HULL

MITCHELL AND THE HERITAGE FOUNDATION: OUR WASHINGTON ALLIES IN FENDING OFF THE OECD IMPERIALISTS

By: Everson W. Hull, Ph.D (ECON)

There is no more powerful friend that our low-tax offshore jurisdictions have on our side in thwarting the will of the high-tax OECD cartel than the well-endowed Heritage Foundation which sits on Capitol Hill within five minutes from the world's most powerful governing body. This most influential conservative think-tank has led a successful crusade against BIG GOVERNMENT in the U.S. and has played a pivotal role in altering the nature of the national debate regarding the size and scope of government. By returning government to its basic essentials and by focusing "it" on doing those things that only government can do, the Foundation, more than any other organization, has played a key role in reining in BIG GOVERNMENT, helping to produce the record high budget surpluses that the U.S. now enjoys. households to keep more of what they earn. The Foundation's litany of research articles, presentations and conferences command a tremendous amount of respect among the legislators and persons of influence in Washington. The 35 low-tax jurisdictions that the OECD has "blacklisted" could not ask for a more powerful ally in helping to lead the struggle against the new OECD imperialists.

With the kind permission of the author, I am pleased to reproduce a recent article: **"OECD Makes War On Low-Tax Countries"** by Daniel J. Mitchell, McKenna Senior Fellow in Political Economy at the very prestigious Heritage Foundation. Dr. Mitchell's article was originally published in the Washington Times on August 20, 2000. His unedited text follows.

The Organization for Economic Cooperation and Development (OECD), made up of 29 industrialized nations, is pushing for "global tax cooperation" as part of a campaign to eliminate "harmful tax competition." Last Sunday's column explained that the OECD is trying to create a high-tax cartel, akin to an OPEC (Organization of Petroleum Exporting Countries) for politicians. Given that the United States has lower taxes than most OECD nations, the article questioned why the Clinton-Gore administration is supporting an exercise that would undermine one of our biggest competitive advantages.

This column addresses an even more disturbing aspect of the OECD's actions. It turns out that the organization's bureaucrats – and the pro-tax politicians they represent – also want to dictate tax policies in non-member nations. In other words, demanding that the United States and Switzerland raise taxes is not the only goal. Indeed, it probably is only a secondary objective.

The OECD's main mission is to ostracize, penalize and ultimately destroy the world's low-tax nations and territories. In other words, the real focus is to seize control of tax policy in countries such as Liechtenstein, the Bahamas and Antigua. In a certain sense, the OECD mandarins are being very smart. They realize that a cartel of high-tax nations is doomed to failure unless every country in the world joins the club. Consider what would happen, for instance, if all the OECD member nations agreed to implement and maintain high tax rates.

At first glance, this would reduce "harmful tax competition." After all, Canadians no longer would have an incentive to escape to the United States and Europeans no longer would have an incentive to escape to protect their assets in Switzerland.

The second question is how the OECD intends to enforce its demands. The answer, amazingly, is that the OECD wants its member nations to subject low-tax regimes to financial protectionism. This sounds impossible, given the OECD's stated support for "non-discriminatory liberalization of capital movements" and the "removal of restrictions on cross-border capital flows."

Yet one need only peruse page 25 of the OECD's recently published report, Towards Global Tax Co-operation," to see the special fees, taxes, penalties and regulations that the organization would like to see imposed against 35 "uncooperative tax havens." In a truly Orwellian touch, the OECD even has the gall to refer to these threatened actions as "defensive measures" – sort of like Hitler's defensive attack on Poland. If successful, the OECD's campaign will be bad news for taxpayers in the industrialized world. But it

To ensure that BIG GOVERNMENT spenders do not return to their big spending ways, the Foundation has championed the cause of lower taxes in the U.S. This has the two-fold benefit of taking away the government's ability to spend while allowing hard working

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Yet this kind of cartel will not yield the OECD's desired result – more tax revenue for politicians – as long as investors and entrepreneurs still have the freedom to shift their activities to low-tax jurisdictions. Absent any other changes, after all, an OECD tax oligopoly would be great news for Bermuda, the Cayman Islands, Monaco and other nations and territories that have taxpayer-friendly policies.

This, of course, explains why the OECD has launched an all-out assault against what it disparagingly refers to as "tax havens." In a display of imperialism not seen since the collapse of the Soviet empire, the OECD is demanding that these low-tax regimes surrender their sovereignty and agree to help the high-tax nations collect taxes.

This raises two logical questions. First, by what right can a bunch of Paris-based bureaucrats dictate tax policy to sovereign nations that are not even members of the OECD? As one might expect from a taxpayer-funded international bureaucracy that receives

will be catastrophic for many developing nations that have boosted their economies by creating an attractive investment climate. In a stunning understatement, the OECD acknowledges that its recommendations "may adversely affect the economies of some of those jurisdictions."

So what is the alternative? As one might expect from a multi-national bureaucracy, the OECD's immediate suggestion is to boost foreign aid – as if giving money to local politicians can somehow compensate for the destruction of private-sector jobs.

The time has come for the United States to reassess its funding of the OECD. The organization is promoting policies that will harm taxpayers, both in this country and abroad. It is advocating the destruction of financial privacy and undermining the sovereign right of nations to determine their own tax policies.

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Theme: Be strong in the Lord.
Go forth in His strength.
Come and be richly blessed, as we go out to face the challenges of the new school year.

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This raises two logical questions. First, by what right can a bunch of Paris-based bureaucrats dictate tax policy to sovereign nations that are not even members of the OECD? As one might expect from a taxpayer-funded international bureaucracy that receives tax-exempt salaries, jets around the world in business class and maintains a private wine cellar, the OECD does not even bother trying to justify its actions. Instead, they rely on self-serving arguments about how low-tax nations are imposing harm on high-tax nations (the notion that these nations are hurting themselves and should instead reduce taxes to be competitive is never discussed).

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Unfortunately, the Clinton-Gore administration has been an avid supporter of the OECD's "harmful tax competition" project, even though this position is completely contrary to U.S. national interests. France and other high-tax nations certainly should be free to create a tax cartel, but the United States should not participate. And it certainly should not allow the OECD to bully low-tax nations in our hemisphere into being tax collectors for Europe's welfare states.