

## **Book Review: Not Even Good Fiction “Treasure Islands: Tax Havens and the Men who Stole the World” by Nicholas Shaxson**

*Reviewed by Richard W. Rahn*

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Have you ever read a book or article about a topic in which you have some expertise and realised that much of what you have read is dead wrong? Nicholas Shaxson’s *Treasure Islands* (Palgrave Macmillan 2011) is the poster child for such a work. The book is not the product of an impartial journalist but was a project of the Tax Justice Network (TJN), an organisation that lobbies for higher taxes and against the fundamental human right of financial privacy. The book has been heavily promoted as an objective indictment of offshore banking and low-tax jurisdictions – but, in fact, is nothing more than a rehash of long disproven myths and an ideological polemic against personal and economic liberty.

Shaxson’s basic thesis is that jurisdictions with low taxes on capital or provisions to defer the tax on capital, whether they are Cayman, Switzerland, The City of London or the state of Delaware etc, all of which he lumps under the phrase “offshore banking and tax havens,” pose a huge threat to economic growth and are ripe with criminality. A serious person attempting to support such a thesis would provide data showing that crime rates, and particularly financial crime rates, are higher in the “tax havens.” Shaxson does not, and cannot, do that because the data show that crime rates, including financial crime, are actually lower in the “tax havens” than in most of the higher tax jurisdictions. Research has shown that “tax havens” on average have much better governance ratings than higher tax nations.

A serious scholar trying to support Shaxson’s thesis would also need to show that if governments tax capital more heavily, they would use the tax revenue for a higher and more productive use than would the private sector, thus adding to economic growth and job creation. Again, Shaxson does not do this because the data show just the opposite. In fact, good economists know that the taxation of capital, and particularly the double taxation of capital, destroys innovation, productivity growth and job creation.

Unable to prove his thesis using conventional scholarship, Shaxson has produced a book of tales about bad and not so bad people, who were engaged in some sort of financial scandal, and had some tie (no matter

how tenuous) to a “tax haven” and blames it on the jurisdiction. His line of reasoning is no more sophisticated than a child who sees a movie in which the Mafia uses telephones, and then concludes that the solution to the crime problem is to ban phones. *Treasure Islands* also contains descriptions of questionable activities that occurred in Cayman and other offshore jurisdictions decades ago that have long since been stopped – but Shaxson conveniently forgets to mention that fact.

Shaxson does attempt to write a history of the development of the low-tax jurisdictions. Such a history could be very interesting, but Shaxson presents it in such a piecemeal, disconnected, inaccurate and careless conspiratorial fashion as to be useless. His research technique appears to be that of collecting old newspaper and magazine stories, without making any serious effort to discern what is and what is not true. Much of what he has written is not new, and much of what is new appears not to be true. If you can visualise a book written by the people who write for the tabloids sold at supermarket check-out counters, you get the picture.

Shaxson did conduct many interviews for the book, but again he appears to have made little attempt to discern whether what he was being told was true or not. Most of his interviews were with people who were disaffected and had turned on their former employers – in some cases for good reasons and other times perhaps not. Shaxson did interview a few of us who held contrary views to his own, as window dressing, and only with us did he question what he was told, but typically failed to support his assertions of why we were wrong. I noticed he made factual errors in reporting on his interview with me. They were of not great importance but merely again demonstrated his carelessness with facts.

For instance, he refers to me as a “former chairman of the Cayman Islands Monetary Authority.” I was a member of the board, but never chairman, which could have been easily fact-checked by looking at my bio on the Cato.org web site and elsewhere. I also noticed what appeared to be dubious quotes or references to other people I know. So I made a couple of enquiries and was told that, again, Shaxson got it wrong. I view most of this as not necessarily an attempt to deceive, but just plain sloppy and careless. However, he was deceptive with me when he requested the interview, because, while admitting to being a man of the left, he insisted that he was an independent journalist seeking truth. He failed to disclose that it was a project of the TJN.

Almost all books will contain a few errors, even mine, but most people who consider themselves serious authors have their works fact-checked before publication. This is clearly not true of *Treasure Islands*. At some point, the errors, either intentional or non-intentional, become so pervasive that the book must be considered fiction, much like a historical

novel that contains both historical fact and the author's fantasies – Treasure Islands ought to be placed in the fiction section of the library right next to the original Treasure Island.

