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It's Not Trade, It's Taxes and Regulation

Allyne Caan

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Much has been said in recent months about bringing businesses — and jobs — back to America from the far-flung lands to which they've fled. The sentiment may be well and good. But generally, when one party jets a relationship, there's a reason. Perhaps it's time to go beyond the generic call to bring jobs home and take another look at why they're leaving in the first place.

When it comes to businesses pulling up stakes in the U.S.A. and heading to foreign shores, giving Uncle Sam the classic *It's-not-you-it's-me* breakup explanation just doesn't work. Because in this case, the problem *is* Uncle Sam.

Specifically, the federal government has created a climate so antagonistic to business that it's often foolish for companies *not* to pack up and head for greener pastures. From crushing taxes to onerous regulations, Washington makes doing business stateside sometimes more of a headache than it's worth.

Consider that America's top marginal corporate tax rate stands at a whopping 39% when average state tax rates are factored in, making it the third highest overall burden in the world, according to the [Tax Foundation](#). The only two nations that impose harsher tax punishments on businesses are the United Arab Emirates (55%) and Chad (40%) — not exactly models we want to follow. Even without state taxes, the federal government's 35% rate is matched by just six countries: Argentina, the Democratic Republic of the Congo, Equatorial Guinea, Malta, Sudan and Zambia.

And while the rest of the world is catching on to the fact that lower tax rates are better for business, Washington bureaucrats haven't. As the Cato Institute's Doug Bandow [notes](#), “America is one of only three states in the Organisation for Economic Co-operation and Development (OECD) not to reduce rates over the last 15 years.” In fact, the average corporate tax rate for OECD countries is approximately 25% — far below ours. And the average globally is even lower, at 24%.

Then there are billions of dollars in regulations. Barack Obama's primary weapon seems to be the EPA, through which he enforces his “Clean Power Plan” — for example, using regulations to kill coal and hamper oil drilling. Regulation is another form of taxation, because businesses pass on their costs to consumers. Wonder why automobiles are so much more expensive now? Start with fuel-mileage standards.

It's so bad that even when Obama moves to "eliminate red tape" via ordering federal agencies to "modify, streamline expand, or repeal" regulations, it ends up costing \$16 billion. Another review in 2014 increased costs by \$23 billion.

The overabundance factors heavily into the United States' sad ranking of just 16th in the Frasier Institute's latest Economic Freedom of the World report. Thus, it's little wonder companies are saying *adieu* — and taking their jobs with them.

In fact, what we're seeing globally is simply a mirror of migration patterns within the United States. The website HowMoneyWalks.com tracks migration patterns among states. Not surprisingly, those states with higher tax burdens generally see larger exoduses than more tax-friendly states. Why, then, should we be surprised when the same holds true globally?

Unfortunately, instead of curing the disease, many politicians and elected officials want to punish the symptoms.

You'll recall, of course, Obama's suggestion that companies that re-incorporate overseas for tax purposes lack "economic patriotism." Obama said of these tax inversions, "I don't care if it's legal; it's wrong."

His solution? Even now the administration is working to make inversions so complicated that companies won't want to bother.

That's right, let's make leaving even *worse* than paying astronomical taxes!

Punishing companies into staying stateside is hardly good economic patriotism. Rather than trying to make leaving more difficult, Obama should make staying more appealing. And truth be told, this wouldn't be so difficult.

Reducing our corporate tax rate to bring it more in line with the global average, and eliminating ridiculous regulations that govern everything from alarm systems to lubricating baking equipment would bring companies — and jobs — back to American soil.

And that would go a long way toward — dare we say it — making America great again.