

Forbes

All the News that's Fit to Print about Tax Havens

By: Daniel J. Mitchell – April 12, 2013

I could only use 428 words, but I highlighted the main arguments for tax havens and tax competition in a “Room for Debate” piece for the *New York Times*.

I hope that my contribution is a good addition to the powerful analysis of experts such as Allister Heath and Pierre Bessard.

I started with the economic argument.

...tax havens are very valuable because they discourage anti-growth tax policy. Simply stated, it is very difficult for governments to impose and enforce confiscatory tax rates when investors and entrepreneurs can shift their economic activity to jurisdictions with better tax policy. Particularly if those nations have strong policies on financial privacy, thus making it difficult for uncompetitive high-tax nations to track and tax flight capital. Thanks to this process of tax competition, with havens playing a key role, top personal income tax rates have dropped from an average of more than 67 percent in 1980 to about 42 percent today. Corporate tax rates also have plummeted, falling from an average of 48 percent to 24 percent. ...Lawmakers also were pressured to lower or eliminate death taxes and wealth taxes, as well as to reduce the double taxation of interest, dividends and capital gains. Once again, tax havens deserve much of the credit because politicians presumably would not have implemented these pro-growth reforms if they didn't have to worry that the geese with the golden eggs might fly away to a confidential account in a well-run nation like Luxembourg or Singapore.

Since I didn't have much space, here's a video that elaborates on the economic benefits of tax havens, including an explanation of why fiscal sovereignty is a big part of the debate.

My favorite part of the video is when I quote OECD economists admitting the beneficial impact of tax havens.

I also explain for readers of the *New York Times* that there's a critical ethical reason to defend low-tax jurisdictions.

Tax havens also play a very valuable moral role by providing high-quality rule of law in an uncertain world, offering a financial refuge for people who live in nations where governments are incompetent and corrupt. ...There are also billions of people living in nations with venal and oppressive governments. To cite just a few examples, tax havens offer secure financial services to political dissidents in Russia, ethnic Chinese in Indonesia and the Philippines, Jews in North Africa, gays in Iran and farmers in Zimbabwe.

To elaborate, here's my video making the moral case for tax havens.

By the way, many of the issues in this video may not resonate for those of us in "first world" nations, but please remember that the majority of people in the world live in countries where basic human rights are at risk or simply don't exist.

But that doesn't mean we shouldn't worry about the stability of our nations. I close my contribution to the *New York Times* by warning that the welfare state may collapse.

With more and more nations careening toward fiscal collapse, raising the risk of social chaos and economic calamity, it is more important than ever that there are places where people can protect themselves from bad government. Tax havens should be celebrated, not persecuted.

I didn't have space to cite the BIS and OECD data showing that most of the world's big nations – including Germany, the United States, and the United Kingdom – face fiscal problems more significant than Greece is dealing with today. Assuming these nations don't implement desperately needed entitlement reform, the you-know-what is going to hit the fan at some point. Folks with funds in a tax haven will be in much better shape if, or when, that happens.

For more background information on tax competition, here's a video explaining the ABCs of the issue.

It's galling, by the way, that the bureaucrats at the OECD pushing for a global tax cartel get tax-free salaries.

And here's my video debunking some of the common myths about tax havens.

My favorite part of this video is the revelation that a former John Kerry staffer fabricated a number that is still being used by anti-tax haven demagogues.

And speaking of demagogues misusing numbers, you'll notice the current resident of 1600 Pennsylvania Avenue has a starring role in this video.

I've probably exhausted your interest in videos, but if you're game for one more, click [here](#) to learn more about the Paris-based Organization for Economic Cooperation and Development, a statist international bureaucracy that is active in trying to undermine tax havens as part of its efforts to create a global tax cartel to prop up Europe's welfare states.

