

The Politics Classroom

Host: Professor Floros

Episode 2023.15: An American in Lagos

Guest: Raymond Baker, founder of Global Financial Integrity

[00:00:00] **Professor Floros:** I have several maps in my office, with pins marking everywhere I've been in the U. S. and around the world. I also place pins in cities where my former students have worked overseas. Because students aren't great about keeping in detailed contact with their former professors, I should probably have more pins on my map than I do.

It's also rare to hear about the work students did while abroad. Therefore, I was especially excited about the opportunity to speak with Raymond Baker, a businessman who spent his career in international business and his quote unquote retirement, working to prevent the massive outflow of wealth from developing to developed countries.

It was an amazing conversation, and I can't wait to share it with you. So, let's get started in The Politics Classroom, recorded on October 2, 2023.

Intro Music: Three Goddesses by Third Age

Welcome to The Politics Classroom, a podcast of UIC Radio. I'm Professor Kate Floros, a Clinical Associate Professor of Political Science at the University of Illinois, Chicago. Today in the Classroom, I'm joined by Raymond Baker, an authority on financial crime. Raymond received his bachelor's degree from the Georgia Institute of Technology in Industrial Management, and an MBA from Harvard Business School.

Raymond taught at the University of New Hampshire for a year, before traveling to Nigeria, where he spent 15 years running various businesses. After returning to the US, he continued working in international business and eventually became a trade and finance consultant to governments in developing countries.

After he retired, Raymond founded Global Financial Integrity, a think tank in Washington, D. C., focused on illicit financial flows, corruption, illicit trade, and money laundering. He is the author of two books, *Capitalism's Achilles Heel: Dirty Money and How to Renew the Free Market System*, published in 2005, and his 2023 book, *Invisible Trillions: How Financial Secrecy is Imperiling Capitalism and Democracy and the Way to Renew Our Broken System*.

Raymond Baker, welcome to The Politics Classroom.

[00:02:56] **Raymond Baker:** My pleasure to be here with you.

[00:02:59] **Professor Floros:** So, um, you got an MBA from Harvard, and then you became a professor for a year at the University of New Hampshire, but it was only for a year. So, what was it about academia that made it, you know that it was not the career for you?

[00:03:18] **Raymond Baker:** I didn't anticipate that it would be a career when I first took, uh, the position, uh, I was a teacher, not a professor.

[00:03:26] **Professor Floros:** Oh.

[00:03:27] **Raymond Baker:** I was a, I was a lecturer, and the only reason, uh, is because the professor, uh, who taught, uh, required course for business administration students died two months before the semester started.

[00:03:42] **Professor Floros:** Oh, no.

[00:03:42] **Raymond Baker:** And the University of New Hampshire was desperate to find somebody to teach this course. So I, I, I took it on, and I thoroughly enjoyed it. It was, uh, it was good fun. I was asked to stay on, um, but I had made up my mind that I, I wanted to get a taste of international business. I wasn't making any long-term commitment to that idea, but just wanted to get a taste of it, and sent out my resume to a bunch of companies, uh, to see if I could find a job.

[00:04:13] **Professor Floros:** Okay, before we leave academia, your wife, Pauline, got a PhD in political science, so, the very important question is, political scientists are the best, right?

[00:04:26] **Raymond Baker:** Um, yeah, I would agree with you, uh, and she was brilliant in her work and has influenced me a lot in her thinking.

[00:04:38] **Professor Floros:** Why international business and not business in the United States?

[00:04:43] **Raymond Baker:** Well, I guess I had a, I had a friend who went to Indonesia, and he was talking about how much he was enjoying that and what an edifying experience it was for him. I was never one to go to work for a major corporation and spend a lifetime working my way up the ranks. My father was an entrepreneur, later became a banker, but I, um, I wasn't going to go work in your normal training program and gravitate myself up through the ranks.

So going abroad opened up opportunities to, uh, step off the plane and run the business. And that's what I decided, uh, I would do.

[00:05:27] **Professor Floros:** Okay. So, you said you sent out your resume, and you got a couple nibbles. Uh, and you ended up in Nigeria. Can you talk about how that happened?

[00:05:36] **Raymond Baker:** Well, I ended up with job offers to go to Iran and Nigeria and Brazil.

I chose Nigeria because it was an English-speaking country. It was newly independent, having become independent just in 1960, and I could immediately manage the company that I was going there to manage. I didn't have to go through some big corporation training

program or something like that. So, this looked like a pretty interesting opportunity, and I went there.

[00:06:06] **Professor Floros:** Okay, and this was 1961?

[00:06:08] **Raymond Baker:** Yes.

[00:06:09] **Professor Floros:** Okay, okay, and so did you run the company right from when you hit the ground?

[00:06:15] **Raymond Baker:** Yeah, I did. The company was a bakery, as it happens.

[00:06:21] **Professor Floros:** Really?

[00:06:21] **Raymond Baker:** Uh, yes. It was owned by the foreign minister of the country.

[00:06:25] **Professor Floros:** Okay.

[00:06:26] **Raymond Baker:** It wasn't in particularly good shape. I took it on, uh, on behalf of my employer, which at that time was a New York company, um, and I improved the business and, uh, made it better. The interesting thing was we had customers all over Lagos. Uh, we had 200 customers that we delivered bread to, uh, every day. And I would go out on the distribution truck, uh, frequently and meet with these people. And I learned about marketing in Nigeria.

