

Tech for Transparency™ Initiative

In Pursuit of the Hidden Economy

Center of Excellence on Human-centered Global Economy
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An Invitation

As the confluence of conflict, corruption, and climate catastrophe threatens our common future, the power of data science and digital technology must be harnessed to find the path to equity and sustainability.

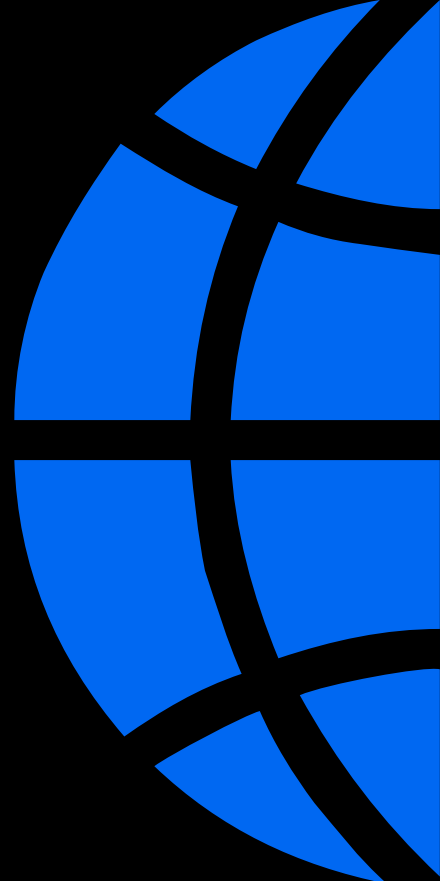
The assets that reside in the hidden economy—up to US\$ 50 trillion of wealth—have been beyond reach, the evasion facilitated by a skein of legal and illicit schemes, aided and abetted by the opaque web of the Internet and its fully anonymous counterpart, the parallel web termed “Darknet.”

In Pursuit of the Hidden Economy is the outcome of an extraordinary working group, bringing together veterans of the anticorruption and transparency movements with seasoned data scientists and gurus of distributed ledgers and other digital solutions.

In this paper, Tech for Transparency™ explores what more can be done, and needs to be done, to harvest the vast amounts of tax—nearly half a trillion US dollars every year—that some multinational corporations, billionaires, and global criminals avoid paying by shifting their taxable profits into the hidden economy. And we recommend that nations earmark these harvested taxes for funding climate resilience initiatives and the full slate of the 17 United Nations Sustainable Development Goals (UN SDGs) that comprise the UN Agenda 2030.

We invite the digital science and anticorruption communities—along with other interested stakeholders—to collaborate with us on solutions that will enable coordinated international approaches to policy that will:

- *Implement blockchain in every port and logistics transit point to ensure accuracy and integrity of global trade data.*
- *Harness the latest data science to strengthen and enhance national security.*
- *Pursue transparency while safeguarding privacy.*
- *Assure the quality of data in legal-entity and beneficial ownership registries from the point of input to the end of the data journey.*
- *Address economic barriers to data access faced by the public and investigative journalists pursuing transparency and accountability.*
- *Promote sharing and syncing of data across public and private platforms.*





Executive Summary

Fifty trillion US dollars—that's the latest scholarly estimate of the hidden wealth in the world today. This staggering sum is concealed from law enforcement, regulators, and tax authorities by some of the world's wealthiest individuals and most powerful corporations, as well as by global criminals. Corruption in its many forms siphons off public funds—which could otherwise be deployed for the benefit of humanity—for personal gain. The result is a massive liability for humanity.

Tax abuse is one component of this puzzle. Nearly half a trillion US dollars (US\$ 483 billion) in tax revenues are lost each year to tax abuse (avoidance and evasion) by ultra-wealthy individuals and large multinational entities that engage in “profit shifting”—using legal or illegal “tax minimization” strategies to move their income and profits into the hidden economy. This erodes entire nations' tax bases right under their noses.

Latest estimates—based on new country-by-country reporting data collected by the Organisation for Economic Cooperation and Development (OECD)—peg the cost of individual tax abuse at US\$ 171 billion a year, and corporate tax abuse at US\$ 312 billion a year ... but the total amount of tax lost annually to corporate tax abuse swells to more than US\$ 1 trillion after factoring in the knock-on revenue losses that result when nations respond to tax abuse by reducing their corporate tax rates in the mistaken expectation that doing so will reverse capital flight and attract corporate investment back into the country.

The tax avoiders (legal loophole creators and exploiters) and evaders (outright criminals) have a massive advantage. Highly motivated and consistently able to outspend government regulators, these perpetrators of global tax abuse operate in darkness—the impenetrable opacity of mind-bogglingly complex legal structures—and have first-mover's advantage (nations chase them after the fact). They exert powerful influence to create loopholes and secrecy havens and, where they can, engage in outright state capture.

Beneficial ownership transparency (BOT) is the sunlight that the global transparency and anticorruption movement brings to the darkness of crime, tax abuse, regulatory arbitrage, and outright regulation-dodging.

BOT enables nations to follow the money—opaque and illicit financial flows—to identify the secretive individuals who ultimately benefit from those transactions (beneficial owners). BOT has the potential to dramatically increase the quality of governmental anti-money laundering (AML) and countering the financing of terrorism (CFT) activities. With state-of-the-art BOT technology tools, public officials will be better able to identify and tax those shifted profits and the income earned on hidden wealth. This will place authorities in a position to require owners of that wealth to comply with environmental, labor, and public health regulations, and to impose criminal penalties where appropriate.

There is a fierce urgency to transparency and anticorruption efforts today, as the global community faces an existential crisis. Irreversible environmental damage and an increasing wealth gap threaten not only the structure of our civilization, but also our very existence. Simply put, if we are to survive as a species, we must recover those trillions in escaped tax revenues and illicitly obtained wealth—and reallocate them to address the most pressing global needs. We must invest those funds in a manner that is inclusive, equitable, and sustainable.

Tech for Transparency™ aims to upgrade BOT and enable nations to recover up to half a trillion US dollars each year by marrying the world's most effective transparency and anticorruption activism with its most transformative digital science.

This is the goal of the financial transparency movement, and it is no pipe dream. In this Tech for Transparency™ collaboration of data science and activism, we aim to create and deploy trailblazing open-source digital infrastructure that will actualize the full global potential of financial transparency.



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