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International corporate tax scheme part of race to build backwards

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And the slips just keep on coming, one greasy policy slide after another, moving backwards into an old world economic order dominated by higher taxes, massive increases in government control and a global governance system dominated by a chummy relationship between politicians and corporate executives. From global corporate tax reform to central bank interventions to the escalating financial industry takeover of energy investment decisions, the Build Back Better movement is accelerating in reverse gear.

This week's chart-topper is the agreement among G7 countries to impose new tax rules on international corporations. At least it appears to be an agreement; details are few beyond the constantly regurgitated claim that the objective is to reverse the alleged international corporate tax "race to the bottom."

Under the new regime, outlined in a subversive communiqué, the plan is to launch a race to the top in corporate taxation. How high can we go? "This is a starting point," said French Finance Minister Bruno Le Maire following the weekend G7 meeting of ministers in London. "In the coming months we will fight to ensure that this minimum corporate tax rate is as high as possible."

There's talk of a minimum corporate tax rate of 15 per cent that would be adopted by all nations. Canada's current federal corporate tax rate is 15 per cent, but provincial corporate taxes raise the national average to 26.5 per cent. That rate is considered by tax advocates to be the product of a "race to the bottom" among nations. Over the last 30 years Canada's average corporate tax rate has fallen from around 50 per cent in the 1980s before hitting 43 per cent through the 1990s and then 26 per cent in the last decade.
But even at that low rate, Finance Minister Chrystia Freeland complains that Canada is globally uncompetitive against nations that use tax policy to attract investment and create jobs. "In the world today," she told CBC radio on Monday, "companies can jurisdiction shop. And especially big multinationals, they can move their base of operations to a country that has a much lower tax rate than Canada and avoid paying taxes here. And that is a problem for our country. It's a problem for middle-class Canadians. And it's also a problem for Canadian companies — all the Canadian companies who aren't doing that and who are competing with companies that do do it."

So the Canadian plan, then, is to get the rest of the world to raise corporate tax rates to at least Canadian levels, supposedly to prevent Canadian corporations from shopping around the better tax rates in, say, Ireland, Hungary and China, where lowers rates exist or are negotiable.

All this will not be easy. The sketchy G7 plan now goes to the G20 and ultimately toward an agreement among 139-nations under an OECD umbrella. The underlying assumption is that trillions of dollars can be extracted from international corporations to be redistributed by politicians with other agendas.

And it's not as if G7 corporate tax revenues have been falling. A Cato Institute commentary by Chris Edwards notes that corporate tax revenues among the nations have been steady since the 1960s, and actually rose during the period when the alleged race to the bottom was taking place. As the Wall Street Journal put it the other day: "Chinese officials must be chucking over their tea as they read the G7 communiqué."

Ah, yes, that communiqué. Forget the headlines. The tax scheme took up only one paragraph in a 20-paragraph document that aims to continue the remake of the global financial system and the global economy.
Here's a sampling from dominant paragraphs:

Paragraph 6: "We welcome the continued commitments to tackle climate change by financial firms across the world, including through their active participation in the Glasgow Financial Alliance for Net Zero."

Paragraph 7: "We recognize that climate change poses increasing physical and transition risks to regulated financial institutions and to financial stability, and that these risks have distinct characteristics we need to take into account. G7 authorities consider it important for financial firms to manage the financial risks of climate change using the same risk management standards as applied to other financial risks. G7 Central Banks will assess the financial stability risks posed by climate change, and will consider drawing on, as appropriate, scenarios published by the Network for Greening the Financial System. Central Banks will share learnings on taking climate-related risks into account in their own operations and balance sheets as appropriate, and look forward to discussing later in the year how they might make their own disclosures based on the recommendations of the TCFD (Task Force on Climate Related Financial Disclosure)."

There's more. The G7 communiqué is clearly about grabbing corporate revenues and profits to fund accelerating government and financial control as part of a post-COVID climate reset to bring back better by going backwards.