LEGALITY VERSUS MORALITY U.S. CORPORATIONS USING TAX HAVENS

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LEGALITY VERSUS MORALITY

U.S. CORPORATIONS USING TAX HAVENS

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Abstract

There are several points to this paper. The first is to bring to light how changing our tax code could help bring back industry to the United States. The second, a discussion on how globalization affects corporate decisions to use tax havens. Third, to examine some of the legality and morality of these “finance havens.” Fourth, I would like the reader to come away with a desire and willingness to objectively and honestly look at all sides of an argument, as well as to question whether the appointed authorities are doing the jobs they are hired to do. If they are, then, are they doing them effectively and efficiently? Finally, to point out that corporate social responsibility is important not only for the people of a nation, but more specifically for the strength of the nation, but it must be tempered with a resurgence of self-reliant individuals who do not demand to be carried but are willing to aid others who truly need the assistance.

Keywords: Corporate Social Responsibility, Morality, Legality, Tax, Tax Haven
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Introduction

This paper presents several points both for and against changing the tax code of the United States. The paper will most likely raise more questions than it ever answers. Many of them will be far more difficult to answer, in part, due to our general inability to reflect honestly, naturally, and objectively upon ourselves and the topics we hold dear. In it, I discuss some of the pros and cons of changing the tax code. Additionally, I briefly touch on some of the potential tax plans that could aid the nation. I would like to make a point here, and state as clearly as possible, that I have tried my best to remove any political biases in this paper, both during my research for it, and during the actual writing of it. This was a task in and of itself as, in my opinion, even the validated sources one can find in legitimate databases are biased to one side or the other.

While this paper may give the impression of bias, it was never my intent to skew these discussions to one side or the other. Rather, I was simply looking at what would be best for the nation, i.e. the greater good. That is what caused me to choose said tax pans.

The overall objective of this paper is to provide evidence to those who may not be so tax-savvy, as to why changing the tax codes could help the United States and, in turn, the rest of the world. I would simply like the people who take the time to read this to look at things from a non-confirmative perspective and to try and remain as objective and open as possible to all points that are mentioned within here.

Additionally, I would simply like this paper to cause readers to question whether they feel connected to our ruling body? Do they truly represent us, the common person? If they do, is it done so in the most effective and efficient manner? If so, we can perhaps limit the amount of resources or funding that is consumed, while still providing adequate coverage for those who truly are in need, versus those who just want a free ride?
Defining tax havens is not nearly as simple as we would like to think. Since we have made our tax code so absurdly complicated, this has allowed those who would be willing to milk the system to devise and implement many complicated ways to do so. This makes it difficult to clearly identify and define what a tax haven is.

Having a clear and concise tax code has become what some would consider a total and absolute pipe dream. This is evident in the current tax code we have and how it has alluded to people becoming experts at specific ways of slipping through it unmolested. This causes the burden of taxation to fall unequally on the citizens and smaller entities of this country. Those that cannot understand and afford to utilize the loopholes in the tax code will pay disproportionately more as a result.

The globalization of our world is, in my opinion, an inevitability. Coming with that is such a massive myriad of new issues that we are woefully unprepared for. This is touched upon in the third section of this paper, titled “Globalization.” The increased tax load for some nations, versus perhaps a decrease for others, is absolutely mind-boggling. The after effects of these debts, both positively and negatively, is equally incomprehensible.

Tied in so intimately with the previous section of the paper are the societal differences of our shrinking world. Some of these societies will welcome aid from others, while others will refuse it due to an ancient, deep-rooted belief in personal honor. Those who welcome this aid and provide little back to the global community will be viewed as lazy or nonproductive compared to other's these are all but a small taste of some of the issues future generations will face.

We, as a society, currently have such a feeble connection and understanding of the history of our planet and its societies that it is sad, and this is, in turn, tied to the direction we are
headed. As many great scholars of the past have said, a society that fails to learn from the past is doomed to repeat it. This rings as true today as it has since it was first stated.

