Using Tax Money to Raise Taxes

By Richard W. Rahn

CONGRESS IS HELPING SUPPRESS INTERNATIONAL TAX COMPETITION

If a member of Congress told you that he was going to use some of your hard-earned tax dollars to support an international organization that demands that you pay higher taxes, what would you say? Unfortunately, the question is not hypothetical, because that is exactly what is now happening. Congress is giving more than $70 million a year to the Organization for Economic Cooperation and Development (OECD), which has morphed over the last two decades from an organization that promoted trade and growth policies to an organization that pushes for higher taxes, which will reduce economic growth.

House Ways and Means Committee Chairman Kevin Brady wrote this past week that the OECD "in its Base Erosion and Profit Shifting (BEPS) project has advanced ideas that will make it harder for our companies to compete and grow. Worldwide American companies are rightly concerned that the BEPS project will result in higher foreign taxes, higher compliance costs, and double taxation." As Mr. Brady also correctly points out, the OECD efforts will likely cause more American companies to move their headquarters overseas, thus reducing the number of Americans that both companies and their suppliers employ.

A quarter of a century ago, the OECD was in favor of competition, but then it was captured by French and other European bureaucrats who didn't like the fact that lower-tax countries were increasing jobs and growing faster than the old high-tax countries. Rather than advocate lower taxes in the high-tax countries, the OECD has done the opposite and become lobbyists and advocates to increase tax rates in low-tax countries so the high-tax countries would not be at a competitive disadvantage.

One might have thought that the U.S. Congress would have immediately cut funding for the OECD, but the organization's officials and lobbyists in Washington undertook an active campaign to wine and dine members of Congress and other agents of influence, including members of the news media, in order to preserve the funding they obtain from U.S. taxpayers, which accounts for about 25 percent of the OECD budget. In effect, U.S. taxpayers were sold out for the price of a good meal — one of the many reasons the people hate Washington.

But it gets worse. The staff and officials of the OECD, and most of the other major international organizations, such as the International Monetary Fund and United Nations, have tax-free salaries and very generous benefits. After all, in the words of insightful Wall Street Journal columnist and former Reagan speechwriter Peggy Noonan, they are part of the "protected class." No worries about job security, retirement, medical insurance or having the connections and wherewithal to send their children to private schools. The hypocrisy of advocating for higher taxes on others while not having to pay taxes themselves is merely part of the price one has to pay for being a "global public servant." They are akin to the protected class of the Hollywood elite, and the left-leaning billionaires, who think the rest of us should not have guns and should drive small, unsafe fuel-efficient cars while they fly around in their private jets with their bodyguards.

What is particularly galling is the economic nonsense peddled by many at the OECD. They are now recommending higher government spending to spur economic growth, a thoroughly discredited neo-Keynesian idea. One might have thought they would have noticed that the big increases in government spending over the last decade did not improve growth but only saddled taxpayers with more growth-destroying government debt.

The OECD has been on a crusade to get countries to "harmonize" their corporate tax base and rates as a way of suppressing international tax competition. They are even leaning on jurisdictions that have no corporate tax to put one in under the false notion that it is only "fair." All of this ignores the fact that most tax economists view the corporate tax as one of the worst taxes, in that it falls in very uneven ways on consumers in the form of higher prices and less innovation, and on workers in the form of lower wages — while investors have the option of putting their money in less tax-disadvantaged investments.

Competition is a plus — whether it is in sports, political systems and parties, goods and services, or in tax policies and rates. A global tax monopoly, as the big-government protected class seeks, will be destructive as are other monopolies. The world will enjoy higher real incomes and more jobs if the BEPS project and its now-corrupted incubator, the OECD, are strangled by having their taxpayer funds withdrawn. Speaker of the House Paul Ryan has promised a return to "regular order," which may enable those members of Congress who are awake to the OECD power grab and not yet corrupted by it to stop its funding.

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