Written by Alex Newman on November 14, 2011

U.S.-Funded OECD "Cartel" Seeking Higher Global Taxes

American taxpayers are sending over $100 million per year to a bloated international bureaucracy that has morphed into a "cartel enforcer" for welfare-state politicians seeking to prevent tax competition, according to a new study.

Entitled "Cartelizing Taxes: Understanding the OECD's Campaign Against 'Harmful Tax Competition,'" the paper examines the Organization for Economic Cooperation and Development and its increasingly fierce campaign to "cartelize" global taxes. And the picture that emerges is troubling to say the least, according to experts.

Competition between nations for jobs, capital, and business has served to restrain big government and harmful policies for centuries. If one regime raised taxes too much, companies and workers could simply move to another jurisdiction.

But now, with massive U.S. taxpayer subsidies representing about a quarter of the bureaucracy's budget, the OECD is working feverishly to end tax competition, according to the paper. And the schemes are designed to benefit high-tax welfare states determined to stem the flight of businesses and capital to more business-friendly environments.

"The OECD began to seek to restrain both member and non-member countries from lowering taxes and to encourage lower tax jurisdictions to raise their rates," explains the 54-page paper, authored by University of Alabama law and economics scholar Andrew Morriss and economic researcher Lotta Moberg with George Mason University. And the organization has now turned "into a cartel aimed at restricting competition among states."

According to the study's findings, the transformation really got underway with a 1998 OECD report on so-called "Harmful Tax Competition" — which critics called an oxymoron. Essentially the organization sought to demonize nations with lower tax rates and better economic policies, going so far as to threaten relatively pro-freedom governments with sanctions for failing to conform with OECD demands.

"We conclude that this transition was in part the result of entrepreneurship by a group of OECD staff, who spotted an opportunity to expand their mission, bringing with it a concomitant increase in resources and prestige," explain the report's authors. "They accomplished this by providing a framework for interests within a group of high tax states to create a cartel."

Despite being the largest single source of funding, the United States has been one of the OECD's prime targets. In fact, the tax-funded bureaucrats in Paris are constantly pushing for big-government policies in America even when they conflict with the American Constitution and traditions of liberty.

Some of the policies the bureaucracy has lobbied for in the United States include a national "value-added" tax (VAT), federal interference in states' corporate law, ObamaCare, the failed "stimulus" package, a 450-percent increase in America's foreign aid spending, global taxes, and much more. Its policy recommendations around the world follow a similar pattern: more government, higher taxes, more centralization, and less economic freedom.

"The OECD is an elite club of high-tax nations protecting the interests of government in the developed nations," explained Americans for Tax Reform President Grover Norquist after the report was released. "Their principal task is to pull the ladder up over the wall to prevent low-tax, developing nations from joining their club."

Senior U.S. officials and even Congress have protested OECD demands in the past. In 2001, for example, then-Treasury Secretary Paul O'Neill blasted the bureaucrats and their scheming:

> The United States does not support efforts to dictate to any country what its own tax rates or tax system should be, and will not participate in any initiative to harmonize world tax systems. The United States simply has no interest in stifling the competition that forces governments — like businesses — to create efficiencies.

More recently, Congress expressed concern about international organizations such as the OECD trying to "interfere with the sovereign right of jurisdictions to pursue low-tax policies." Legislators even directed the State Department to consider such behavior when deciding whether continued participation in particular organizations served American interests. However, Congress approved more than $100 million for the OECD anyway.

Other than the United States, the OECD also regularly attacks members such as Switzerland, Luxembourg, and other nations with relatively low taxes. But non-members — particularly small Caribbean nations attacked as "tax havens" — often find themselves targeted by vicious OECD threats and intimidation for failing to bow down.

"How an organization formed to promote economic development began devoting resources to restricting competition to benefit some states at the expense of others illustrates an important problem for international cooperation more generally," the new report points out. "The dynamics at work in the OECD tax competition case are present elsewhere and suggest that the creation of forums to enhance international cooperation is not always a benign development."

After the study was released on October 27, analysts praised the research and renewed calls to immediately halt U.S. taxpayer funding for the organization. "We have been sounding the alarm for years on the fact that the OECD's agenda has been effectively hijacked by high-tax nations and their tax loving bureaucrats," said Andrew Quinlan, president of the Center for Freedom and Prosperity. "With this paper, we hope to finally convince enough lawmakers that it's time to put an end to their U.S. taxpayer subsidy."

Founded in 1961, the Paris-based bureaucracy was the evolution of a previous organization established in the late 1940s to administer U.S. aid in Europe after World War II. By the 1950s it had become a key driver of the European integration which eventually culminated in the erection of the supranational EU regime in Brussels.

After Europe's governments were firmly settled on the road to ending national sovereignty, the bureaucracy re-branded itself and morphed into an institution with a new mission. Its bureaucrats — who pay no taxes — were supposedly tasked with promoting economic cooperation, trade, and development.

But according to critics, the OECD has done the opposite — encouraging harmful big-government policies and less competition instead of proven market-driven solutions. Bob Bauman with The Sovereign Investor, for instance, said it was actually "acting as a propaganda shill for the high tax welfare governments that finance OECD's tax-exempt activities."

The new report, Bauman noted, "documents the OECD's role as a tool of pro-tax bureaucrats and leftist politicians pushing a global anti-tax competition agenda… Unfortunately, this OECD smear campaign has succeeded in curtailing financial freedoms and financial privacy in many parts of the world."

Some experts even said the OECD might be among the most destructive programs financed by American taxpayers in relation to the cost. "I'm not a fan of international bureaucracies … But the worse international bureaucracy, at least when measured on a per-dollar-spent basis, has to be the Paris-based Organization for Economic Cooperation and Development," noted long-time OECD critic Dan Mitchell, a senior fellow at the libertarian Cato Institute. "Can anyone think of a more destructive item in the federal budget, at least when measured on a per-dollar-spent basis? I can't."

After the paper was released, Mitchell said the authors had done a "great job" exposing the history of the OECD's anti-tax competition agenda and showing how the organization had become increasingly hostile to free markets and limited government. With the United States in dire economic straits already, OECD critics said it was time for American taxpayers to cut off all funding for the organization and other anti-freedom efforts around the world.

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