

5th July 2011, Debt, Tax and Human Rights, Essex
**The Ideology of Offshore: How the
unthinkable became practice**



John Christensen, Nick Shaxson, Sam Heinrichs

The epilogue

May 31, 2001

The Honorable George W. Bush
President
The United States of America
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500
Dear President Bush,

We, the undersigned economists, urge you to reject the Organization for Economic Cooperation and Development's so-called "harmful tax competition" initiative. According to the OECD, it is unfair for low-tax countries to attract jobs, capital and entrepreneurial talent away from high-tax countries. To stop this process, the Paris-based bureaucracy is threatening low-tax nations with financial protectionism unless they change their tax and privacy laws so that high-tax nations can more easily double-tax income that is saved and invested - even when that income is earned in other nations.

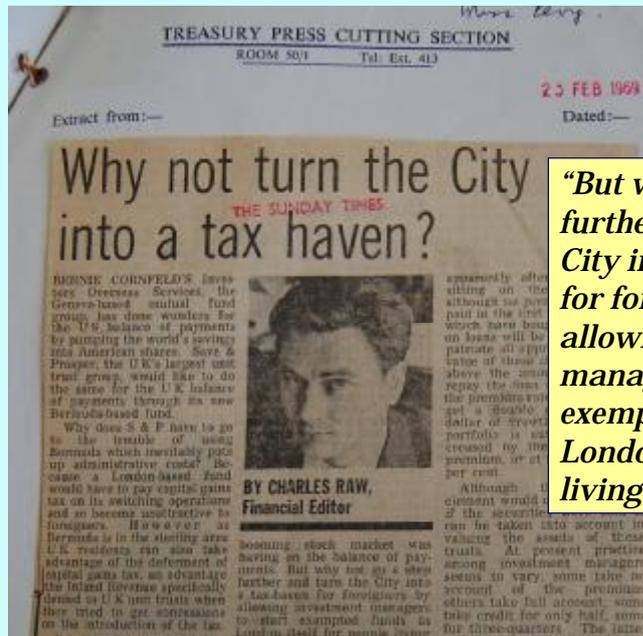
This is a completely misguided initiative. Tax competition is a liberalizing force in the world economy, something that should be celebrated rather than persecuted. **It forces governments** to be more fiscally responsible lest they drive economic activity to lower-tax environments. Other reasons for our opposition include . . .

Sincerely,
Milton Friedman, Jim Buchanan, William R. Allen, Charles Calomiris, Kenneth W. Clarkson, Veronique de Rugy

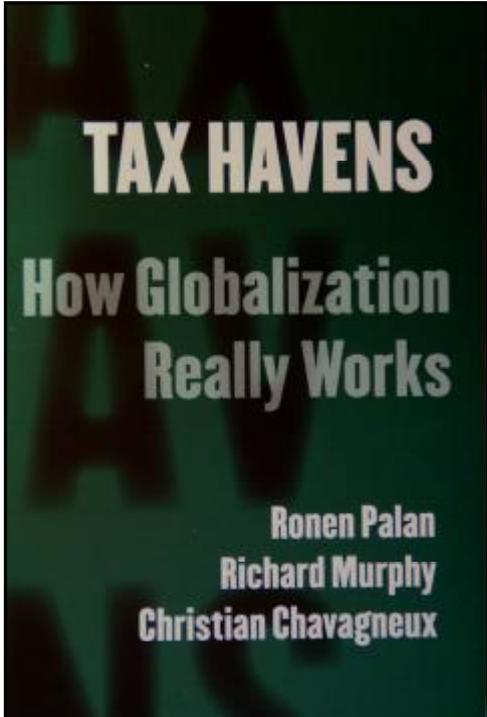
Ideology: The set of ideas which arise from a given set of material interests, or, more broadly, from a definite class or group

- Is there an identifiable ideology of offshore and, if so, to what extent is it a byproduct of broader shifts in the battle of ideas?
- When, where and to who can it be traced?

What could the archives tell us?



"But why not go a step further and turn the City into a tax haven for foreigners by allowing investment managers to start exempted funds in London itself for people living abroad?"



TAX HAVENS
How Globalization Really Works
Ronen Palan
Richard Murphy
Christian Chavagneux

“Tax havens are...at the heart of a particular type of globalization ...characterised by a growing gap between the very rich and everyone else. Such globalization is neither necessary nor inevitable. Rather it is a product of a complex set of factors, key among which has been lenient and forgiving attitudes towards tax havens that have characterized international politics... ”

Cornell University Press
2010, page 7

“Many international financial transactions occur in a realm that is close to anarchy. Although numerous committees and organizations attempt to coordinate domestic regulatory policies and negotiate international standards, they have no enforcement powers. The Cayman Islands and Bermuda offer not only beautiful beaches but also harbours safe from most financial regulation and international agreements. When contractual disputes arise in international financial transactions, it is often highly uncertain where they would be litigated and what laws would apply. Yet, international financial markets and institutions have grown rapidly and have performed remarkably well.”