In losing touch with our historical roots, we have aided an intense and drastic reduction in ethics and morality. I understand many say it is due to us stepping away from church and, respectfully, I beg to differ. This is especially true in the business environment where it is strongly tied into what I refer to as a “beta mentality.” This beta mentality is characterized by those who would do just the bare minimum in order to achieve the goals set before them, or, perhaps not even have any goals at all - simply choosing to coast through life. It is tied to the lack of ethics through what is still, in some cases, a decent desire to be somewhat successful, but unwilling to put in the work to get there.

In this portion of the paper I present some potential alternative tax plans and briefly discuss what some of the pros and cons are for them. I follow it up with what is referred to as “the mass exodus” in the business world. This is where many key leaders and officials abruptly left their positions for a myriad of reasons, and, in many people’s opinions, what has led to the beta mentality and decay of business ethics.

The last topic in this paper is one that I personally have strong dislike for that takes the form of something I like to call the dirty lobbyist. I cannot stress enough the intense disdain I have for them, or even the concept of them. This, coupled with many other things, has had a profound negative impact on us as a society. It extends far beyond just business and goes deep into our daily lives, directly attributing to the decay or societal morality. Personally, I feel anyone who accepts any contributions of any kind from any lobbyist should be instantly removed from office on the spot and never allowed to be in any public or private office ever again.
Many who oppose these potential tax reforms have relegated themselves to only doing the bare minimum to get by and, too, oftentimes being rather deceitful and potentially hazardous to those who do not fall in line with their desires. This has caused what I see as a paradigm shift in our society that was either so subtle, or so rapid, that no one truly realized what was going on. With the exception of a few, and they were often discredited and mocked to the point where they simply gave up or no one would believe what they had to say.

This has also, in my opinion, caused a rise in beta mentality and acceptance with mediocre performance and lifestyles, barring, of course, what is a strong desire to skirt the rules; particularly when it will benefit the individual, and regardless of the impact on others. Examples of this are the growing issues with getting people to work together effectively as a team, or the overwhelming desire of so many of today’s youth to consistently segregate themselves from one another by placing one label or another upon themselves.

The way I intend to convince the reader of my point of view is simply by playing to their logical side. Helping them to look at things objectively and without personal goals in mind. Stop being self-centered and take the hard truth over the easy lie. Be honest with yourself and with others. Slow things down and take the time to think them through. Stop looking at the short game; look at the long game. Instead of looking at what is 5 yards in front of us, as a civilization, we should be looking at what is 1000 yards in front of us and even beyond. I implore the readers to try and use these tactics to make decisions that will benefit us as society for those targets that are far in excess of 1000 yards.

None of the aforementioned things are nice; they are not kind, nor are they intended to be. Nothing in this paper is, either. They are intended to simply cause us to be truthful and honest with ourselves and with others. In doing so, we will be able to excel far beyond where we are
now. These cold and brutal truths are tough to swallow for many. I know they were for me when I was first confronted with them. Once one does, however one will experience a level of humility that will aide him and those around him for all of eternity.
Tax Havens: A Loose Definition

According to Botis, a tax haven is, “those States that offer a variety of tax privileges to offshore companies registered in their territory.” (2014,181-188). This is a very simple and clear definition and will be the one used throughout this paper. From here we can begin to see that the use of these havens could potentially rob the corporation’s home nation of revenue.

To help us get a better idea of just how much business is conducted in these havens, please read the following: “According to statistics of the Organization of Economic Cooperation and Development (OECD), through financial havens were conducted the businesses of huge size. Approximately 65% of the total international monetary expansion was run under the umbrella of such unimaginable havens.” (Botis, 2014, 181-188). So now we may begin to grasp just how devastating to an economy lost revenue can be.

As we can see, this has continuously grown from its meager beginnings to where it is today. “All banking transactions conducted through tax havens have been evaluated at the beginning of the 21st century at about 1,600 billion U.S. dollars. According to studies conducted by economists in the U.S., 25 years ago it ran through tax havens 5% of the world economy, compared to 50% today.” (Botis, 2014, 181-188). When you couple the previous information with the fact that worldwide there are approximately 68 of these “financial havens,” that is an astounding amount of money being moved through a very limited number of countries.