I learned that it's a very, we're not talking about big stores, we're talking about little roadside stands. Um, I learned about marketing in Nigeria and I, uh, met a lot of market women, uh, who were, um, the, the major force in marketing. So, within that two years that I was doing that, I was able to write an article entitled "Marketing in Nigeria," um, in which I indicated that I had, uh, understood something about how you, uh, how you do business in Nigeria.

[00:07:33] **Professor Floros:** And it got wide acclaim.

[00:07:36] **Raymond Baker:** No, it was one of these little academic, uh, publications.

[00:07:39] **Professor Floros:** Still, that's impressive. Okay, so after two years, you struck out on your own.

[00:07:44] **Raymond Baker:** Yes.

[00:07:45] **Professor Floros:** What, what led to that decision?

[00:07:47] **Raymond Baker:** Well, I came back to the States, um, got engaged to my, uh, uh, wife. I decided that I was going to set up on my own in Nigeria and see if I could make it.

I incorporated the company at 40 Wall Street, New York, which is one of Donald Trump's current investments.

[00:08:06] **Professor Floros:** Really?

[00:08:06] **Raymond Baker:** It was not at that time. But I established my business through my lawyer's office at 40 Wall Street, went back to Nigeria and I registered my business and rented an office and went back home and got married.

[00:08:24] **Professor Floros:** Okay. And so, when you and your wife now came back to Nigeria, what kind of business opportunities were you looking for?

[00:08:34] **Raymond Baker:** Anything that I could survive doing. Uh, I set myself up as a consultant with my Harvard business school education. I billed myself as able to do market research and, uh, financial projections and economic analyses and, uh, so forth.

And I was appealing primarily to foreign companies that were looking to come and establish in Nigeria. And I got a few little, uh, pieces of work, um, but nothing very substantial. This barely put bread on the table for the first, uh, first year, but at least we survived, uh, the first year that we were there.

[00:09:20] **Professor Floros:** Alright, so, so, uh, tell me about your big break.

[00:09:24] **Raymond Baker:** Well, the big break was also the big problem. And, um, after I'd been there for a year and a half or so, the manager of Bank of America in Nigeria called me in and said, uh, "One of our customers, um, owns a trucking company, and we've loaned, uh, his company a lot of money, and it's, um, it's going out of business, and I wonder if you might be interested in trying to see if you can salvage this, uh, this business."

So, I looked into it. I, I realized that, uh, most of the trucks that this trucking company supposedly operated had been repossessed by the truck dealers because the company wasn't paying the, uh, what we call higher purchase charges, which is lease purchase arrangements. And, um, I interviewed some of the drivers and they look perfectly terrible.

But, you know, I needed to get my teeth into something. So, uh, after looking into this, I said, "Okay, I'll take it on, on a management contract."

[00:10:48] **Professor Floros:** Okay. And so how did that work out for you?

[00:10:52] **Raymond Baker:** Well, uh, I quickly realized, uh, as I took this business on, that when you load up a truck with cargo in Lagos to send it to the north, which is where we, uh, we shipped to northern Nigeria, once you've loaded the truck and it departs, you have absolutely no control over what that driver does.

The driver can go off on his own and pick up somebody else's cargo as well as yours. The driver can, um, uh, overload his trucks and take somebody else's cargo along with him. The driver can sell off his tarpaulins and his tires and so forth. And the driver can come back with

all sorts of fake receipts claiming that he had to do this kind of repair and that kind of repair and so forth.

You had absolutely no control over the truck once it was out of your sight.

[00:11:51] **Professor Floros:** Okay, so I, I, I, we're gonna talk about how you turned this around, but I wanna talk about the incentives for the drivers to be less than scrupulous. Were they not paid very much? Was there a culture of corruption in the industry? What made it so that drivers would take on more cargo or play fast and loose with, with a company property.

[00:12:19] **Raymond Baker:** All of that. Uh, they weren't paid well. The tradition in the trucking company was just as you described. All the trucking companies in Nigeria, uh, were getting robbed up one side and down the other. Nobody was, uh, uh, uh, profiting very much, uh, by trying to run, uh, trucking companies. I was trying to run it like other people did, and it wasn't working.

[00:12:44] **Professor Floros:** Okay, so what did you do?

[00:12:46] **Raymond Baker:** Well, after a couple of years of this.

[00:12:49] **Professor Floros:** Oh wow, that long?

[00:12:50] **Raymond Baker:** That long. I finally called together four of the better drivers that we employed, and I said, "Hey guys, this is not working. You know, we got to do something."

I had, in the meantime, exchanged my unpaid management fees for a share of interest in the trucking company, so I was an owner of the business and said, "You know, this is not, what are we going to do? How are we going to straighten this thing out?" And we talked about this over a month and finally came up with the idea of creating a truck manager's contract.

That is to say, the driver is responsible for his truck and in return for absolutely honest performance, no overloading, no short hauling, no selling off parts of the truck, um, no coming back with, uh, fake, uh, repair invoices. In return for absolutely honest performance by the drivers with their truck, which is now by contract, their responsibility. They didn't own it, but it was their truck to, uh, to manage. In, in return for, uh, for all of that that they agreed to, I agreed to a package of financial incentives.

