



The Public Pillorying of Apple for Legally Reducing Tax Burden

Last week's show trial of Apple Computer on Capitol Hill ended up being more of an indictment of the Republican Party than of allegedly venal Apple executives accused of tax "avoidance." The Senate hearing, convened by Senator Carl Levin (D-Mich.), was intended to shape public and congressional opinion of Apple's practice of maintaining large capital reserves and profits offshore, where they are shielded from the 35 percent corporate earnings tax imposed by the U.S. government. Instead, thanks largely to the brutal honesty of Senator Rand Paul, the public pillorying of Apple turned into a sordid pageant of Old Guard Big Government Republicans and their Democratic allies against up-and-coming Tea Partiers like Senator Paul.



After a parade of pompous senators, including Republican John McCain, heaped ritual invective on Apple for the non-crime of seeking to minimize legally their tax liabilities, Senator Paul rose to the storied computer maker's defense. Paul argued that many Americans — including politicians — seek to minimize their tax burden. "I frankly think the committee should apologize to Apple," Paul said, blaming a "bizarre and byzantine" tax code "that simply doesn't [compete](#) with the rest of the world." America's corporate tax rate, Senator Paul observed, is higher than that of Canada or the European Union, and capital always goes where it is most welcome; right now, it is more welcome in Canada and overseas. This, Paul insisted, is not the fault of Apple or any other large corporation, but of Congress. He pointed out that every man and woman in the room, senators included, always sought to minimize their tax burden under the law, and no individual or company would retain the services of financial consultants who advised them to do otherwise.

"Instead of doing the right thing, we drag businessmen and women in here to berate them for trying to maximize their profits for shareholders," Paul said. "Apple has done more to enrich people's lives than politicians will ever do." He suggested — not entirely tongue in cheek — that instead of bringing America's most productive citizens before a senatorial inquisition, Congress would be better served by bringing in a giant mirror, so that they could all see clearly the real cause of America's fiscal woes.

Ritual public humiliation of successful businessmen unfortunately enjoys a long and sordid history in the political annals of a country that once prided itself on its adherence to free-market principles; only last September, a similar hearing sought to make examples of Microsoft and Hewlett-Packard.

But in such parlous fiscal times as these, the Apple show trial reeks of desperation, as politicians scramble to raise revenue by any means possible to avoid having to actually cut the size and cost of government. Lawmakers, desperate to fund Big Government without cutting costs, have recently



Written by [Charles Scaliger](#) on May 28, 2013

inflicted massive tax hikes on individuals while reluctantly acquiescing to the largely cosmetic sequester that will have little long-term impact on our vertiginous public debt and gargantuan federal budget.

But if government could somehow find a way to curtail the maddening practice of “tax avoidance,” why, much of the hated sequester could be paid for, and actual cuts avoided. [Wrote the reliably pro-Big Government New York Times:](#)

As corporate tax revenue has withered as a share of the economy and as a share of total revenue, Washington has leaned more heavily on individuals to pay for government. In 2012, personal income taxes and payroll taxes raised \$1.9 trillion, compared with \$242 billion raised from corporate taxes, a disparity that contributes to widening inequality and, in turn, to a slow economy and less social mobility. Congress’s Joint Committee on Taxation estimates that fully taxing the profits sheltered abroad by American corporations would raise an additional \$42 billion in revenue this year, enough to end more than half the spending cuts in the sequester.

This attitude — that government must find more and more creative ways to squeeze the private sector — is rampant among Democrats and Old Guard Republicans alike on Capitol Hill, and the stark contrast of the remarks of Rand Paul (R-Ky.) to the self-righteous condemnation blasted Apple’s way by fellow Republican Senator John McCain is testimony of a growing rift in the Republican Party. Most multi-term Republicans, like McCain, have found me-tooing Democrat demands for higher taxes and more government a reliable recipe for reelection, while newer senators, like Paul and Ted Cruz of Texas, are still adhering to the small-government ideals that got them elected. Where McCain and his Democratic allies would raise taxes, increase regulation, close loopholes, and in general cause further deterioration of the business climate in the United States, Paul, Cruz, and other members of a growing movement in Congress in favor of limited constitutional government would cut government and taxes, reduce regulation, and restore faith in the power of free markets.

Who is right? Consider as evidence the fact that five years of higher taxes, bailouts, massive regulatory growth, soaring deficits, and fiscal stimulus have produced the longest and deepest span of economic stagnation since the Great Depression. However, within weeks of the institution of the dreaded sequester — a largely symbolic but nevertheless significant first step towards fiscal restraint — the U.S. economy has shaken off some of its lethargy. In recent weeks, the Dow Jones has unexpectedly risen to new heights, while housing and construction appears to have stabilized. Much of this year’s surprising economic growth is illusory, of course, but some of it is grounded in the perception (which may yet prove false) that the sequester is basis for believing that, after all, Congress may finally be getting serious about cutting government spending and making the United States a more business-friendly environment.

With Senator Paul and Apple’s beleaguered executives, we can only hope such perceptions are right.

Photo of Apple chief financial officer Peter Oppenheimer, CEO Jim Cook, and head of tax operations Phillip Bullock: AP Images



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