Tax haven supporters, usually the governments or citizens of such places, counter any argument against their tax policies by stating things like, “Governments choose their own taxation rates, they (the tax havens) can achieve enough revenue through land and labor they do need to tax capital as much.”
The potential reason why they can generate enough revenue is because tax havens tend to be very small, not only in physical size, but also in population - generally under 1 million people. The tend to be more affluent than other countries and are typically physically closer to major exporters and are not land locked, hence why they tend to be islands.

One promising feature of most tax havens is that they tend to have a very low level of governmental corruption. They are also very credible; these two factors seem to be essential in the formation of a tax haven. Logically, it makes sense; why would an investor want to move capital to a place where it may not make them any money or could potentially be stolen or lost due to an unpredictable or unstable government? This consideration presents yet another question, and that is where does the desire for ethical treatment of their money come from? They themselves potentially have questionable ethics and or morals. I say this because it is clear they are trying to further their own gain without providing for those of their home nations.
Absurd Tax Code

The driving force behind this growth is the absurd corporate tax code here in the United States. The fact that the past regimes have allowed the corporate tax to constantly increase to where it stands today, coupled with the capital gains tax being where it is today, has driven many manufacturers and other major corporations to move headquarters out of the U.S. and to invest outside of the U.S. Current tax rates are at 35% and capital gains tax is at range anywhere from 20% to 15% (there are many variables that must be taken into consideration).

One issue with the U.S. tax code is its complexity. The idea behind it is sound. There is an attempt to cover all bases, so there are no loopholes for people or corporations to use, but this has created a niche of lawyers who thrive on finding these loopholes for corporations.

"Federal Tax Laws and Regulations Are Now Over 10 Million Words Long." (Greenberg2017).

One would think with such a massive growth in a relatively short period that there would be little to no way for people to circumvent paying their taxes, but as can be clearly seen, it happens all the time and with regular consistency. Although the following information is five years old, it gives one a good glimpse at the sheer amount the home nation losses: “An estimate by Reed College economist Kim Clausing that inversions and other income-shifting techniques reduced Treasury revenues by as much as $111 billion in 2012; and a new Congressional Budget Office projection that corporate base erosion will continue to cut corporate tax receipts over the next decade.” (Glekman,2016).

Imagine the positive impact on national issues, such as veteran’s affairs, infrastructure, and health care, if we could drastically slow or even stop that bleeding off of revenue.
It is plain to see that if we would change our tax code to be more favorable for businesses and investors, then they would naturally gravitate back to their home nations. Obviously, we wouldn’t receive as much money in revenue as we are currently losing, mainly because we would initiate a lower tax percentage. However, the money the nation would receive would still be greater than it currently is. This would also help the nation in other ways, such as job growth; of course, that would also rely heavily on some tighter restrictions on unions and their influence throughout the corporate and government realms respectively, but that is a whole other issue that would require more time and resources than I have to deal with it. It would help improve the overall economy of the nation.

One other thing that many people do not know about or even realize is the impact that simply having American Made stamped on the product has. For example, in Europe, try to buy a pair of Levi jeans or Carhartt jacket. You pay an astronomical price, simply because they are perceived by many to be an American company and made in America. Now, we know the reality is that they are not made in America, but most consumers are ignorant to that fact.

In addition, the idea that if a company chooses to have all the benefits of being from a more developed nation, then they should pay their dues to said nation but, it should also be fully understood that business is exactly that; it is about turning as large a profit as possible. Hence why I believe the best solution is to change our corporate tax strategies.

To further help put things into perspective I would like to show some figures that denote the limited amount of taxes collected from some of the major profitable fortune 500 companies. These were sourced from the following web site: “Fact Sheet: Corporate Tax Rates.” “Americans For Tax Fairness” “General Electric, Boeing, Verizon and 23 other profitable Fortune 500 firms paid no federal income taxes from 2008 to 2012…U.S. corporations dodge $90 billion a year in
income taxes by shifting profits to subsidiaries — often no more than post office boxes — in tax havens.”