Number one, uh, we double their salary. Number two, we gave them a trip allowance so that if they had to pay a little bit of money for tire repair or some minor engine tuning or something, they could use that trip allowance. If they didn't have to do anything, they could keep, uh, the money. Uh, third thing was a bonus for how many round trips they made to the north. Um, we had destinations in the north as much as a thousand miles away, so three and a half round trips in a month was quite good. Four round trips in a month got you an even bigger bonus. We paid a bonus for three and a half and a bigger bonus for four round trips a month.

But then we added something else, uh, among the incentives that we put into our truck manager's contract. For the best driver of the year, we agreed that we would give the best driver an all-expense paid trip to Mecca to make the Hajj. All of the drivers were Muslim. And, uh, boy, uh, they were really interested in, in making the Hajj. Over the years that we had that in place, they cleverly alternated it so a different driver would (Professor Floros laughs hard) ... And that was fine with me. I didn't, I didn't care. Uh, they, uh, we, we sent four or five of them, uh, to Mecca to, to make the Hajj.

But with that package of financial incentives and their promise to, uh, to run it, absolutely, honestly, we turned that company around in two or three months, just like that. I mean, in no time we became, uh, probably the most profitable, uh, trucking company in Nigeria. We raised our rate. We guaranteed our deliveries. Um, we didn't have any more, uh, collisions on the road, so we canceled our collision insurance. We became the model trucking company, uh, in the country. And I, I, I learned something from that experience, and that is If you run your business right, all stakeholders will, will benefit. It's when you run it wrong, um, uh, that nobody benefits.

So very quickly we turned that company around. The, the drivers, uh, were making money. Uh, management was happy, uh, the investors were happy, Jalo Waziri, uh, was happy, the Bank of America got paid, and we bought a lot more trucks and expanded, uh, expanded our fleet. I think at our maximum, we had 55 18 wheelers, uh, going back and forth from Lagos, uh, to the north.

So, we weren't a huge company, but we weren't just a handful of trucks. Uh, and we were, we were fortunate also that Jalo Waziri, the principal owner of the business, was a friend of the manager of Guinness Brewery in Lagos. So, we had a contract to haul all the Guinness to the north, unload, pick up empty bottles, and come back.

So, you had full loads up and full loads back. And with that formula, we did, we did extremely well. Um, that, it became a very profitable venture, but it took basic rethinking, which was different from what anybody else was doing in the trucking business. I just, I just finally sat there and decided, you know, this isn't working. There's got to be some better way to do it. And, and we did it. It became a very profitable business.

[00:18:09] **Professor Floros:** And so you hadn't been, because it wasn't making any money before you did this turnaround, there was no money to pay you. Right? And so you basically got shares in the company instead of money.

[00:18:21] **Raymond Baker:** Yeah.

[00:18:22] **Professor Floros:** Can't eat those.

[00:18:23] **Raymond Baker:** Yes.

[00:18:25] **Professor Floros:** So, um, you mentioned Jalo Waziri?

[00:18:28] **Raymond Baker:** Yes.

[00:18:29] **Professor Floros:** Tell me what he did outside of owning a trucking company.

[00:18:34] **Raymond Baker:** At the time that I met him, he was the Speaker of the House of Parliament, uh, in Nigeria. He was a very prominent Northern politician, and indeed it was, it was his determination to get this business, uh, problem off of his back so it wouldn't hurt his political career.

And, um, I was delighted to be in business with the, uh, Speaker of the House of Parliament, but that only lasted about four or five months, uh, until Nigeria had a coup d'état, and, um, uh, Parliament was dismissed, all the government ministers, uh, were dismissed, Jalo Waziri was out of a job, and, uh, didn't have the degree of political clout that he had, uh, before.

Um, so that further complicated the, the task of trying to turn the company around. I became very close to Jalo Waziri. At the time, um, that subsequent governments, there were two or three coup d'états, but at a point, uh, one of the military governments started bringing a few of the old civilian politicians back into the government. Jalo Waziri was the first one brought back, uh, into a gov, into a government position. I think he was made Commissioner of Public Service, or something, uh, like that. But it was the military putting a toe in the water, uh, um, to bring back some of the old politicians. Later on, Jalo Waziri ran for the Senate, uh, was elected from his area, became... chair of the Senate Foreign Relations Committee in Nigeria and so forth. He was, he was a prominent northerner throughout his life.

[00:20:21] **Professor Floros:** Okay. And so, the bakery that you had managed when you first got to Nigeria was owned by the minister of

[00:20:29] **Raymond Baker:** Finance, uh, Minister of Foreign Affairs. Minister of Foreign Affairs.

A man named Jaja Wachuku. And, uh, after I set up on my own, I wasn't involved in that anymore. I was pursuing my own, uh, direction. Uh, but that bakery continued to thrive.

[00:20:46] **Professor Floros:** Well, okay, so my question is, how common is it for high-ranking politicians to own businesses. I mean, right, because in the United States, the expectation is that all your money and how you make money is in a trust or something if you become president, right, because of the appearance of impropriety or corruption that your official office will affect your business. I'm assuming that that wasn't the case in Nigeria at the time, and I'm just wondering whether corruption, or possible corruption, was a concern given the high-ranking nature of the owners of these businesses.

