



Illuminating Dark Corners

THIS ISSUE OF *Finance & Development* reminds me of a Sufi parable. A woman sees a mystic searching for something outside his door. “What have you lost?” she asks. “My key,” he responds. So they both kneel down to look for it. “Where exactly did you drop it?” she asks. “In my house,” he replies. “Then why are you looking here?” “Because there is more light.”

The lesson: we all search for answers where it is easiest to look.

That is why we decided to shine a spotlight on the dark web of secret transactions that enable tax evasion and avoidance, money laundering, illicit financial flows, and corruption.

Consider these estimates: bribes to the tune of \$1.5–\$2 trillion change hands every year. Tax evasion costs governments more than \$3 trillion a year, and countless more is lost through other illicit activities. This is money that could go for health care, education, and infrastructure for millions worldwide. But the cost to society is far greater: corruption distorts incentives and undermines public trust in institutions. It is the root of many economic injustices young men and women suffer every day.

The best disinfectant is sunlight. Paolo Mauro and others explore how countries can put in place accountable institutions, improve government budget transparency, and exchange financial information across borders. Jay Purcell and Ivana Rossi propose ways to resolve the tension between the need for transparency and the right to privacy. And Aditi Kumar and Eric Rosenbach argue for closer cooperation among law enforcement, financial institutions, and regulators.

These hidden transactions are not one nation’s problem nor within one nation’s power to resolve. Tackling the problem requires strong domestic policies and cross-border collaboration. The payoff will be myriad other political, economic, and social benefits, not least reducing inequality.

All the more reason to shed light on the dark corners of the world economy. **FD**

GITA BHATT, editor-in-chief



ON THE COVER

Vast sums are diverted to tax shelters, corrupt officials, and criminal enterprises, but we have only a vague notion of how this plays out. September’s cover features illustrator John Cuneo’s take on the funneling of money to the global economy’s hidden corners.

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