

The Right's Eyebrow-Raising Defense of Romney's Foreign Tax Havens

Paul Abrams - Posted: 09/22/2012 10:55 am

All men are mortal. Socrates is a man. Therefore, all men are Socrates. (Love & Death, Woody Allen).

Mitt Romney (R-MA) seems to have succeeded in becoming *persona non grata* overseas, but his money is welcome everywhere.

That Romney has docked hundreds of millions of U.S. dollars in foreign tax accounts whose only purpose is to hide it from paying taxes and yet has the chutzpah to run for President of the United States while trashing those who pay no income taxes is shocking enough. But, Lindsey Graham (R-SC) thinks this is just peachy dandy. And, Chris Christie (R-NJ) aspires to have his money hiding in the Cayman Islands' someday.

Finding this all a bit mind-boggling -- imagine what "anti-American" screams would be belching forth from the right if President Obama had even one dime of his money in the Caymans -- I wanted to find out how the right-wing justified these alien havens.

What I came upon was pure poetry. With a logic only Woody Allen (see above) could love, the Cato Institute argues that we should all rejoice because the Romney tax havens benefit all us poor sots. Now I understand what Romney meant when he said that if he did not take every loophole available, he would not be qualified to be president -- because he would be hurting us by paying taxes he could be evading.

Shame on me for thinking Mitt was doing this all for himself! And, shame on the rest of you who did not praise Mitt for avoiding all these taxes to help you out! I willingly accept a session of waterboarding as expiation for my sins -- well, since waterboarding isn't torture, perhaps Mitt has something more painful in mind.

Or, perhaps I can atone for my sin by explaining to the rest of you how the Romney tax havens are really there for your benefit. That way, you do not have to wade through the briny beaches of the Cayman Islands, nor scale the Eiger to understand the magnitude of this selfless gift bequeathed to you.

According to Cato, we should thank Mitt for his foreign tax havens because, you see, your taxes are lower because the Cayman Islands enables the Romneys to shelter their income from taxes. If there were no Cayman Islands (and Bermuda and Switzerland), so goes the argument, Ronald Reagan would not have lowered your tax rates.

One may be forgiven if one foolishly believed that Reagan cut taxes because of trickle-down economics based, on what a recent non-partisan definitive study has shown was the faulty theory that tax cuts caused job growth.

If U.S. tax rates were higher, goes the Romney foreign tax haven defense, then Mitt Romney would have put his money in tax havens depriving the United States of his taxes... and, we know he didn't do that!

Cato's second defense of the Romney foreign tax haven is that the U.S. itself is a foreign tax haven. By not taxing foreigners, so goes the argument, the U.S. attracts a lot of foreign capital. Exactly how that bolsters the case for Americans benefiting from the Romney tax havens is, to put it mildly, baffling.

Here is the dirty little secret: the so-called "foreign money" is not all foreign. Say, for example, that the Romneys set up a Bermuda-based partnership and put money into it (not that they would do such a thing, right?). That partnership then sets itself up in the Caymans. The Caymans partnership invests this "foreign Bermuda money" into the U.S. -- and voila! No taxes on this "foreign" investment.

Cato's third defense of the Romney tax havens has nothing whatsoever to do with the tax rate. These havens enable potential victims of dictatorships to hide their assets in another jurisdiction, and thus protect them from vindictive dictators. Of course, it also allows vindictive dictators to hide their assets so they can, if the occasion demands, flee and live a very comfortable life from the money and wealth they had looted from their own citizens. It also facilitates criminal organizations to hide their money from drug, and other criminal activities.

In any case, secrecy and zero tax rates have nothing whatsoever to do with each other, and that was Cato's key point.

Nor does this situation apply to the Romney and his fellow-travelers. Protecting the politically vulnerable by protecting their money can be handled by requesting special treatment in the same way that political refugees themselves get asylum. Finally, there are only a small number of people who are both wealthy and under attack in their home countries that need such financial asylum. The overwhelming majority of the tortured and oppressed are ordinary citizens who have little to no money to bask in the sun of the Caymans.

So, like much of right-wing commentary, Cato's defense of the Romney foreign tax havens is pure sophistry. It is without substance.

There is, however, a lot of substance behind what the Romney foreign tax havens cost the rest of us.

Romney and his pals cost the U.S. \$1 trillion over a decade. We need to build and re-build about \$2 trillion in our roads, bridges, water systems, electric grids and so forth. Closing the Romney foreign tax havens, as Bill Clinton was close to achieving prior to George W. Bush becoming president, would pay for half of that.

And, no increase in tax rates of any American who does not park their money in exotic foreign tax havens is required.

That is the 99.998 percent.