[00:21:29] **Raymond Baker:** Corruption was a concern. I had a fair number of people try to shake me down, uh, while I was in business in Nigeria. Certainly not the ones that I was in business with, uh, but others, uh, on occasions. Corruption was a problem, but owning a business, uh, was not that uncommon.

I was in Mozambique. uh, a few years ago, just to give you an example of your, your question, and a guy told me about calling on the Ministry of Forestry, uh, in Mozambique, a civil society person that I knew had called on this minister. And he asked the minister, he said,

"Minister, it's my understanding that you own two companies that are in the logging business, uh, in Mozambique, the very business that you're supposed to be the minister or head of."

The minister says, "That is not correct. I own interest in five logging companies." (Much laughter)

No, being in business was, being in business was not prohibited in any country in Africa that I'm familiar with.

[00:22:39] **Professor Floros:** Well, I guess if Louis DeJoy, who used to run UPS can run the US Post Office, I guess the United States can't, uh, cast many stones in that.

[00:22:49] **Raymond Baker:** Yeah, yeah.

[00:22:50] **Professor Floros:** And so, did the guy in Mozambique, did his five, interest in five logging business, businesses affect his decisions about forestry?

[00:22:59] **Raymond Baker:** Of course, affected them to his advantage.

[00:23:02] **Professor Floros:** Sure, of course. And that was totally legal.

[00:23:06] **Raymond Baker:** That was totally legal. Then Mozambique got in very serious trouble a few years after that. Borrowed a lot of money, which then ended up in bribery. Um, and Mozambique virtually went bankrupt. There was \$2 billion that disappeared, and Mozambique hasn't finished dealing with that problem since then.

But lots of African countries have had, uh, such problems. Back to Nigeria, my estimate is that perhaps as much as \$500 billion has disappeared illegally out of Nigeria over the last, uh, let's say 20 or 25 years, uh, something like that. We're talking about huge amounts of money flowing out of Africa into foreign coffers.

[00:23:56] **Professor Floros:** Okay. And I, I want us to put a pin in that. I want to come back to that and talk about why that is, cause that's shocking, but you mentioned a coup in Nigeria. It was not the only coup that occurred in Nigeria. There were several. And there was a civil war,

[00:24:14] **Raymond Baker:** the Biafran conflict,

[00:24:15] **Professor Floros:** yes, from 1967 to 1970 when you were in Nigeria.

Now Lagos is on the southwest side of the country and Biafra is the southeast.

[00:24:27] **Raymond Baker:** Correct.

[00:24:27] **Professor Floros:** So, you weren't there in Lagos. The conflict, but the conflict did sometimes come to Lagos.

[00:24:35] **Raymond Baker:** Uh, yeah. The Nigerians pronounce it Lagos.

[00:24:40] **Professor Floros:** Oh, Lagos. (Lay-gos) I'm sorry.

[00:24:41] **Raymond Baker:** That's all right.

[00:24:41] **Professor Floros:** My bad.

[00:24:42] **Raymond Baker:** Um, yes, the conflict, uh, occasionally would show up in, uh, Lagos.

Some explosion would go off that the Biafrans had managed. And, uh, my wife and I would jump in her sports car and go racing off to see what, what was going on. And then, uh, toward the end of the war, a plane was shot down in Lagos that was flown by some Portuguese mercenaries working for the Biafrans, and the plane came down effectively in our backyard, uh, of the house that we had just rented, had not yet moved into, didn't move into it until a couple of weeks later, but we had rented it and, um, didn't know when we... This was at midnight. When we went there, I didn't know if it would be standing or not, but it was fine. There were body parts all over the backyard of the, uh, of the house. But there wasn't a, there wasn't a lot of problem in Lagos, uh, from combat related, uh, issues. But in Biafra itself, there was a huge amount of destruction, starvation, malnutrition, and so forth.

[00:25:55] **Professor Floros:** I gotta come back to the body parts. So... How many people were in this plane?

[00:26:00] **Raymond Baker:** I would, I'm not sure. I think it was probably four or five.

[00:26:04] **Professor Floros:** Okay.

[00:26:05] **Raymond Baker:** Something like that.

[00:26:06] **Professor Floros:** Okay.

[00:26:07] **Raymond Baker:** When it came down just a few yards offshore from our property that we had just rented, my wife and I went there and, um, I waded out into the water, and I found the documents of the plane. And about that time, some Nigerian soldiers come running up, uh, thinking that, uh, I was crawling out of the cockpit.

[00:26:30] **Professor Floros:** Oh no!

[00:26:32] **Raymond Baker:** Um, but I said, no, no, I, I just reached in here and got the documents and I gave them the documents, which later on, uh, confirmed that the plane had

been hijacked by the Biafrans from Benin, which is in the south central part of, uh, Nigeria, and taken to Biafra.

And these Portuguese mercenaries had equipped it to roll bombs out the door, um, and, and bomb Lagos. But it was hit by anti-aircraft fire, and blew up, and, uh, came down.

[00:27:08] **Professor Floros:** Okay, and so after the war, how much was Biafra reintegrated with the country? I mean, because that's a very economically important region. Isn't that, isn't the Niger Delta and all the oil, isn't a lot of that there?

