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JOINT ECONOMIC

May 9, 2001

The Honorable Paul H. O'Neill
Secretary
U.S. Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary O'Neill,

I am writing to call your attention to an issue that threatens our long-term ability to implement tax reductions and fundamental tax reform. The Organization for Economic Cooperation and Development (OECD) several years ago launched a project to stop so-called harmful tax competition. This misguided initiative, which attracted support from your predecessor, is fundamentally inconsistent with the market-based principles that we both share.

Tax competition is a positive force in the global economy. It forces lawmakers to reduce tax rates and make long-overdue budgetary reforms. But this issue involves much more than fiscal policy. It has important implications for individual freedom and national sovereignty. If implemented, the OECD initiative would require the wholesale elimination of financial privacy. The OECD also assumes that it has the right to dictate tax and privacy laws in non-member nations – and is threatening sovereign jurisdictions with sweeping financial protectionism if they do not change their laws to make it easier for high-tax nations to collect more tax revenue.

America should not take part in any multi-lateral effort that seeks to penalize nations with low tax burdens. We also should be careful about supporting an endeavor that could be used against us in the future. As you know, the United States is a "tax haven" compared to many other nations. This low-tax status has allowed us to attract trillions of dollars of wealth to our economy, all of which has boosted job creation and economic performance. I am troubled that some of our high-tax competitors eventually would use the OECD's attack on low-tax nations as a precedent to pressure us to eliminate our favorable tax and privacy laws. Please let me know, if I can provide any additional information or assistance.

Sincerely,



Sam Brownback
United States Senator