

Coalition for Tax Competition

September 23, 2003

The Honorable John E. Sweeney
Member of Congress
U.S. House of Representatives
416 Cannon House Office Building
Washington, D.C. 20515

Dear Congressman Sweeney,

We are writing to applaud your efforts to protect American taxpayers from the tax harmonization and global taxation schemes of international bureaucracies. The Organization for Economic Cooperation and Development (OECD) and United Nations (UN) both receive about one-fourth of their budgets from American taxpayers, yet both bureaucracies have been pursuing initiatives that are contrary to U.S. interests.

A United Nations panel, for instance, has endorsed the creation of an International Tax Organization that would have the power to impose global taxes. Either of the options discussed in the report – either carbon taxes or levies on financial transactions – would undermine America's competitive advantage in the global economy. The UN report also seeks to curtail jurisdictional tax competition, a policy that will harm nations such as the United States since our economy benefits when jobs and capital flee high-tax welfare states.

The OECD also has been pursuing policies that hurt America. The Paris-based bureaucracy has a “harmful tax competition” project that is designed to stop the flow of jobs and capital from high-tax nations to low-tax nations. But since America is the world's largest beneficiary of tax competition, this scheme is a direct threat to US national interests. Since the bureaucrats at the OECD receive tax-free salaries, it should come as no surprise that they are insensitive to the importance of lower tax rates and pro-growth tax policy, but that does not mean they should be allowed to attack the sovereignty of jurisdictions that do have policies that boost economic growth.

In any event, American taxpayers should not foot the bill for misguided policies. Recent events have demonstrated that international bureaucracies often are hostile to US interests, but this antipathy is not limited to “foreign policy” issues. We believe the tax harmonization and global taxation plans of the OECD and UN are bad tax policy – and we also believe that American taxpayers should not subsidize their statist agendas. If these bureaucracies insist on pursuing anti-free market tax policies, they should do so without any financial assistance from the United States – particularly since poor people around the world will suffer if developing countries are discouraged from using tax policy to promote economic growth.

Last but not least, we are concerned that tax harmonization proposals are a threat to fundamental tax reform. All major tax reform plans – including the flat tax and the national sales tax – are based on important principles such as taxing economic activity only one time and only taxing economic activity inside national borders. Yet the schemes being pursued by the OECD and UN assume that governments should double-tax income that is saved and invested – even if the income is earned in another jurisdiction. Needless to say, American taxpayers should not be subsidizing international bureaucracies that are trying to create roadblocks to a simple and fair tax system.

Thank you again for your leadership on this issue.

Sincerely,

Andrew F. Quinlan -- President, Center for Freedom and Prosperity
Daniel J. Mitchell -- Senior Fellow, The Heritage Foundation
Veronique de Rugy -- Fiscal Policy Analyst, The Cato Institute
Paul Beckner -- President and CEO, Citizens for a Sound Economy
Daniel Clifton -- Executive Director, American Shareholders Association
Stephen J. Entin -- President, Institute for Research on the Economics of Taxation
Paul J. Gessing -- Director of Government Affairs, National Taxpayers Union
Tom Giovanetti -- President, Institute for Policy Innovation
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Charles W. Jarvis -- Chairman, United Seniors Association
Karen Kerrigan -- Chair & Founder, Small Business Survival Committee
Thomas P. Kilgannon -- President, Freedom Alliance
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J. Stanley Marshall -- Founding Chairman, The James Madison Institute
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Steve Moore -- President, Club for Growth Advocacy
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Duane Parde -- Executive Director, American Legislative Exchange Council
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