Kroszner, R.S., (2000) *The Role of Private Regulation in Maintaining Global Financial Stability*,
in John Blundell and Colin Robertson, *Regulation Without the State*, IEA readings #52, p.69





“Without Fisher (shown on the right), no IEA; without the IEA and its clones, no Thatcher and quite possibly no Reagan.”

Oliver Letwin
(1994) *The Times*

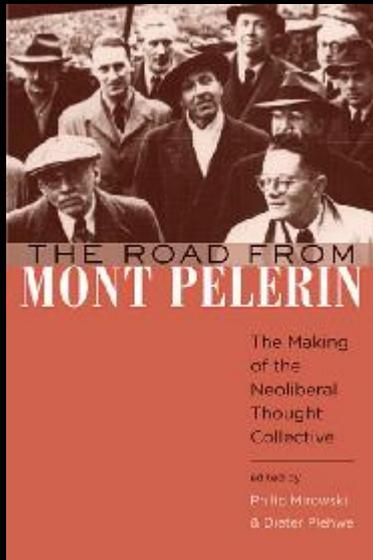


“We must raise and train an army of fighters for freedom to work out, in continuous effort, a philosophy of freedom.”

Friedrich Hayek, addressing the Mont Pelerin Society, April 1947
Quoted in 'Treasure Islands', 2011, p.83

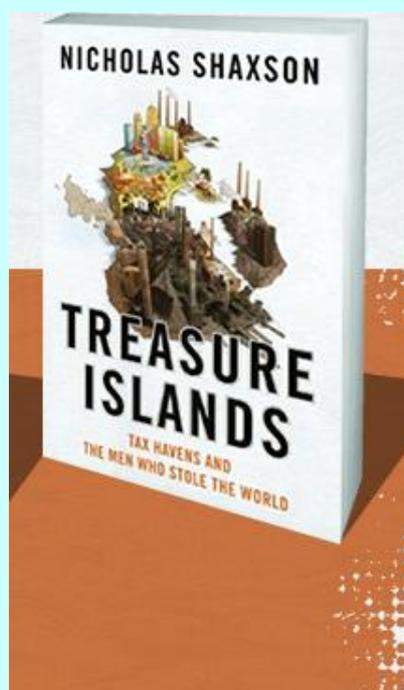
“Hayek’s commitment to liberty, like the Chicago School’s commitment to efficiency, trumped any concern for democracy.”

William Davies, (2010) *The making of neo-liberalism*
Renewal, vol.7, no.4 page 90



“The various groups of neo-liberals that joined the MPS from different countries and professional backgrounds were driven by the desire to learn how to effectively oppose what they summarily described as collectivism and socialism, and to develop an agenda diverging from classical liberalism.”

*Dieter Plewhe (2009)
Introduction (page 6)*



“From the start. The Mont Pelerin Society had strong links to the City of London via Sir Alfred Suenson-Taylor, (who) also helped unlock Bank of England funds to support British delegations to MPS meetings. To actively support an overtly anti-government movement is a curious role for a central bank . . .”

p.84

“The London loophole (the Euromarket which emerged in the mid 1950s), was the invisible financial counterpart of the Mont Pelerin Society’s ideological insurgency . . . The modern offshore system did not start on scandal tainted and palm fringed islands in the Caribbean, or in the Alpine foothills of Zurich. It all began in London, as Britain’s formal empire gave way to something more subtle.”

p.89

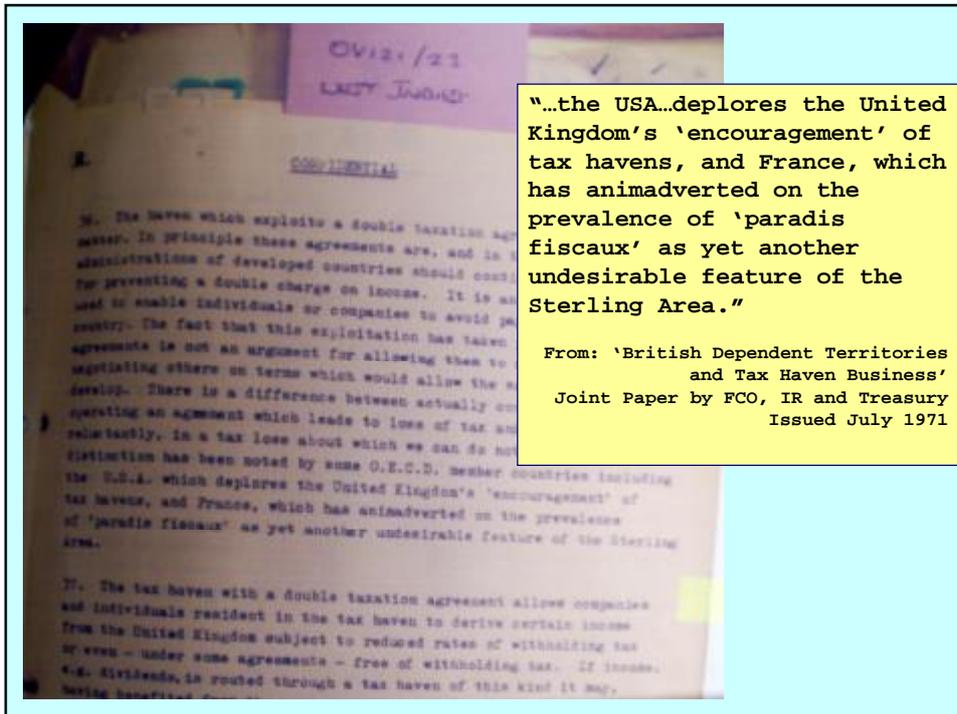
“If we could throw away the stranglehold of the economists’ demand management... (and) extinguish the disease of socialism, we could become a proud people once more.”