[00:27:25] **Raymond Baker:** Not all the oil; some of the oil is there. Biafra was reintegrated into Nigeria. The Nigerian leader at that time, um, Yakubu Gowon, G O W A N, indicated, um, "There will be no victors, no vanquished," um, and pursued a fairly enlightened policy of, uh, reintegrating Biafra back into the Nigerian fold.

The chief administrator of that policy was a man named Tony Asika, who was my wife's classmate at UCLA (laughing) in 1961 and '62 and '63. He had come back to Nigeria. He was a highly educated, uh, Igbo. He had not been in Biafra during the conflict. He was not in favor of the breakup of the country. So, he stayed on the federal side. And he was, um, uh, he was the one that was administering, uh, that Biafran area, uh, after the war was over. And I, I think that was a fairly decent effort on the part of the, uh, Nigerian government to reintegrate, uh, uh, Biafra.

Having said that, there's still agitation in Nigeria for, uh, Biafran independence. Uh, it's not a huge, uh, political issue at the present time, but it's still there.

[00:29:01] **Professor Floros:** Yeah, that is a really kind of enlightened approach that not very many leaders take. Like, okay, yes, we had this war. Was it because there was so much more devastation to the people of Biafra than the country as a whole?

[00:29:19] **Raymond Baker:** I think that was part of it. Um, my wife and I went in there to look at the devastation right after the war was over. We saw lots of starvation and children and adults and so forth that were, uh, affected. Saw lots of destruction, uh, and so forth. But I think maybe one of the things that helped is that the Nigerian army had been small enough before the war that all these people knew each other. All the colonels and majors and generals and so forth, they all knew each other, and it wasn't that difficult to reestablish some level of rapport within the military and get the Biafrans reintegrated back into society. Um, it was, it was done fairly well. I think that, that was, that was a positive.

[00:30:10] **Professor Floros:** Let's take a quick break. You're listening to Professor Floros in The Politics Classroom, a podcast of UIC Radio.

Music Interlude: Animal Kingdom by Craig Allen Fravel

Welcome back to The Politics Classroom, a podcast of UIC Radio. I'm Professor Floros, and my guest is businessman, author, and financial expert, Raymond Baker.

So, you mentioned how all this money is being taken out of African countries and Nigeria included in this. Can you talk about what is happening to all that money? Why is it just disappearing?

[00:31:02] **Raymond Baker:** The foreign companies that are established in Nigeria, they don't want money in soft currencies, they want money in hard currencies, so they take it out of Nigeria and, uh, repatriate the money and convert it into, uh, dollars or pounds or francs or whatever, and make their profits outside the country. They're not interested in accumulating soft currency in the country. They're interested in making, uh, piles of hard currency out of the country.

[00:31:32] **Professor Floros:** And by soft currency and hard currency, can you just, for the non-economics, uh, experts, can you just explain what you mean by that?

[00:31:41] **Raymond Baker:** Hard currencies are currencies that are readily exchangeable in the international system: dollars, pounds, francs, yen, and so forth. Soft currencies are mostly developing country currencies that can fluctuate a great deal in value and are risky. They can be stolen locally, they can be grabbed by the government, what have you. So most foreign companies want to get their uh, get their money that's in soft currency countries out of there into hard currency countries, and so they use a mechanism of trade mis invoicing, um, that is to say on import and export transactions, you can manipulate the price so that money is, is moved out of, uh, out of the country.

Let's suppose that you are a foreign company, and you are importing a raw material for a manufacturing business. You can overprice, uh, that raw material that you're bringing in so that when you pay, uh, the supplier of that, uh, raw material, he'll take the amount of the overpricing and put it in your corporate account um, in Switzerland or London or... France or wherever.

[00:33:13] **Professor Floros:** But don't the banking authorities in those countries see this incoming money and care where it came from?

[00:33:20] **Raymond Baker:** No, you mean in the receiving countries?

[00:33:23] **Professor Floros:** Yeah.

[00:33:24] **Raymond Baker:** Like UK and US?

[00:33:25] **Professor Floros:** Well, you say like if a, if a foreign company overprices the good, then the supplier will get their, what it actually costs and then put the rest, the overage into the foreign company's,

[00:33:40] **Raymond Baker:** Bank account.

[00:33:40] **Professor Floros:** Bank account. But how do they explain, or do they need to explain, to the bank where that money came from?

[00:33:49] **Raymond Baker:** They don't need to explain it to the bank.

[00:33:50] **Professor Floros:** It's just money going in the bank.

[00:33:51] **Raymond Baker:** It's done all the time. Done thousands and thousands of times a day, money, um, um, being deposited.

The United States is the most egregious of all. Um, we love the money, uh, that comes in, uh, to, uh, the United States. But no, it's done, um, uh, it's done all the time. The manipulation of trade, that's the manipulation of import prices and the manipulation of export prices, um, has become the key change that has taken place in the capitalist system over the last, uh, half century or so.

The, the difference between real value and price, these, these are two completely different concepts. Real value is what something is really worth. Price is a fiction that you put on the transaction for the purpose of shifting money across borders. It's done all the time, thousands and thousands of times a day.

I have never known a multinational, multibillion dollar, multi-product corporation that did not use trade mis invoicing for the purpose of shifting money across borders. It has become utterly normalized, uh, in the capitalist system. This is the biggest difference, uh, in the way capitalism operates, taking place over the past, uh, uh, half century.

