



Global Tax Increases

BY RICHARD W. RAHN

THE OECD WOULD DESTROY PROSPERITY AND LIBERTY

Do you approve of Congress spending your hard-earned tax dollars on an international organization that lobbies governments, including the U.S. government, to raise taxes? The Organization for Economic Cooperation and Development (OECD) was originally created to collect and publish economic data, and to promote policies that encourage trade among its members. But over the last two decades, it has morphed into an organization whose principal focus is to push for higher taxes in both its member and non-member states.

Most congressional Republicans ran on a platform to reduce unneeded and counterproductive government spending. The OECD is the perfect example of government run amok. State Department bureaucrats push for more money for the OECD, in part, because they get to go to its conferences that are held in its Paris palace headquarters. (Never underestimate the value to a government bureaucrat of a great meal in a nice location.) The bill containing the OECD appropriations is now before Congress, which provides the perfect test of whether the Republicans are serious about getting rid of destructive government spending.

This week the OECD will be holding an international tax conference in Washington, where its officials will have the

opportunity to lobby U.S. opinion leaders to support the OECD's latest tax-increase scheme. Competition is usually seen as desirable — whether it is in sports, business or tax and economic policies among governments. High-tax countries such as France hate the idea that other countries have lower taxes — which enables lower-tax countries to grow faster, provide more jobs at higher wages, and greatly improve the lives of their people. France and other high-tax countries decided to use the OECD as their tool to prevent what they called "harmful tax competition." Other things being equal, global businesses, quite understandably, are attracted to countries that have lower rather than higher taxes. In the United States, there is a similar migration of both businesses and individuals from higher-tax states, such as New York, New Jersey and Connecticut, to lower-tax states, such as Texas and Florida. Most economists see such competition as healthy because it serves as a brake on bloated governments that have become inefficient and corrupt.

The right of individual countries to decide how they tax corporations is under attack by the OECD. The organization calls its scheme BEPS for "base erosion and profit shifting." Under the BEPS proposal, the OECD, not individual companies and governments, would determine how income is allocated among different countries. This scheme would benefit countries that have high corporate tax rates and penalize those countries with low corporate tax rates.

There are a number of questions that need to be asked. Are workers, investors and consumers better off when companies pay higher corporate taxes rather than lower? Is global capital allocated to its highest and best use when corporate taxes are higher or lower? Does economic growth tend to be higher or lower when corporate taxes are higher? Will governments use the expected added tax revenue more wisely than the private sector? Are the OECD and its co-operating governments capable of protecting the privacy, proprietary information, and intellectual property of the businesses that will have to report to governments under the BEPS scheme?

The corporate tax is well recognized as one of the worst taxes, because it is a double tax on labor and capital, which results in lower wages for workers, fewer jobs, less innovation and lower productivity growth. There is overwhelming evidence that most governments are too big to maximize economic well-being and opportunity of their citizens, let alone their liberty — and thus, the last thing they need is higher taxes. Look at the enormous contribution to human well-being, convenience and happiness that Apple products have made to the world's people. Can you name any state-owned company that has performed so well? When the folks at the OECD and its cooperating governments assure us that all sensitive data will be held strictly confidential, it makes us wonder if they have ever heard of Edward Snowden and the never-ending Internal Revenue Service information leaking scandals.

In an important article in the Columbia Journal of Tax Law, "Cartelizing Taxes: Understanding the OECD's Campaign Against 'Harmful Tax Competition,'" Andrew Morriss and Lotta Moberg explain the vapid thinking and hypocrisy of the OECD: "Central to the OECD critique of tax competition was the claim that attracting investment was an illegitimate criterion for evaluating tax policy, even though creating an attractive investment climate was often treated as a legitimate goal in other policy areas by the OECD." For more information on this issue and what the OECD is doing (with our money), check the website for the Center for Freedom and Prosperity.

The OECD has morphed into something that is dangerous and destructive to our pocketbooks and liberty. It would be grossly irresponsible for Congress to continue to fund it. Oh, did I mention that the bureaucrats who run the OECD and advocate higher taxes on us are given tax-free salaries?

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