corruption problem. The big donors are picking the candidates, setting the political agenda, and in many cases warping foreign policy. Solving the problem is a nightmare. I worked on campaign finance reform in the 1960s and quickly realized that Congress's first objective in any "reform" legislation was protecting incumbency. Over the years I have come to the conclusion that the size of the House of

Representatives should be doubled – making television advertising inefficient and putting more of a premium on retail politics. I have also urged a reconsideration of the direct election of Senators. Perhaps they might then spend less time fundraising and more time legislating. I might add that using criminal law in political cases is difficult if not impossible because of the Constitutional issues the cases raise.

You’ve worked on financial transparency for a long time, but the issue has only recently gained media attention in the media, with regard to limited cases like the deluge of foreign money into oversaturated real estate markets like London and New York. What under-the-radar issues should we be more concerned about, given the lack of transparency in financial transactions and in the formation of corporate entities in the U.S.?

The idea that a shell company—wherever incorporated, and whether or not it has substance—is legitimate is a relatively new proposition that has grown out of the tax code and the architecture of international tax treaties. My view is that no corporation should be recognized for any purpose if it lacks identifiable shareholders, is not required to maintain books and records, and has no real business activity other than shielding financial transactions from the reach of law. I am outraged by the existence of an “asset protection section” of the American Bar Association. As lawyers we are officers of the court and have the obligation to show clients how to comply with the law. The asset protection bar works to keep money and financial assets beyond the reach of the courts and the law. The shell corporation is their most important tool.

You’ve approached the fight against corruption from varied angles including U.S. Senate committees, the UN, and global nonprofits and expert working groups. How important is it for these disparate groups to work together in anti-corruption efforts? Where do you think the most valuable public integrity work is being done, and where do you see room for improvement?

Working for the UN in 2001, I chaired a group of experts on asset recovery. We assembled prosecutors, examining magistrates, and criminal lawyers to discuss the problems involved in recovering assets looted by high government officials and hidden “offshore.” We invited high-level UN officials working on international agreements to participate in the discussions. It quickly became obvious that the people charged with negotiating agreements had never tried criminal cases and never tried to recover assets. They did not know the practical problems prosecutors and civil litigators faced in global corruption cases. They were focused on reaching agreement rather than solving very real practical and technical problems. It was obvious that we needed NGOs to pressure the governments to come up with real solutions, and technical experts to talk to each other. The most important recent development is the emergence of a global alliance of NGOs who are pressing the politicians and governments to act.

Solutions to the corruption problem are essential if global problems of all kinds are to be addressed. Foreign assistance is worthless if the money is stolen. Kleptocrats cling to power using thuggery and human rights violations to protect their wealth. Russia, Ukraine, Syria, and Iraq are examples of how corruption has become a national security issue. Natural resource wealth does little to help a country if its leader has been bribed to set up a sweetheart deal with a mining company.

Of all the work that you did, what do you think has made the most lasting difference?

The report on money laundering I co-authored for the UN and the follow-up response were most likely the most important thing I have done. The report focused on the problems of the offshore world and how nations were selling their sovereignty, thereby enabling individuals and corporations to defeat the laws of their home countries.

The CAPI community includes a wide-ranging group of public integrity professionals, from practitioners to academics to policymakers. What advice can you offer based on what you've learned that can help our community focus their anti-corruption efforts more effectively?

Corruption is in the end a problem of criminal law. Any thinking prosecutor will tell you that he or she is in the deterrence business. They present cases as examples to deter bad behavior. They go after stolen assets to show that crime does not pay. So far these basics of criminal law do not work at the global level. Few if any corrupt heads of state have been prosecuted. Very little stolen money has been recovered. To change this, the legal community needs to put far more effort into the very complex problems of making criminal law work in a multi-jurisdictional environment.

Criminal law is by its nature local. The problems of financial crime and corruption almost always have a global component. The fastest growing transnational crimes are financial and corruption-related. The solutions advanced thus far involve getting one country's prosecutors to cooperate with another's investigation. As an example, mutual legal assistance treaties that barely work in the real world are touted as signs of progress. The legal community must take on the problems of multi-jurisdictional crime and the issue of national sovereignty that has so far blocked serious international action.