There were some, there was a little bit of this done in earlier years, but today it has become completely normalized so that everybody's doing it, manipulating values, uh, through the pricing mechanism.

[00:35:36] **Professor Floros:** Okay, so you own more businesses than your interest in the trucking company. Did you only sell within Nigeria or were you engaged in foreign trade as well?

[00:35:48] **Raymond Baker:** I was engaged in foreign trade in the sense of being an importer. I imported raw materials from Europe and Scandinavia and the US, and bought machinery and so forth. I was not engaged in export. I was buying from abroad and producing products in Nigeria and we did it legitimately. That is to say, we earned our profits in Nigeria, paid our taxes, gave raises to our employees, and profited in Nigeria.

[00:36:25] **Professor Floros:** So, why not do what everyone else was doing?

[00:36:30] **Raymond Baker:** It didn't seem right. (laughing)

[00:36:31] **Professor Floros:** You're a businessman with a conscience. I dunno.

[00:36:36] **Raymond Baker:** Well, I, I, I suppose it just, it, it, it didn't seem like the right way to do business. I will elaborate on that just a little bit, Kate.

[00:36:48] **Professor Floros:** Please.

[00:36:48] **Raymond Baker:** I was significantly influenced by my father. My father was a businessman, um, for 30 years, had a wonderful reputation in our town. In late career, mid late career, and when he was in his, uh, uh, 60s, he was invited by the biggest bank in town to become president. Uh, he became president of the bank. He had a, uh, he had a reputation of absolute honesty in his business. I never saw my father try to maximize his profits on a transaction. My father wanted to enter into a fair price on every transaction that was conducted. Fair to him, fair to the other person. He had a wonderful reputation in the community.

Now, that's the kind of background that I had when I went to Nigeria, and what I found was not much of that. (laughing) Um, uh, you know, there was a lot of financial skullduggery going on in Nigeria. I perhaps would not have become as exercised over this phenomenon had I not grown up in the family that I grew up in. But I was shocked by the degree to which the capitalist system was being misused, and in particular misused in ways that I had learned was not the way to do business. So, my father's influence, my wife's political science background, um, I just, I felt like I gotta do this right.

[00:38:33] **Professor Floros:** And you still, I mean, you still did well financially for yourself, right?

[00:38:38] **Raymond Baker:** Yeah.

[00:38:38] **Professor Floros:** Despite not engaging in these dubious practices?

[00:38:42] **Raymond Baker:** Yeah, we did, uh, we did well. Jalo Waziri was happy. I so, I created a holding company, um, after the war. And, uh, it was, it, it held our investments in the trucking company and in two manufacturing companies that I had, uh, bought, put that all into a holding company, borrowed more money, expanded the businesses, and, um, and it was all great fun. I enjoyed doing it.

At a point along the way, I realized that Nigeria was moving toward greater local control, uh, of businesses. So, I sold 51 interest, 51% interest in my company to a diversified group of prominent Nigerians. I kept 49%, which meant I still had effective control, uh, of the business, but I had shareholders from, uh, the Yoruba community, uh, the Hausa Fulani community, the Igbo community, uh, from Biafra and so forth.

And we prospered. We did very well.

[00:39:52] **Professor Floros:** Okay. Well, and so we talked about how Nigeria had multiple coups over time, the civil war, and they're missing multi hundreds of billions of dollars. Are these things related? Is the, is the theft of the money by corporations, what did that do for the political stability or instability of the country?

[00:40:18] **Raymond Baker:** It's harmful to every aspect of political and economic wellbeing in the country. Now, it's not only the multinational corporations that are taking their profits out, uh, by any means that is invisible, um, but it's also, um, ruling governments that are frequently corrupt. Um, the, uh, Nigeria had a succession of military governments that

became increasingly corrupt, uh, over, uh, the years, uh, and I mean just draining the, the country of, uh, resources.

So, corruption became very embedded in government processes. I, I steered clear of doing business with, with governments. I did have a government shareholder in one of my businesses. Um, but they were, uh, they were decent. We got along quite alright, but corruption became a huge problem in Nigeria and the military regime that was in power right after the civil war, um, was one of the worst.

It made it very difficult to do business, uh, in Nigeria. The corruption was rampant.

[00:41:34] **Professor Floros:** And how long did you, were you in Nigeria?

[00:41:37] **Raymond Baker:** I lived there 15 years from 1961 to 1976. In 1976, my wife and I moved back to the States. Over the next year or two, I sold two of my businesses in Nigeria, but I kept one of them, one of my manufacturing companies, until 2007, just, just hold, just sold it in 2007.

[00:42:02] **Professor Floros:** Okay, and so after you retired, you set up a nongovernmental organization in DC called Global Financial Integrity. So, first of all, why not just buy a house by the lake and enjoy retirement. Um, but maybe more importantly, what were you hoping to achieve with Global Financial Integrity and why did you start it?

[00:42:29] **Raymond Baker:** I was hoping to achieve global financial integrity, which is certainly (laugh) an excessive, uh, idea. Uh, but I was deeply influenced by the amount of corruption, uh, I had seen all over the world. By the time I set up Global Financial Integrity, I had done business in probably 50 countries around the world, and I saw this sort of financial skullduggery taking place everywhere I went, and I got fed up with the, uh, with seeing this.