Sir George Bolton
Governor of the Bank of England
Quoted in Kynaston, D. (2002) *The City of London, Volume IV – A Club No More*
Pimlico, Page 578



Mr Dun: “Mr Gent of the Bank of England [spoke] giving advice on how to avoid paying UK taxes”.

[Mr Gent] suggests that the Bank of England will not be prepared to pass on information required by the Inland Revenue...does the UK Treasury have no control over the Bank of England in matters such as these – surely Bank employees should not be working against government policy? and just what sort of arrangements and deals are made at these events ‘behind the scenes’? – it really is just a bit too sordid to be true”.



"...the USA...deplores the United Kingdom's 'encouragement' of tax havens, and France, which has animadverted on the prevalence of 'paradis fiscaux' as yet another undesirable feature of the Sterling Area."

From: 'British Dependent Territories and Tax Haven Business' Joint Paper by FCO, IR and Treasury Issued July 1971

"In our semi totalitarian democracy the tax avoider renders us all two services. He upholds the Rule of Law, and he undermines policies of confiscation. Does he not deserve at least some modest applause?"

A.A. Shenfield, 1968, *The Political Economy of Tax Avoidance* occasional paper 24, IEA, p.35





JC – “Do you share TJN’s concerns about the anti democratic nature of tax competition?”

RW - “We (Agorists) treat taxation as theft, so evasion is a means for avoiding the coercion of the state.

I accept that tax competition that favours one business or industry might be distorting, but not as distorting as the regulatory interventionist mess caused by governments.

We would argue that unlimited democracy has flaws – various groups voting themselves more resources.

Democratic rights are pretty trivial... a crude way of satisfying people’s prejudices...very different from a market system with its constant refinements of positions.”

From semi structured interview conducted by John Christensen with Dr Richard Wellings, deputy editorial director on Thursday 16th June 2011 (at the IEA, Lord North Street, London)



“...artificial (aggressive tax avoidance) stratagems and devices have the economic merit of permitting wealth creation by voluntary exchange to continue with the minimum interference instead of being distorted or frustrated by taxation. Economically, tax evasion comes into the same category.”

P110, Barry Bracewell-Milnes
Is Tax Avoidance/Evasion a Burden on Other Taxpayers?
In Tax Avosion, IEA, 1979





"I have long dreamed of buying an island owned by no nation and of establishing the World Headquarters of the Dow company on the truly neutral ground of such an island, beholden to no nation or society."

Carl Gerstacker
CEO Dow Chemicals
1972



JC – "Do you share TJN's concerns about how tax and regulatory competition restricts democratically elected governments and national sovereignty over tax matters?"

RW – "

Corruption can be closely intertwined with government bureaucracy . . . Private sector corruption can be dealt with by the markets themselves; state intervention is likely to make matters worse

From semi structured interview conducted by John Christensen with Dr Richard Wellings, deputy editorial director on Thursday 16th June 2011 (at the IEA, Lord North Street, London)



“Swiss style saving, outside the system, is ... a legitimate defence by citizens attempting to... partially escape the current grasp of the administrators of a disastrous social welfare state and its fiscal policies.”

Dr Konrad Hummler of the
Center for Tax Competition
Quoted in *Treasure Islands* (2011), p.230



LETTERS AND MEMOS
777 WEST END AVENUE
NEW YORK 10019

January 23, 1996

Mr. Tom Lund
20 East 21 Street
New York, N. Y.

Dear Mr. Lund:

I am not a professional writer and I feel no call to judge the merits of a novel. To do that would be to bid you enter the wilderness that I suggest every sane reading public shun. I am full of admiration for your masterful exposition of the plan.

But "Swiss Strategy" is not merely a novel. It is also — so may I say I am — a cogent analysis of the role that might be played by a sophisticated selection of the ideology of one self-styled "socialist" and a brilliant reminder of the consequences of the policies adopted by governments and political parties. It is a remarkable exposure of the "truth" regarding the "dogma of reform" and of the "road" to "justice" for the masses of the "middle-class and professional" — you know the reformers. It is the success that no politician could have the nerve to claim and all the know-nothing in their conditions which you would like to grant you owe to the effort of men who are better than you.

If this be arrogance, as some of your critics observed, it will fit the facts that led to be said in this age of the "Welfare State".

I warmly congratulate you and I am looking forward with great anticipation to your future work.

Sincerely,

1/24

“You have the courage to tell the masses what no politician told them: you are inferior and all the improvements in your conditions which you simply take for granted you owe to men who are better than you.

If this be arrogance, as some of your critics observed, it is still the truth that had to be said in this age of the Welfare State.”