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## **Experiences of a Financial Warrior**

### **John Taylor sees results in the fight against terrorism**

Frankfurt, July 26. A few days after the terror attacks on the U.S. on September 11, 2001 President George Bush junior called for a new type of “fight against terrorism” in the rose garden of the White House: “This war will be led on multiple fronts...and one of them will be finances.” Quite suddenly the well-known economist John Taylor, eponym of the “Taylor Rule”, had become the general of this campaign: at the time he served as deputy finance minister. During a lecture at the Center for Financial Studies (CFS) in Frankfurt Taylor depicted the many aspects of this finance war. His conclusion: there have been successes achieved on this front, but the war is not won.

Taylor counts among these successes that a coalition of 172 countries was forged: this is how assets of terrorists of a total volume of around 150 million dollars could be frozen within a short time, moreover how intelligence about the relationships between terrorists, their pseudonyms and the like could be gathered. Taylor acknowledged however that terrorists now mainly use the traditional Islamic Hawala-transfer system in order to conduct financial transactions. This system relies to a large extent on oral consent and leaves no traces in the official banking system. “Not all flows of funds can be stopped”, said Taylor, but it is possible to disrupt the flow of funds.

According to Taylor, the “financial warriors” resemble their military counterparts in that they also aim to “win the hearts of the people”. For example, in a short time 5 billion dollars were collected for the reconstruction in Afghanistan in form of donation commitments. However, it had been much more difficult to actually have the donor countries deliver the promised amounts. From this experience, the economist draws the general lesson: “One needs to ensure that promised aid actually flows.”

Taylor, who has written about his experiences in the book “Global Financial Warriors”, is known for having developed a monetary policy rule on the appropriate level of the federal funds rate. Since the summer of 2005 he is again professor of economics at the Californian elite-university Stanford.