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Democrats' hypocrisy with the rich

Lower taxes increase prosperity

Richard Rahn | August 27, 2012

Did you know that President Obama is responsible for the loss of more U.S. jobs than any other person? Did you know that Sen. John F. Kerry and his wife are three to four times as rich as Mitt and Ann Romney, according to the New York Times, yet paid a lower tax rate than the Romneys in 2003, the year before Mr. Kerry ran for president? Do you know how to lower your tax rate? Read on.

Mr. Romney is being criticized in the mainstream media for having paid just about 14 percent of his income in federal income taxes and having some of his money in places like Switzerland and Cayman (even though he appears to have paid all of the taxes on interest and dividends that were due to the United States). Yet, eight years ago, when the far richer Mr. Kerry and his wife paid a slightly lower tax rate and also had their money dispersed globally, as sensible rich people do, they were lauded by many of the same folks who are now in a tizzy about Mr. Romney's finances. Note: Mr. Kerry's wife inherited her money, while Mr. Romney earned his by building real businesses.

Rich people usually employ others to manage their money. Presidents and presidential candidates put their money in blind trusts, as have Mr. Romney and Mr. Obama. When people hire money managers, they expect them to make the highest after-tax returns commensurate with the level of safety those people desire, and the managers have a fiduciary responsibility to do so. Diversification, by type of investment (stock, bonds and real estate) and by geography, is considered prudent financial management.

Mr. Romney's opponents are asking why anyone needs a Swiss bank account (except for the rich Democrats who have them). Three reasons come to mind: safety, better returns and better service. When Mr. Obama took office, the Swiss franc, in dollar terms, was about 20 percent cheaper than it is today and almost 50 percent cheaper than 10 years ago. Some of the Swiss private banks have been around for more than 200 years and are managed prudently because the owners are totally at risk (unlike U.S. banks). Alas, ordinary Americans are being prevented from protecting themselves from U.S. economic mismanagement by having Swiss and other foreign bank accounts because of new Internal Revenue Service regulations. Some, such as the Foreign Account Tax Compliance Act (FATCA), are so costly and complex that foreign institutions increasingly are refusing to open accounts for Americans. (Note: Sen. Carl Levin, Michigan

Democrat, is the primary proponent of these destructive and oppressive regulations. He demands transparency for everyone else's financial accounts, but he is one of the senators who has refused to release his own tax returns.) The attacks on Switzerland by the Obama campaign in its attempts to stigmatize Mr. Romney have become so vicious and inaccurate that the Swiss government has protested.

The Gawker Media Group hit Mr. Romney last week by "exposing" that some of the funds in which he had invested were registered in the Cayman Islands, and some of those funds had been invested in companies that had gambling and other such allegedly naughty but legal operations. It then was uncovered by an enterprising financial blogger that Gawker Media Group Inc. was a Cayman Islands company. If you own mutual funds, there is a high probability that some of them will be registered in Cayman, which has more funds than any other jurisdiction because of regulatory efficiency, not tax evasion. I expect that almost every major media company -- including the owners of MSNBC -- has some of its legal entities in Cayman. I also expect that most people who own mutual funds -- including Mr. Obama and Mr. Romney -- have no idea about all of the activities of the businesses in which the funds invest.

The United States has the highest corporate tax rate in the world at 35 percent, which puts U.S. companies at a competitive disadvantage with other countries that have lower rates (e.g. Canada at 15 percent, Ireland at 12 percent, Bulgaria at 10 percent and so on). As a result, U.S. companies are forced to move some of their operations into other countries in order to remain competitive. If they bring the profits back to the United States, they are taxed at the full U.S. rate. So Mr. Obama and others who resist allowing companies to bring back the money to the U.S. at a lower rate are basically forcing them to invest their profits and create jobs outside America. Mr. Levin and other economic know-nothings want to penalize U.S. companies for not bringing their profits back to the United States. Such restrictions would backfire by driving more companies to move their place of incorporation and head offices outside the U.S. The correct solution is to reduce the corporate tax rate to make U.S. businesses internationally competitive.

Many people lower their tax rates by donating substantial portions of their incomes to charity, as Mr. Romney does, or buying tax-free state and municipal bonds -- even though they provide a lower rate of return than many taxable investments. If you look carefully at those who are attacking "the rich" for not paying high enough tax rates and having some of their money outside the United States, you will find people who are economically ignorant, hypocritical or just making silly arguments.

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