Nicholas Shaxson admits that he favours more regulation of private enterprise and more income distribution. Perhaps because of his ideological blinders, he has a problem identifying who is on the right, the centre and the left. He refers to the Heritage Foundation as right-wing – a slightly pejorative term for “conservative,” which is how the Heritage Foundation identifies itself. But then he goes on to also call the Tax Foundation right-wing. In fact, the Tax Foundation is widely regarded as a neutral research organisation which provides authoritative information on taxation – i.e., the amounts collected by various types of taxes, distribution of tax burdens, etc. The first-rate work of the Tax Foundation has been used by those all across the political spectrum in support of particular points they have tried to make.

The book contains a steady stream of negative opinion quotes, as contrasted with facts, from a variety of people about “tax havens.” One of Shaxson's favourite “experts” is a fellow named Jack Blum. Blum is a Washington lawyer, who has spent several decades hanging around Capitol Hill, espousing various conspiracy theories, sometimes even as a Congressional staffer. In one of his more infamous episodes, he gave an improbably high number as to the amount of lost US tax revenues from people illegally not reporting offshore income.

Upon further questioning by the Congressional Research Service, he was forced to admit that he had just made up the number. Blum is now listed on the TJN website as a senior advisor. In fact, many of the people Shaxson quotes from are affiliated in one way or another with TJN. One gets the feeling that he spent some time merely walking around the office and asking each of his colleagues for nasty comments about low-tax jurisdictions and then stuck them in his book as being authoritative and factual.

You may be wondering what types of people form an organisation to lobby for higher taxes, particularly for the most destructive form of taxation, taxes on capital. A few of those involved may be committed socialists who really believe that it is better to have everyone more equal, even if they are poor, than to have everyone richer but less equal. The reality, of course, is that among almost all socialist regimes the folks at the top tend to have benefits that may not be called income, which far outstrip what the average person receives. Others who are committed tax increasers have found they can make a living by pushing for higher taxes.

The real scandal that Shaxson and his colleagues overlook, because they are part of it, is that they use coerced taxpayer funds to lobby for higher taxes. If you peer through the layers of laundered money to see who is funding TJN and its US ally “Citizens for Tax Justice,” you will find taxpayer funds. Many of CTJ's board members are leaders of public employee unions, and it is a fair bet that is where much of the funding comes from. Since CTJ is a lobbying organisation, it does not legally have to report where it gets its money – even though it demands financial transparency from others. In non-right to work states, public employee unions can force people, even against their wills, to join and/or pay dues to the union to get a government job.

The public employee unions get sweetheart contracts from the politicians who fear union retaliation at the expense of the poor taxpayer. The union dues are deducted by the government and paid directly to the union.

The union bosses then take some of this taxpayer-coerced money and use it to lobby for higher taxes and more public employees, in part, by funding organizations like CTJ. It gets worse. The president of the National Treasury Employees Union sits on the board of CTJ. The IRS is part of the US Treasury, so you have those people who are involved in enforcing and administering the US federal income tax being part of a union that uses taxpayer money to lobby for higher taxes. Hmmm – no conflict of interest there! Organisations that fund the TJN in Europe are funded, at least in part, by the unwitting taxpayers in the UK, Norway, Spain and perhaps other countries.

There are almost no limits to Shaxson's hypocrisy. Referring to his comrade, he writes: “Bob McIntyre (sic) of Citizens for Tax Justice ... has spent much of his life battling with the armies of lobbyists in Washington. There are so few of us,” he sighs wearily, “and so many of them.” What nonsense! McIntyre has spent several decades lobbying for the public employee union bosses and peddling economic snake oil.

Does the book have any redeeming quality? As a work of fiction, it is too boring and disconnected. As a history or documentary, it is too filled with myths and factual errors and lacks a logical, believable thread.

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<http://www.compasscayman.com/cfr/2011/07/19/Not-even-good-fiction-Treasure-Islands--Tax-Havens-and-the-Men-who-Stole-the-World-by-Nicholas-Shaxson/>