Editors’ Introduction

William Minter and Tim Scarnecchia

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When presidential candidate Mitt Romney released his 2011 tax return in September 2012, Huffington Post journalist Zach Carter calculated that 267 of the 379 pages of the return were devoted to investments in foreign companies and partnerships. Of the 34 offshore companies involved, 30 were located in countries considered to be offshore tax havens by the U.S. Government Accountability Office.

But Romney is far from an exception among the rich in the United States and around the world. According to a Tax Justice Network report released in July, the global super-rich hold at least $21 trillion in offshore accounts protected by secrecy, both in well-known tax havens such as the Cayman Islands and in a shadow financial system involving the world's largest banks and related financial industry institutions. That minimum estimate is equivalent to the size of the U.S. and Japanese economies combined.

In their 2011 pathbreaking book, Africa’s Odious Debts: How Foreign Loans and Capital Flight Bled a Continent, Léonce Ndikumana and James Boyce demonstrate the systematic draining from Africa of resources by this global system, in which rich individuals and large companies hide income and assets from public scrutiny and from taxation by transferring them across borders. Africa's situation is aggravated by its vulnerability in the world economy, by the weaknesses of African states, and by the misguided assumption that this pattern stems only from the personal corruption of African leaders. In fact, despite the many differences between the rich countries of the West and developing countries in Africa, the same structural realities and the same institutions are implicated in the "fiscal crises" of Europe and North America and in the failure of African states to capture and channel sufficient resources to development.

We asked Ndikumana and Boyce to put together this special issue of ACAS Bulletin, titled "Africa's Capital Losses: What Can Be Done?" The goal of this Bulletin is to provide a better understanding of the ways capital is lost and the measures that can be taken in Africa and in rich countries to stem this hemorrhaging of resources.

The issue of illicit financial flows is moving higher on the agenda of Western countries and the international community more generally. Notably, mechanisms that have been developed for tracking flows associated with drug smuggling or support for terrorism turn out to be precisely the same mechanisms needed to track resources sent across national borders to evade the tax authorities of both rich and poor countries. This is creating new opportunities to address illicit financial flows of all kinds.

The contributors to this issue are among the leading authorities in the field. They have been asked to cover specific aspects of the topic in accessible language and to suggest further resources for those seeking to explore the topics in more depth. We are delighted with the result, and we hope this issue will be widely used to draw greater attention to the topic of illicit financial flows, which is of fundamental importance for Africa and for countries around the world. The capacity of the 1% to evade their responsibilities and undermine the public good depends on a deeply entrenched network of financial secrecy that spans national boundaries. Exposing this web of institutions to public view and recapturing public resources for public goods requires joint action by scholars, policymakers, and activists that also crosses national and institutional boundaries.