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Bad advisers

By Richard W. Rahn
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Do you think your tax money should be given to international bureaucrats who give destructive advice to American policymakers? Well, that is what is happening -- and worse yet, some unthinking souls in the news media and Congress have treated some of these detrimental recommendations with undeserved deference.

A few examples should suffice. The Organization for Economic Co-operation and Development (OECD) has just released its 2005 Economic Survey of the United States. (The OECD is an international bureaucracy whose members are the most developed countries, including, of course, the U.S.).

The report recommended the U.S. adopt a European-style valued added tax (VAT) in addition to the existing income tax, to provide the U.S. government with more tax revenue. A legitimate argument can be made for replacing the U.S. income tax with a VAT, but adding a VAT to the income tax will only enable greater expansion of an already bloated government.

Ironically, other OECD studies have shown the U.S., and every other OECD nation, has a government sector larger than the optimum for economic growth and general welfare. Heritage Foundation economist Dan Mitchell did a comprehensive review of the economic literature earlier this year, to look for a consensus among various studies to determine the government's optimum size. He found virtually every study concluded the public welfare, and economic growth and opportunity, would substantially rise by reducing the size of government relative to the economy.

If the OECD had been responsible, it would have urged policymakers here and in other countries to greatly reduce their government sectors, rather than advise how to increase taxes to enlarge the government. But such a conclusion would not have been "politically correct" in the eyes of many of those responsible for writing the checks (from coerced taxpayers) to support the OECD bureaucrats -- most of whom live in Paris.

Remember, this is the same OECD that attacked tax competition between countries as "harmful" rather than beneficial, as most economists view it. This is the same OECD that endorsed a U.N.-favored scheme to increase U.S. foreign aid spending 450 percent -- from about $15 billion to more than $80 billion per year. This, though virtually every independent study shows government foreign aid (in contrasted to private aid) is largely wasted and unjustified by its costs and benefits.

The U.N. also continues its war on economic growth and freedom of speech. UNESCO just passed a treaty, despite strong objections of the U.S. ambassador to UNESCO, Louise Oliver. The treaty would impose intrusive regulations on what can be played on national airways, including dissenting opinions. There also is a push to grab control of the Internet from the U.S. and have corrupt U.N. officials control it. If that happens, forget the Internet as a device for the free expression of ideas.

The Financial Action Task Force (FATF) is another international organization of unelected bureaucrats who have seized the right to regulate all financial and related businesses under the rubric of combating money-laundering. FATF makes no serious effort at cost-benefit analyses of its regulations, and therefore has hugely burdened the world's financial industry, with precious little in actual results. Worse, these costs are passed on to customers as higher fees and cut services, which hurt the poor the most. From failure to failure, the FATF demands a larger budget and regulatory power.

Another rogue is the World Trade Organization (WTO) which has the desirable goal of reducing global trade barriers. However, its bureaucrats also try to force U.S. adoption of a VAT. They do this by ruling the Europeans may "border adjust" (read -- give rebates) their VATs but deny the U.S. the same right to "border adjust" its corporate income tax. (Note: The U.S. relies more on the corporate income tax than Europeans do, because the U.S. does not have a VAT.) This ruling unfairly discriminates against U.S. exporters because they get a higher tax burden than their European competitors.

Now that the administration and Congress are finally looking for places to cut federal spending, they should begin by sharply cutting the international organizations. U.S. taxpayers should not be forced to be a party to organizations that, in part, undermine both economic growth and liberty.

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