

The Tax Cartel Toolkit

From the desk of Richard Rahn on Thu, 2012-07-12

The U.S. Constitution gives Congress the exclusive right to tax Americans at the federal level. Yet Congress continues to give away this most fundamental responsibility to international organizations, the most dangerous of which is the Paris-based Organization for Economic Cooperation and Development (OECD).

Most Americans probably would not approve of their tax dollars being used to support an international organization that undermines their fundamental liberties and promotes giving their hard-earned money to other governments, often run by corrupt or dictatorial regimes. This is precisely what the OECD is doing, with the blessing of the majority members of Congress.

The OECD has just released a report bragging about its "progress" in getting countries to engage in automatic sharing of tax information. Entitled "[Tool Kit for Automatic Exchange of Information](#)," it states:

"The automatic exchange of information involves the systematic and periodic transmission of 'bulk' taxpayer information by the source country to the residence country concerning various categories of income (e.g., dividends, interest, royalties, salaries and pensions)."

The Obama administration is actively supporting this effort.

This means that the most vile governments will receive financial account information automatically about individuals from other countries.

Assume you are standing up to or protesting some corrupt or authoritarian regime in your own country -- there are too many to name -- and to protect your family, you have a bank account in the United States, Switzerland or some other nation that offers basic protections of civil liberties.

Under automatic information-sharing, the thugs you are opposing will be receiving information about your finances from the U.S. government and other governments, which can put your property and your life at risk. The response from the bureaucrats in the OECD and Obama administration is "we protect confidential information," as if they had never heard of Wiki-Leaks or the other never-ending hacks of government data.

Again, we are told that governments will increasingly engage in "automatic" information-sharing and will "protect confidential information," but please don't notice the disconnect. Most people view their tax returns and bank account information as "confidential." Would you voluntarily risk your life on the unenforceable promise of someone in government not to lose, misplace, sell or leak your financial information?

The OECD was formed in 1960 to promote trade and investment among the developed countries. Over the years, it has morphed into an organization promoting higher taxes and the redistribution of income as Andrew P. Morriss and Lotta Moberg have described in an excellent analysis, "[Cartelizing Taxes: Understanding the OECD's Campaign Against Harmful Tax Competition](#)," published by the Social Science Research Network.

Earlier this year, the OECD published a report claiming that the poverty rate is higher in the United States than in countries such as Greece, Portugal and Turkey. To reach this absurd conclusion, the OECD redefined poverty as a relative measure of cash income (not real income, which includes transfer payments).

Under the new OECD definition of poverty, if real incomes were twice as high as they are today in the United States - meaning the poorest 10 percent could purchase double the amount of food, housing, etc., the U.S. poverty rate still would not fall, because income distribution would stay the same.

Dan Mitchell, a senior fellow at the Cato Institute and well-known tax economist, has closely followed [the efforts of the OECD in promoting bigger government and more statism](#). In his extensive work, he has described how the OECD's "anti-tax competition project" is designed to prop up Europe's bankrupt welfare states and how its advocacy of "higher marginal tax rates," a "value-added tax" and "failed Keynesian stimulus" for the U.S. reduces economic growth.

OECD bureaucrats work out of plush offices in Paris, travel first class and have tax-free salaries. It is worth repeating: U.S. taxpayers are supporting high-salaried international bureaucrats who are advocating higher taxes on others, most notably U.S. taxpayers, but do not pay income taxes themselves. Hypocrisy abounds.

The real scandal is that U.S. taxpayers are being forced to fund much of the OECD's efforts to oppose tax competition, promote higher tax rates and work against financial privacy and economic growth because Congress continues to authorize funding for these activities. The OECD budget is about \$400 million per year, with the U.S. picking up the biggest share (22 percent).

So why do even many Republicans and self-proclaimed conservative members of Congress continue to vote for OECD appropriations? Some members of Congress and their staffs are just plain ignorant about the real OECD activities, much like they were of ACORN's.

The bureaucrats at the State and Treasury departments, along with their congressional allies, are clever in hiding OECD appropriations in bigger funding bills with nice-sounding titles, in part because it means taxpayer-funded trips to Paris with fine dining.

Nevertheless, serious and fiscally responsible members of Congress have the ability to knock all or part of the OECD funding out of the budget through amendments, provided they can get a majority of their fellow members to vote with them. The major limited-government, free-market organizations have endorsed a cutback in OECD funding.

This year, organizations such as the Center for Freedom and Prosperity will monitor and report on who doesn't vote for cutting back on the OECD. Will Congress take note, particularly those members who signed the pledge not to increase taxes?