Now this very same source (“Fact Sheet: Corporate Tax Rates.” “Americans For Tax Fairness”) has the reverse side to my stance on this problem and that is that lowering the tax rates will not boost growth or jobs. The reasoning they use is as follows. “Conservatives claim reducing the corporate tax rate will substantially grow the economy. But a cut in the statutory rate from 35% to 25% would increase economic output by less than two-tenths of one percent, according to CRS. Economic growth over the past 60 years has been stronger when corporate tax rates were higher, according to the Economic Policy Institute. U.S. corporate tax rates also are not hurting profits — before-tax and after-tax corporate profits as a percentage of national income are at post–World War II highs.”

There is no relationship between cutting corporate tax rates and job growth, (Fact Sheet: Corporate Tax Rates.” Americans For Tax Fairness”) according to a recent study by the Center for Effective Government. “Twenty-two of the 30 profitable Fortune 500 companies that paid the highest tax rates (30% or more) from 2008 to 2010 created almost 200,000 jobs between 2008 and 2012.”

They also state that cutting corporate tax rates will deal a severe blow to the national budget. Their main reasoning for this is: “Those who want to cut the corporate income tax rate from 35% to 25% ignore that it will cost $1.3 trillion over 10 years, according to the Joint Committee on Taxation. They say that rate cuts will be paid for by closing corporate tax loopholes, but this will be extremely difficult given the power of the corporate tax lobby. Even if it was possible, there would be no new revenue for investments or deficit reduction.” (Fact Sheet: Corporate Tax Rates." Americans For Tax Fairness”).
Recent polling shows that the public feels strongly that corporations need to step up and contribute their fair share. For instance: by 79% to 17%, voters want to “close tax loopholes to ensure that American corporations pay as much on foreign profits as they do on profits made in the United States.” By 82% to 9%, voters believe that “reform[ing] the tax system by closing corporate loopholes and limiting deductions for the wealthy” should be used to “reduce the budget deficit and make new investments” rather than to “reduce tax rates on corporations and the wealthy.”

To counter this entire side of the argument, I have chosen this small piece: “Smith advocates lowering U.S. corporate tax rates, which are the second highest in the industrialized world. The corporate tax brings in only 8% of federal tax revenue anyway, Smith points out.” (Zakaria, 2014, 44). Now, these are sound and potentially legitimate arguments and I am sure that information could be found to support them as well.

However, logical thinking says that if more companies move their investments, headquarters, and manufacturing jobs back into the United States, then naturally more money will be spent and more economic growth will occur. Not just from a business standpoint but also on an individual level, as there would be potentially more people working and, therefore, more disposable income. I am also very confident that it would increase tax revenue and reduce the national debt at a much faster rate. I completely agree with their statement about the absurd power of the corporate tax lobbyists. Many people have made the comment before, that politicians should be like NASCAR drivers in that they wear clothes that show who their sponsors are. Personally, I would support this, simply because I feel the root of many of our governmental issues, taxes being one of them, is the whole fraternity of lobbyists and the people who support them.
Globalization

The effect of globalization on the nation’s economy is seen by many as a negative thing. Some argue that it has positive impacts on it due to there simply being more overall consumers and easier access to supplies and materials, others say that it hurts the economy because too many corporations invest outside of the host nation and therefore don’t return money back into the country. “After the recession of the early 1990s, jobs came back 15 months later--though then employment grew vigorously. After the slowdown of the early 2000s, jobs took 39 months to come back. And this time, it may take about 60 months--five years! --for employment to return to prerecession levels, according to an analysis by McKinsey. What happened? Over the past quarter-century, two large forces have swept the world: globalization and the information revolution.” (Zakaria, 2012, 44).

Later in this very same article, Smith again brings up some of the very same ideas that I have, (I am sure he is much more knowledgeable on the subject than I am) some of which are as follows: Smith argues that businesses could be given many more incentives to invest and create products. ”Our tax code favors the financial sector, speculation and leverage at the expense of the capital-intensive or the industrial sector,” he says. He also calls for a "territorial tax system,” which would tax only domestic, rather than worldwide, income, bringing U.S. practice in line with most other rich countries'.

Smith supports more incentives for businesses to spend on equipment and software. Right now, because of tax and other policies, Smith notes, "if you have a dollar to invest, you are better off investing that dollar someplace other than the United States."

