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BUDGET

# United States Senate

WASHINGTON, DC 20510-0606

April 5, 2001

The Honorable Paul O'Neill  
Secretary  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue  
Washington, DC 20220

Dear Mr. Secretary:

I write to urge you to withdraw U.S. support for the Organization for Economic Cooperation and Development (OECD) "harmful tax competition" initiative. Economists have long recognized that territorial taxation and the elimination of double-tax on income that is saved and invested are important features of a rational, pro-growth tax code. Unfortunately, the OECD is pursuing an initiative that will make it more difficult to enact market-based tax policies. The OECD's "harmful tax competition" initiative seeks to compel all nations to participate in a system of worldwide information exchange so that high-tax countries can double-tax income – even when that income is earned in other nations.

This assault on tax competition, financial privacy, and fiscal sovereignty is deeply flawed. Tax competition is a liberalizing force in the world economy. It restrains the growth of government and leads to lower tax rates. Moreover, if nations (including the U.S.) shifted to territorial taxation, the entire rationale for creating a global network of tax police would disappear, as would the justification for interfering with the right of sovereign nations to determine their own tax and privacy laws.

Most important, however, the OECD initiative is contrary to America's national interests. As a low-tax nation, we have little to gain by being part of a global tax cartel. Indeed, considering our favorable tax and privacy laws for foreign investors, it is clear that we could suffer a serious loss of capital if the OECD succeeds in rewriting the rules of international commerce and taxation.

I urge you to withdraw U.S. support for this anti-competitive proposal.

Sincerely,



Wayne Allard  
United States Senator

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