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Hearkening Back to the USSR

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Back in the 1970s, the U.S. government passionately pleaded for untrammeled emigration as a fundamental human right. In 1975, the U.S. imposed trade sanctions on the Soviet Union for levying an exit tax on citizens wishing to emigrate (mostly Jews). In a complete reversal of that moral passion, Senator Charles Schumer has now introducedlegislation to levy a tax of 30% on assumed capital gains of people like Eduardo Saverin, co-founder of Facebook, for giving up American citizenship and emigrating to Singapore. The exit tax proposed on Saverin and others like him is thousands of times higher than anything the Soviet Union dreamed of.

Even current U.S. law imposes an exit tax, via imagined capital gains, on anybody who has been a U.S. citizen or a permanent resident for more than seven years. Capital gains are calculated under the presumption that all assets of the emigrant have been sold at the time of emigration. These gains are currently taxed at 15 percent. Schumer wants the rate raised to 30 percent. Further, he wants to ban such persons from ever re-entering the U.S.

Whatever happened to the human rights that the U.S. swore by in the 1970s? The Soviet Union imposed a so-called "diploma tax" on the ground that it should be able to recover the cost of higher education for the emigrants -- its rate of exit tax ($ 5,000 to $ 25,000) rose with the level of education. Enraged by this, Senators "Scoop" Jackson and Charles Vanik pushed through legislation denying Most Favored Nation trade treatment to countries that restricted emigration through measures like an exit tax. Twenty-one American Nobel laureates issued a public statement condemning the exit tax as a "massive violation of human rights."

People have a fundamental right to migrate to improve their prospects. The UN Declaration of Human Rights says in Article 13, "Everyone has the right to leave any country, including his own." Article 12 of the International Covenant on Civil and Political Rights incorporates this right into treaty law. It says "Everyone shall be free to leave any country, including his own. The above-mentioned rights shall not be subject to any restrictions except those provided by law necessary to protect national security, public order, public health or morals or the rights and freedoms of others." The permitted restrictions do not mention exit taxes.

The Jackson-Vanik amendment applied to any country that:
(1) denies its citizens the right or opportunity to emigrate;
(2) imposes more than a nominal tax on emigration or on the visas or other documents required for emigration, for any purpose or cause whatsoever; or
(3) imposes more than a nominal tax, levy, fine, fee, or other charge on any citizen as a consequence of the desire of such citizen to emigrate to the country of his choice.

Ironically, this constitutes excellent moral grounds for other countries to impose trade sanctions on the U.S. Its exit taxes are far more than "nominal."

People left the Soviet Union and East Germany for both political and economic reasons. Communist regimes denied political and commercial freedoms. However, they provided full employment and universal welfare (of a low standard) to the aged, widowed and handicapped. By holding down wages and opportunities for their young and talented workers, they extracted a surplus that financed welfare. No wonder those wanting to climb over the Berlin Wall were overwhelmingly youngsters, not pensioners. The youngsters sought better economic prospects and less implicit or explicit taxation. And at the time, Americans cheered.

The same U.S. now wants a fiscal Berlin Wall to discourage citizens seeking better economic prospects in Singapore or other places. The logic behind the U.S. exit tax is analogous, though not identical, to the logic of the Soviet Union. Communist states viewed human capital embodied in their citizens as state property, to be kept at home or clawed back through taxes on exit. The U.S. seems to regards the financial capital of its citizens as a sort of state property, to be kept at home or clawed back through taxes on exit.

The ultimate collapse of the Berlin Wall and Soviet Union had a great moral lesson. A nation needs to make itself attractive to its own citizens, not stop their exit. The lesson applies to the U.S. too. It too must make itself attractive to its citizens, rather than penalize them for wanting to leave for more attractive destinations like Singapore.

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