(Zakaria, 2012, 44).
With all that being stated by one of the best businessmen currently in our country, I think he is on to something, and this not only shows some of the effects that globalization has had on our national economy, but how we must adapt our corporate tax strategies. If we fail to do so, we will potentially (highly likely) lose our economic power base on a global scale, which will, in turn, reduce our political influence, and eventually lead to the outright downfall of our nation.

Only time will truly tell what impact globalization will have on our economy. However, one thing is certain: if we can bring more jobs and corporations back to the United States, then we will have access to more funds to improve infrastructure and reduce spending on welfare and other federal subsidy programs.
Societal Differences

One could say to look at the models from the European countries and the effects on their economies and such. I choose not to include them, because I do not feel they relate to our nation nor our people.

We, as Americans, think much more independently than most Europeans, not only on a personal level, but also on a national level. That is why I do not think any models or information from the European Union can be applied properly here. Ten pounds of oranges and ten pounds of apples aren’t the same.

I would also like to point out that ethical standards are different between European and American businesses. The American approach to business is more individualistic, legalistic, and universalistic than in other capitalist societies. Evidence to support this can be found here: (Vogel, 1992, 30-19). He states that much of the current surge in ethics in the United States can be traced back to the major Wall Street scandal scandals from 1980’s, some of which were money-laundering by the Bank of Boston in 1986 and check-kiting by E.F. Hutton in 1987; violations of insider-trading regulations by Paul Thayer, Dennis Levine and the so-called "yuppie Five"; and Ivan Boesky, who was fined $100 million and sentenced to prison for three years.

Nearly at the same time, many business scandals came to light in Japan, and much of Europe, some of which were an American company that had acquired a leading British member of Lloyd's found "undisclosed financial commitments and funds missing from the firm's reinsurance subsidiaries"; another major scandal struck London's insurance market: 450 individual members of Lloyd's lost $180 million underwriting policies organized by agents who were alleged to have stolen some of the funds, in London, "a wave of suspicious price movements in advance of takeover bids . . . prompted concern that insider trading is spreading."
In 1987, Geoffrey Collier, a top trader at Morgan Grenfell Group PLC, was indicted for illegally earning more than $20,000 on two mergers involving his prestigious investment banking firm. These are just a few examples; all of this is believed to be the root cause to the resurgence in ethics in business.

Here are some of the key differences in business ethics between the United States and the rest of the world. “The United States is distinctive not only in the intensity of public concern with the ethical behavior of business, but also in the way in which business ethics are defined.” Americans tend to emphasize the role of the individual as the most critical source of ethical values, while in other capitalist nations relatively more emphasis is placed on the corporation as the locus of ethical guidance. Second, business ethics tends to be much more legalistic and rule-oriented in the United States. Finally, Americans are more likely to consider their own ethical rules and standards to be universally applicable. Business ethics in the United States has been strongly affected by the "tradition of liberal individualism that... is typical of American culture."(Vogel, 2016, 107).

"Not surprisingly, a frequent characteristic of business ethics cases developed in the United States is that they require the individual to decide what is right based on his or her own values. While the company's goals and objectives or the views of the individual's fellow employees are not irrelevant, in the final analysis they are not intended to be decisive. Indeed, they may often be in conflict.” “European circumstances it is not at all evident that managers, when facing a moral dilemma, will navigate first and foremost on their personal moral compass." “Rather managers are more likely to make decisions based on their shared understanding of the nature and scope of the company's responsibilities.”
The legitimate moral expectations of a company are shaped by the norms of the community, not the personal values or reflections of the individual. The latter has been labeled "communicative" or "consensual" business ethics. (Vogel, 1992, 39-40). All the previous information clearly shows and supports why the European models cannot be used for American businesses and or taxation.
History

As can be seen in “Critical Events in the Ethics of U.S. Corporation History,” published in the Journal of Business Ethics, the history of corporations with shareholders, as we know it, goes back to ancient Rome. They would form what was called a “Collegia.” This was done with permission from the emperor and it usually consisted of three or more people. They were afforded such legal rights as property ownership, the ability to sue and be sued, and could survive changes in ownership; they would also often adopt their own bylaws.

The Roman government would not require them to file formal charters though, nor did they issue stock certificates to shareholders or government. The stock holders of the Collegia did not enjoy limited liability like modern day stock holders do.

