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# Global tax bullies

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Are you aware that there is an international effort to increase taxes, including those paid by Americans?

On Oct. 5, the Organization for Economic Cooperation and Development(OECD) will release its "final package of measures for a co-ordinated international approach to reform the tax system under the OECD/G20 Base Erosion and Profit Shifting (BEPS) Project." In plain English, what theOECD bureaucrats are attempting to do is put in place minimum international corporate tax rates, and companies will be required to share sensitive and proprietary information with non-Americans who may misuse it. History tells us that governments often fail in their promises to keep sensitive information confidential, and once a new minimum rate is established for a tax, it is quickly raised. The U.S. income tax started out with a top rate of only 7 percent, which only affected the few millionaires back in 1914.

There are a few important facts that most members of the global political class willfully choose to ignore. In most countries the individual and corporate tax rates and government spending levels are well above the revenue and welfare maximizing rates. Much government spending is also wasteful and even harmful because the bureaucrats are spending other people's money rather than their own. For instance, this past week, it was revealed that the Environmental Protection Agency — the same agency that a month ago heavily polluted a river in Colorado, causing great environmental damage — has been caught spending taxpayer dollars on unneeded exotic furniture. To be exact, one official bought a chair costing $4,047, and another spent $813 on a pencil holder. All of this is small potatoes as government spending goes, but it does illustrate how many in government treat hard-earned taxpayer dollars — and why economic growth declines as government gets bigger.

It has also been well known that as government spending on pensions and other "entitlements" grows, it has a negative effect on hours worked and economic growth. A new paper published by the European Central Bank also shows a strong negative correlation between pension and social security expenditures, as shares of gross domestic product, on household net wealth levels. Again, none of this is surprising, but it is ignored as being politically inconvenient.

Many people, without thinking about it, like the corporate tax because they think it is a tax on greedy billionaires. In fact, the corporate tax is paid by consumers in the form of higher prices and by workers in the form of lower wages and fewer jobs. It results in less investment in new plants and equipment and fewer new goods and services — which is why most tax economists view it as a bad tax. Investors are also hit by the corporate tax, but they have many options, including investing elsewhere or just consuming their savings, which hurts economic growth and future job creation.

The OECD started life several decades ago as a trade promotion and statistical organization created by the few big, rich nations. As bureaucracies tend to do, the OECD grew in number of members and engaged in "mission creep," most notably becoming a lobbying organization — using taxpayer money — for those wanting higher taxes. In its initial effort to promote higher taxes, the OECD published a paper in 1998 titled "Harmful Tax Competition" — which ignored the obvious that competition is beneficial and that tax rates in most countries were already too high for the common good.

The United States and the major European states, notably France, then began a major attack on countries with low tax burdens and tax rates, referring to them as "tax havens," rather than applauding many of them for being fiscally responsible. In the 1980s, the so-called tax havens were accused of harboring drug dealers, which morphed into accusations of protecting organized crime, which morphed into accusations of protecting terrorists, and now they are accused of fostering inequality. Most of these countries and political entities, being small, were pressured into signing and complying with tax and other information-sharing agreements. Yet they are still being slandered as "tax havens," and global investors are being legally prohibited or discouraged from using their legitimate financial services.

The United States has become a global, irresponsible financial bully by imposing its Foreign Account Tax Compliance Act (FATCA) regulations on the world's financial institutions. FATCA greatly reduces the ability of Americans living abroad and low-income people most anywhere on the globe to open bank accounts and transfer money, while placing a stifling burden of regulations on the world's financial industry. The Obama administration and the complicit OECD never bothered to do cost-benefit analysis on all of these new regulations — because many are intellectually or morally dishonest (much like the fact that OECD staff is exempt from income taxes that they demand others pay). Brian Garst of the Center for Freedom and Prosperity said it best when he wrote that the OECD's "BEPS threatens to erect substantial and costly new barriers to global commerce, and its proponents clearly hope no one will notice until it is too late."

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