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# Joining the chorus for tax cooperation

## *Democrats' FATCA would send capital fleeing overseas*

By Richard W. Rahn

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How much pressure would it take before you would sell out your intellectual integrity? Those who are given responsibilities for developing and promoting sound public policy are subject to never-ending pressure by those in the political class to serve them rather than the public.

An extraordinarily well-researched and provocative paper has just been released, tracing how the Organization for Economic Cooperation and Development (OECD), a major international organization, descended from promoting trade- and job-creation policies among the nations of the world to one that is supporting job-destroying tax cartels for the benefit of the high-tax countries. The paper, "Cartelizing Taxes: Understanding the OECD's Campaign Against 'Harmful Tax Competition,' " was clearly and interestingly written by law and economics scholar Andrew Morriss of the University of Alabama and Swedish economic researcher Lotta Moberg of George Mason University. The authors conducted many interviews and used primary and secondary sources to support their disturbing conclusions.

The paper documents how the OECD drifted from its original goals into an organization that is undercutting the rationale for its existence. Mr. Morriss states, "The puzzle we set out to explore is why the OECD, an organization devoted to promoting economic growth for much of its existence, would start promoting tax policies that reduce economic growth." The paper shows that "central to the OECD critique of tax competition was the claim that attracting investment was an illegitimate criterion for evaluating tax policy, even though creating an attractive investment climate was treated as a legitimate goal in other policy areas by the OECD." The authors note, "The most objectionable feature of the OECD's expansion of its mission was its effort to impose its standards on jurisdictions that had no voice in the creation of the standards through the blacklist." Again, Mr. Morriss comments: "There is something particularly galling about people sitting in Paris, getting hefty tax-free salaries [also true of those working for the International Monetary Fund, World Bank and other international organizations] paid by the rest of us, spending their time telling the rest of the world to pay higher taxes." Finally, perhaps most frightening of all, as Ms. Moberg notes, "The ongoing project against tax competition can be seen in a larger perspective of international organizations moving into areas of international regulation, if not by legal means then by peer pressure and norm setting."

What we are seeing is the growth of international, non-elected bureaucracies that hack away at our liberties and economic freedoms, destroying jobs and opportunity, all in the name of redistributionist and "tax-fairness" schemes. In the case of the OECD, the United States is funding approximately a quarter of its budget. Citizens ought to be asking members of Congress why their precious taxpayer dollars are being wasted on an organization that is now promoting and mandating destructive economic policies.

But international organizations aren't the only ones that are destroying jobs and economic opportunity in the name of tax fairness. The U.S. Treasury and Internal Revenue Service are considering regulations that could cost Americans millions of jobs. One of the regulations being developed stems from the Foreign Account Tax Compliance Act (FATCA), which was passed by Congress in 2010. FATCA would impose a 30 percent tax on the investment in the United States of any foreign financial institution, including a bank, if it had any unreported U.S. citizen or green card holder contributing to the pool of money invested. Furthermore, the foreign financial institution's officers could be subject to civil and criminal charges for making such an investment. In an era of common dual citizenships, it is impossible for a foreign financial institution to know for certain whether any of its clients is a U.S. taxpayer (i.e., citizen, green card holder, etc.). Thus, foreign financial institutions in Switzerland, Taiwan and elsewhere are pulling their investments out of the United States right at the time when the U.S. needs all of the job-creating foreign investment it can get.

Sen. Carl Levin, Michigan Democrat, and the other economic-know-nothings who proposed these measures claim - without any basis in fact - that the United States is losing $100 billion annually because of foreign account tax avoidance or evasion. Private foreign investment in the U.S. is about $14 trillion. So $100 billion is less than 1 percent of the private foreign investment, yet the mental midgets in Congress and the administration are willing to risk trillions of dollars in job-creating foreign investment in exchange for a phony $100 billion. Well over 10 million American jobs are at risk because of this foolishness.

It gets worse. The Treasury and IRS have yet to do a cost-benefit study of FATCA, but final regulations are being developed. In the private sector, executives who so failed at their fiduciary responsibilities would be fired, perhaps fined or even sent to jail. But members of Congress and the executive branch are most unlikely to pay any penalty for risking perhaps 20 to 40 jobs for each job they might, theoretically, save. By the way, many of the senators and congressmen who brought you FATCA are the same ones who want to continue to fund the OECD. Mr. President, if you really care about jobs in the way you say you do, why are you not calling for the repeal of FATCA and reining in Mr. Levin, his colleagues and your own Treasury secretary, who are in the process of endangering far more existing jobs than any of your questionable jobs proposals could possibly create?