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Halting French economic thrust

By Richard W. Rahn
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Are you aware of the ongoing world war between a French-led high tax alliance and the United States and its free market allies?

France and its statist allies have been losing the war for economic supremacy to the lower-tax developing and developed countries, like the United States. The French are well aware that their economy and those of other statist European countries perform relatively poorly because they are noncompetitive with lower-tax-burden countries. Rather than correctly cut their own taxes and government spending, they actively try to force others to raise taxes so they might also have stagnant economies. (It appears the French never learned envy is a sin.)

The French try to disguise their real agenda by calling for "tax harmonization" so all countries would have the same tax rates. However, they do not mean harmonization at low but at high rates like the French have. The French and their German and other allies have demanded that the new eastern member countries of the European Union raise their tax rates under the threat of not being allowed all the benefits other EU countries enjoy. The French, Germans and some of the other high-tax EU countries also developed what they called the European Savings Directive that forces other independent financial centers, like Switzerland, Luxembourg, Bermuda, and Cayman, to report financial information on individuals to the EU governments (which might cause them to be victims of criminal or terrorists groups) or withhold taxes for the EU governments. Finally, the French have "captured" (as a result of U.S. neglect) important parts of the Paris-based Organization for Economic Cooperation and Development.

The OECD was originally created by the developed countries to collect and disseminate statistical data and to promote pro-growth, free market economic polices. However, in recent years, France and her allies have been using the OECD's Fiscal Affairs Committee to promote their tax harmonization and anti-tax competition agenda.

The U.S. economy, as well as the economies of many other low tax rate nations, could be severely damaged were the OECD's Fiscal Affairs Committee to succeed in its antitax competition agenda. Even worse, much of the world's population would see its standards of living fall if the high tax advocates succeeded. Fortunately, with the urging of more than 30 public policy organizations, the U.S. Senate Appropriations Committee has approved a funding bill that would prohibit the OECD from receiving U.S. taxpayer

funds if OECD has tried "to identify, report on, or penalize any country that encourages foreign investment through tax incentives."

As you would expect, the OECD and the French are unhappy with the Senate action, and are trying to use their influence in the U.S. government and the news media to stop it. For years, the French have been able to influence certain officials in both the State and Treasury Departments to favor the interests of French statists over those of U.S. citizens. It has now been revealed, as part of the investigation into the Iraqi "oil-for-food program," that certain U.S. State and Treasury Department officials were, at least, partially aware of the massive duplicity and undermining of U.S. policy by the French, yet did nothing. Despite clear evidence of massive financial and human rights corruption on the part of the French, there are still those in State and Treasury who toe the French line and are fighting for the OECD funding, without demanding the necessary changes in the Fiscal Affairs Committee.

Most members of Congress and representatives of interested public policy organizations have no desire to kill the OECD's legitimate statistical collection and reporting. However, the only way Congress can get the attention of the OECD and its allies in the State and Treasury Departments is to deny the OECD funding. The sensible compromise would be for the OECD to agree to cease and desist from all activities designed to discourage tax competition, and for the Treasury Department to withdraw its related French-inspired, proposed interest reporting regulation in exchange for U.S. funding of the OECD. Under this compromise, the taxpayers of the world would win, but the French socialists would lose -- a win-win for economic growth and human rights.

Treasury and State Department officials are in the position to work out such a compromise. If they fail to do so, what will it tell us about where their loyalties lie?

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