



Political Bullies and Faith

by *Richard W. Rahn*

WHITTLESEY PROVIDES SWISS ANTIDOTE TO BIG GOVERNMENT

One of the most delicious moments in last week's presidential debates was when President Obama attacked Mitt Romney for having some of his money invested in Chinese and Cayman Islands companies. Mr. Romney replied by noting that the president has some of his investments in Chinese companies and also has investments through a Cayman trust. The president indeed, through funds he holds, has invested in a private equity and buyout firm (that operates like Bain Capital) that has put money into Chinese equities and Cayman Islands partnerships.

Most everyone who has investments in mutual funds is very likely to have some of the investments in companies registered outside the United States. We have a global market for capital, and investment managers who are fulfilling their fiduciary responsibility in trying to minimize risk for their clients and maximize returns will invest globally. Both Mr. Obama and Mr. Romney have their money in blind trusts, so they have no direct control over those funds.

There is nothing wrong with how the president and the former Massachusetts governor are protecting their savings and, in fact, are contributing to global prosperity. It is more likely that fund managers who are allocating money to what they see as its highest and best use are creating many more jobs than would occur if

government bureaucrats were allocating the money -- remember Solyndra and the other disastrous government investments.

The economic know-nothings in the press and the tax bullies in Congress have spent decades unfairly tarnishing the image of offshore financial centers such as the Cayman Islands and Switzerland. The fact is that investments made through corporations and trusts in Delaware (home of Vice President Joseph R. Biden) and Nevada (home of Senate Majority Leader Harry Reid) are far less transparent than are most investments made through Cayman and other offshore jurisdictions. The evidence is that the world would be far poorer, with millions fewer jobs, if there were no Swiss bankers and offshore financial centers such as Cayman, Bermuda, Jersey, Singapore, Hong Kong, Dubai, etc. The skilled financial experts who operate out of the world's many financial centers allocate global capital where it can be employed most profitably, which has the side benefit of making the world far more prosperous and civil. In Adam Smith's phrase, the "invisible hand" of self-interest is what makes the world work, not bullying, self-proclaimed dogooders in governments.

Unfortunately, tax and regulatory bullies in governments continue to undermine productive economic activity and job creation. In a misguided, mean-spirited and destructive attempt to grab more tax revenue, bullies in the U.S. Congress, notably Sen. Carl Levin, Michigan Democrat, Sen. Max Baucus, Montana Democrat, Sen. Richard J. Durbin, Illinois Democrat, and Sen. Chuck Grassley, Iowa Republican, have pushed measures that are doing great economic harm, most notably the Foreign Account Tax Compliance Act (FATCA). The goal of FATCA is to ensure that American taxpayers report income made through foreign financial entities to the U.S. tax man. The cost of compliance and associated risks are so high for foreign financial institutions that many are now refusing to open accounts for Americans and invest in America, which is causing great hardship for ordinary law-abiding Americans living abroad, and will result in the United States losing hundreds of billions in foreign investment and millions of attendant jobs.

The global left-leaning tax and regulatory bullies have been engaging in a low-level economic war against the Swiss and others who have had the temerity to show that low tax rates

and limited government not only work but make a more prosperous and civil society. The Swiss have engaged in the unpardonable sins of not participating in war in a couple of centuries; having a very functional democracy that ensures a high level of civil liberties (including the basic human right of financial privacy); having a dynamic, full-employment economy with very high wages, all without the benefit of natural resources; and having a government that provides high-level services with relatively low tax rates without running a deficit.

For three decades, a thorn in the side of the big-government bullies has been a remarkable woman, former U.S. Ambassador to Switzerland Faith Ryan Whittlesey. As head of public liaison in the Reagan White House (when I first met her) she already was well known as a fierce defender of limited government and a masterful coalition builder -- skills she partially learned as a young Pennsylvania state legislator. Unlike many ambassadors, she took her responsibilities seriously and brought her keen intelligence and high energy to teach Americans how the Swiss had managed to become an island of liberty and prosperity in a world of bullies. After leaving her embassy post, she continued her work as president and chairman of the board of the American Swiss Foundation until she retired in 2008. Mrs. Whittlesey also served on many other boards of corporations and nonprofit groups, including a six-year stint as chairman of the Institute of World Politics.

On Oct. 4, Mrs. Whittlesey received a well-deserved lifetime achievement award presented by Supreme Court Justice Antonin Scalia. The new Part II "Atlas Shrugged" movie -- which is very much worth seeing -- reminds one of the world we will get if we do not stand strong against the big-government bullies, as Faith Ryan Whittlesey has done all her professional life.

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