I was also particularly, um, uh, exercised over the fact that development economists, economists who specialize in economic development for poor countries, were not paying attention to money flowing out of developing countries. They were only paying attention to money flowing into developing countries, foreign aid and foreign direct investment and so forth.

Uh, so I, I knew this is not right. We're not paying attention to the real problems that are impacting, uh, the developing countries. And I finally decided I had to say what I had to say, uh, about this. So, I published a book called *Capitalism's Achilles Heel* in 2005 and then set up Global Financial Integrity in 2006 to pursue this agenda of trying to figure out how to get a little higher level of integrity in private sector activities, particularly as they affect the developing countries.

[00:44:10] **Professor Floros:** And how successful were you?

[00:44:12] **Raymond Baker:** Um, we produced a lot of reports.

[00:44:16] **Professor Floros:** Okay.

[00:44:16] **Raymond Baker:** And we did a lot of analysis.

[00:44:19] **Professor Floros:** Okay.

[00:44:19] **Raymond Baker:** And um, uh, we got our terminology into the vo, global vocabulary. When I published my book in 2005 called *Capitalism's Achilles Heel*, it was subtitled Dirty Money.

[00:44:35] **Professor Floros:** Okay.

[00:44:36] **Raymond Baker:** And after it was published and after we had set up Global Financial Integrity, the individual I hired to be Managing Director of GFI, Global Financial Integrity, we had a conversation and we said, um, we had a lot of conversations and we said, we can't call this stuff that we're gonna be talking about, we can't call it dirty money. If we call it dirty money, we'll have rooms full of bankers and lawyers and accountants go running for the exits. So, we've got to figure out something else to call this phenomenon. Do we call it corruption? Do we call it flight capital? Do we call it tax evasion? After a lot of toing and froing, my colleague Tom and I decided to call it "elicit financial flows." This sounds much more sophisticated.

[00:45:31] **Professor Floros:** Yes, of course. (laughs)

[00:45:31] **Raymond Baker:** It's dirty money. Elicit Financial Flows sounds a lot better. Um, and at least one of our successes is to get that terminology into the global agenda. And it is used by just about every country in the world.

And that certainly is, is one of our contributions. We've also had

a lot of other impact on usually fairly modest steps to close some of the avenues through which this money comes, particularly out of poor countries into Western countries.

[00:46:11] **Professor Floros:** Yeah, and so a lot of these illicit flows were legal, and may still be legal in some places, right? It is, uh, loopholes in regulation or, or whatever, or, or is that not right? It was always illegal and they just, it wasn't being enforced.

[00:46:29] **Raymond Baker:** We intentionally use the word illicit rather than illegal because illicit's a little more flexible. (laughter) And, and, uh, fewer lawyers will argue with us (more laughter) over the word illicit as compared to illegal.

[00:46:48] **Professor Floros:** Okay.

[00:46:48] **Raymond Baker:** Um, an awful lot of the dirty money that flows out of developing countries violates laws coming out of the developing countries, but does not violate laws coming into the western countries.

[00:47:06] **Professor Floros:** Ah,

[00:47:06] **Raymond Baker:** So, the, the head office of the corporation in the United States or the UK or what have you, prides themselves on saying, "We follow all the laws of our country." And that may be true, but you're not following the laws of other countries.

[00:47:20] **Professor Floros:** Ah, okay.

[00:47:21] **Raymond Baker:** Um, and so part of the problem is trying to get, developing countries to strengthen and enforce their own laws

[00:47:30] **Professor Floros:** uhhuh

[00:47:31] **Raymond Baker:** against the outflow, uh, of this kind of money and to be perfectly honest, a lot of developing countries don't want to do that because a lot of, uh, uh, their economic elites and government elites are sucking their money away, um, in London or Dubai or Virginia or elsewhere. So, it's, any idea that all the developing countries are interested in curtailing this phenomenon is not correct. Some countries are somewhat interested in curtailing it. Some countries are not particularly interested in curtailing it. But we work with, we work with governments. We do a lot of work with governments to try to curtail this phenomenon. We do a lot of work with the U. S. government and other wealthy country governments trying to curtail, uh, this phenomenon.

We've got a good reputation. Global Financial Integrity has a good reputation. We have now placed three of our, uh, I won't say placed. The Treasury Department has poached three of our most, uh, capable, uh, uh, employees to work for the Treasury, uh, uh, Department. So, we're having some impact. There is progress, but it's far slower than it needs to be.

[00:48:53] **Professor Floros:** And so all this money flowing out of, of developing countries, certainly that's hurting the people in the developing countries, right? Because there's not the money there to do improvements, et cetera. But it's also not really helping people in rich countries either, except for shareholders in multinational corporations, right? It's not helping workers; unless you're the CEO, you're not seeing any of this money either.

[00:49:20] **Raymond Baker:** Uh, you're correct. It's accumulating in the coffers of the major corporations, and they like the money. I gave a talk in Manchester, England a few years ago, and a lady asked me this question. "If we curtail all that money coming into the UK, won't that hurt our stock market and our pension funds, and so forth?"

And I answered her saying, "Perhaps very slightly, just a little bit. But that's not the question. The question is, what part, what percent of your standard of living is worth somebody else's life?" And I got applause after that line. I never get a, I never get applause in the middle of a speech, but I got applause after that line.

