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Democrats' tax plan is war on freedom and investment

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Leftists are thrilled by the Biden administration's plan to stamp out the bogeyman of tax havens – low-tax jurisdictions where corporations and other investors can keep their money away from the prying hands of government.

They'd have us believe that corporations aren't paying their "fair share" in taxes – and that punishing these scofflaws will bring worldwide benefits. In particular, congressional Democrats are now pushing a re-jiggering of the tax system as a means to fund their \$2.9-trillion welfare-spending program.

"The administration's strategy involves convincing other developed countries to adopt a global minimum tax for corporations, while reshaping the United States' own tax code to stamp out the advantages companies currently get from booking their earnings in tax havens," as Slate magazine's Jordan Weissmann explained.

Some conservatives might support this redistributionist effort given that tech companies such as Google, Facebook and Apple are in the crosshairs. They shouldn't let frustration with those companies' content moderation policies let them jettison their long-term opposition to tax increases. After all, corporations don't really pay taxes – only consumers and workers do.

Let's dispense with the outrage about tax havens. There is nothing wrong with companies and individuals that shelter their earnings from governments, which are like organized mobs that can never seize enough revenue. One need only look at the U.S. government's \$28 trillion-plus in debt to realize that its spending desires are insatiable.

If you believe that tax havens are immoral, then you should not claim any deductions on your tax bill. President Joe Biden apparently thinks it's wrong for corporations to locate their headquarters in low-tax Bermuda, Ireland and Switzerland, yet why does his home of Delaware house so many U.S. corporate headquarters? Hint: It has nothing to do with the, er, lovely scenery around Wilmington.

California is a notorious high-tax state. In our federalist system, each state can develop its own tax policies, which is why so many corporations are moving to friendlier climes such as Texas and Utah. Such competition is a strength of the American system. A similar process works at the international level.

Tax havens provide pressure on big-spending governments to limit tax rates, and lower tax rates boost economic activity, create jobs and incentivize investors to invest more. As economist Milton Friedman put it, "Competition among national governments in the public services they provide and in the taxes they impose is every bit as productive as competition among individuals or enterprises in the goods and services they offer for sale."

Governments propose these anti-tax-haven rules simply to keep companies from evading their tax grabs, thus allowing them to tax and spend with abandon. The main reason tax havens are good is they help corporations shield their money from the U.S. government, which already has plenty of revenues (and debt) – and needs to learn to spend it more efficiently.

Practically speaking, policies that crush tax havens are counterproductive. One prominent 2018 study by Duke University professor Juan Carlos Suárez Serrato found that an IRS rule that increased corporate tax rates for U.S.-based multinational companies had the perverse effect of causing them to lower their domestic investment and employment.

Also on a practical note, "Offshore centers allow companies and investment funds to operate internationally without having to abide by several different sets of rules and, often, pay more tax than ought to be due," noted the Institute for Economic Affairs' Philip Booth. "They make it possible for businesses to avoid the worst excesses of government largesse and crazy tax systems."

Furthermore, the Biden plan will raise taxes on reinsurance companies – insurance companies that provide insurance to other insurance companies – which simply will reduce the number of available insurance policies and raise rates on consumers.

Progressives argue that tax havens allow criminal enterprises to hide their ill-gotten loot, but the libertarian Cato Institute's Daniel Mitchell (who deserves a hat-tip for that Friedman quotation) explains that, "the most comprehensive analysis of dirty money finds 28 problem jurisdictions, and only one could be considered a tax haven."

And he adds that tax havens also allow people living in oppressive regimes (such as Jews in some Middle Eastern countries and dissidents in Venezuela or Cuba) "to invest their assets offshore and keep that information hidden from venal governments."

After looking at how the U.S. government spends its money, it's hard to take seriously the claims of the tax-haven foes, such as Oxfam International: "Big business is dodging tax on an industrial scale, depriving governments across the globe of the money they need to address poverty and invest in healthcare, education and jobs."

Oh please. If eliminating poverty were a function of the size of government tax receipts, then America (and California in particular) would have solved that problem decades ago. Those who oppose tax havens simply want government to take more money and have more power. That's why I celebrate the wonders of offshore havens.

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