

Congress of the United States
House of Representatives
Washington, DC 20515-4303

January 3, 2001

Secretary-General Donald Johnston
Organization for Economic
Co-operation and Development (OECD)
2, rue André Pascal
F-75775 Paris Cedex 16
France

Dear Secretary-General Donald Johnston,

I have been following the OECD's campaign against "harmful tax competition," and I believe the OECD is focusing on the wrong problem.

As you know, the OECD considers the tax burden in the United States low, especially in comparison to various European countries. I strongly believe the tax burden in the United States is too high. In fact, the tax burden in the United States has not been this high since World War II. A high tax burden punishes a country's citizens and stifles economic growth. Consequently, countries with high tax burdens need more (not less) international tax competition in order to provide incentives for lowering their tax burden. I am certain that many of my colleagues share my concerns about the OECD focusing on "harmful tax competition" as opposed to "harmfully high levels of tax burdens."

Tax competition has been good for our country. Our comparatively less burdensome tax laws have helped the United States attract investment and entrepreneurial talent from around the world. The United States' tax laws are still too burdensome, but there are encouraging signs that we are moving in the right direction. For example, the United States will likely enact across-the-board tax relief in the near future. As such, I am troubled by any global endeavor that could conceivably hinder the United States' ability to implement this relief.

In order for me to better understand your organization's focus on "harmful tax competition" as opposed to "harmfully high levels of tax burdens," I respectfully request that you address the following concerns:

1. Does the OECD believe that there are "harmfully high levels of tax burdens" in the developed world? If the OECD does believe this to be true, why has the OECD not focused on this issue?
2. The OECD is demanding that low-tax regimes make certain changes to their tax laws. Could you reconcile these demands with international traditions of fiscal sovereignty?

3. Many of the so-called tax havens are in developing nations. If they lose their financial services industry, this will likely cause significant economic dislocation. Has the OECD estimated the economic impact of this loss and/or analyzed whether this could result in increased emigration and crime?
4. Several OECD nations seem to satisfy the criteria you used to define "tax havens." With this in mind, why were no OECD nations listed as tax havens?"
5. The OECD is calling for financial protectionism against "uncooperative" low-tax regimes. Have you ascertained whether these steps would violate WTO obligations?
6. Financial privacy is a concern to many Americans. Why has the OECD embraced information exchange, which would hinder privacy, and not viewed withholding as an option?

Thank you very much for your prompt attention to these questions. I look forward to hearing from you shortly.

Sincerely,



SAM JOHNSON
Member of Congress

cc: The Honorable Amy L. Bondurant, Ambassador to the U.S. Mission to the OECD
The Honorable Lawrence H. Summers, Secretary of the Treasury
The Honorable J. Dennis Hastert, Speaker of the House of Representatives
The Honorable William M. Thomas, Chairman, Committee on Ways and Means