And, uh, and that's the question, you know, uh, how much, how much harm are you prepared to do over there in order, uh, to absolutely maximize your standard of living, uh, uh, over here? I'm not prepared to, uh, hurt those countries in order to increase my standard of living over here, but that is, uh, uh, a very much a minority view on the part of, of most people.

[00:50:38] **Professor Floros:** A lot of the corporations that deal with these illicit flows, etc. are American based corporations. U. S. laws have not been stopping this behavior of money coming into the U. S., but it seems like it's about financial regulation and, and like the nitty gritty, devil in the details kind of bits and pieces. How, how difficult is it to educate legislators and their staffs? I mean, I think the problem is generally easy to understand, but the solutions are very technical. Maybe?

[00:51:15] **Raymond Baker:** I don't agree with that.

[00:51:17] **Professor Floros:** Okay.

[00:51:17] **Raymond Baker:** But, uh, let me try to explain it. We have, that is the capitalist system has over the past 50 years created an entire financial secrecy system that is designed to move this dirty money. The way to address that system is to pull secrecy out from under it, make things transparent and accountable. With transparency and accountability, we can stop this kind of thing going on. The United States has, over the decades, has created more shell companies, that's companies where nobody knows who the owners are, has created more shell companies than any other country in the world.

It's not Switzerland, it's not the Cayman Islands, it's the United States that has, uh, has done this. Well, very easy to get rid of that, and that is to tell banks, you can't take an account for a shell company; you have to know with whom you're dealing. Banks don't want to do that, but transparency and accountability is the way to address this problem if we have the courage to do so.

It takes political will to do so. Political will at the present time in the United States and in a lot of other countries is hurting. But this is, this is not rocket science to alleviate this problem if we have the will to do so.

[00:52:46] **Professor Floros:** Okay. And so, what can your average person on the street do? Right? This sounds like multinational corporations, et cetera, et cetera, banks, international banks. What can regular people do to help this issue?

[00:53:02] **Raymond Baker:** Well, first of all, have some understanding of it. I wrote my book, *Invisible Trillions*, very much influenced by the climate change issue.

[00:53:13] **Professor Floros:** Okay.

[00:53:14] **Raymond Baker:** Scientists and climate experts knew throughout the '70s and '80s and '90s that global warming was a reality, but they weren't getting anywhere putting this issue into people's thinking.

Finally, uh, Al Gore comes along and with his speeches and films and Academy Award and Nobel Peace Prize and so forth, he draws attention to the issue and now global warming is in the global consciousness people are thinking about. I wrote my latest book, *Invisible Trillions*, trying to get the issues that I'm talking about elevated to a higher level.

Yes, when you say that there are a lot of particularities that need to be addressed, that is correct. But it is extremely difficult to address those particularities if you don't have an overarching framework in which you're thinking about this issue. So, I wrote my book to make it clear that the financial secrecy system that we have created is literally undermining the democratic capitalist system.

It is undermining the ability of the democratic capitalist system to spread the benefits of development fairly. We have had the fastest concentration of wealth, uh, in the United States that has taken place since the 1920s, and some people would say since the French Revolution. We've got staggering disparities between rich and poor, and that is a problem that emanates from within the capitalist system, not from within the democratic system.

Capitalism is undermining democracy, and that's, in my work, that's where change needs to take place.

[00:55:08] **Professor Floros:** But not capitalism the way we are doing capitalism now.

[00:55:12] **Raymond Baker:** The way we are doing. I don't think, I don't think basic capitalism is a flawed idea, but the way that we are running the capitalist system.

Capitalism over the last half century has taken on an entirely new motivation for secrecy that was not there for the first 150 years of capitalism. It just, it just wasn't. But now everybody is trying to take advantage of secrecy mechanisms to earn profits that can't be seen and to make money in, in hidden ways.

It is a threat to the democratic capitalist system.

[00:55:53] **Professor Floros:** Well, on that very uplifting note, uh, I want to thank you, Raymond Baker, for joining me in the Politics Classroom today.

[00:56:00] **Raymond Baker:** Kate, my pleasure entirely. Do it again sometime.

[00:56:04] **Professor Floros:** Absolutely.

[00:56:05] **Raymond Baker:** Okay.

[00:56:06] **Professor Floros:** Raymond Baker is the founder of Global Financial Integrity, a DC based think tank, and the author of *Capitalism's Achilles Heel: Dirty Money and How to Renew the Free Market System*, and *Invisible Trillions: How Financial Secrecy is Imperiling Capitalism and Democracy and the Way to Renew Our Broken System*.

Thank you for joining me in The Politics Classroom, a podcast of UIC Radio. I'm Professor Floros, and my day job as a professor at the University of Illinois, Chicago, and my service commitments there have prevented me from producing podcast episodes as frequently as I would like. My schedule for this academic year will mean fewer episodes, sporadically released.

Therefore, I encourage you to subscribe to the podcast if you haven't already, so you know when new episodes are released. I love working on this podcast, and I'm really proud of the episodes I've created. I'm not ready to throw in the towel, and I need to reserve some energy to serve my university community.

I'll release more episodes when I can, but that's all I've got for this week. Class dismissed.

Outro Music: Three Goddesses by Third Age