If we look back in history, we can see that during the founding decades of our nation, laws that were originally meant for individuals were adopted for corporations. This was done through various forms of litigation for various reasons. This allows corporations to use both sides of the legal spectrum (personal and corporate).

The point being is that this is, at best, a morally questionable act and has potentially had negative side effects throughout our nation’s history. Initially, during the founding of our nation, the general consensus towards corporations was negative; this being due to the reality that many colonists had served in poor conditions as indentured servants to corporations in Europe.

Further demarcation exists between historical business ethics and the morality of society, such as where are the boundaries for morality drawn? Who or how are they policed or overseen? We shall go into some detail about these topics in the following paragraphs. The history of business aspects covers three distinct, albeit interconnected aspects. Number one, the history of business practices, with respect to morality or ethics. Here is an example: “variation across time
and place in the incidence of fraud, bribery, or false advertising, or variation across time and place in companies’ environmental policies or exploitation of workers.” (Gabriel, 2015, 44).

Second, the history of ideas about business ethics, including the moral highbrow ideas of philosophers and theologians and the more practical ideas of managers, policy makers, and educators. Third, there is history of projects and institutions intended to influence business practices with respect to their ethics and corporate social responsibility.

Including legal and organizational devices, the work of educational organizations, religious organizations, business associations, the media, codes of ethics, awards, groups, meetings, videos, and public statements and lectures. In today’s day and age, many people say that business ethics has become obscenely complex - far more so than it ever was before. That is simply due to the speed at which business is conducted now in modern times.

In years past, things were much slower; hence the appearance that they were simpler. Imagine the differences between the ethical issue that would arise in a general store on the western frontier in the mid eighteen hundreds.

Now imagine the ethical issue that may have arisen in a factory in the early nineteen hundreds. Then, again try to picture the ethical issue in a modern day multinational corporation that conducts business twenty-four hours a day, seven days a week on a global scale.

It can be seen clearly in the Bill of Rights that the founding fathers had no intentions of giving corporations the same legal rights as individuals. Some support for this statement can be seen in quotes from some of our original and greatest leaders. Thomas Jefferson: “I hope we shall crush in its birth the aristocracy of our monied corporations which dare already to challenge our government to a trial of strength, and bid defiance to the laws.” Andrew Jackson: “The mischief springs from the multitude of corporations with exclusive privileges which they have
succeeded in obtaining and unless you become more watchful in your states and check this spirit of monopoly and thirst for exclusive privileges you will in the end find that the most important powers of government have been given or bartered.”

This list goes on to include Abraham Lincoln, Grover Cleveland, Theodore Roosevelt, Rutherford Hayes, Woodrow Wilson, Franklin Roosevelt, and lastly Dwight Eisenhower, all of whom felt the need to state clearly that, yes, corporations are a good thing; however, they must be monitored closely as they have the potential to develop too much power and political influence.

This “anti-corporate” sentiment is still strong among many Americans, be it liberals or conservatives; it is one thing they have in common.

However, there is some discrepancies in how it should be dealt with. One side feels they should be taxed at a higher rate. The other side feels the taxes should be reduced or that corporations should at least be given other options. Regardless of personal stance, the reality of it is that we must continue to watch over the corporations. We must now be more vigilant than before because of the rapidly expanding marketplace and the intense drive for further global connection.

On August 1, 2006, the U.S. Senate Committee on Homeland Security and Governmental Affairs released a report entitled “Tax Haven Abuses: The Enablers, The Tools and Secrecy.” This is to date the most extensive report ever created on tax havens. The permanent committee for investigations went through over two million pages of correspondence, both electronic and hard copy. In addition, they issued over seventy subpoenas and conducted over 80 interviews. (United States, 2006).
One of the first people the committee interviewed is a person by the name of Sam Congdon. Mr. Congdon and his associates, one of whom is Mr. Daniel MacMullin, operate Equity Development Group and Rockford Global Solutions. They are a shining example of why they are much more focused on ethical training and ensuring ethical thought process are being used in the business environment. They allegedly scammed millions of dollars off from other people and corporations by moving money through off shore accounts and the use of tax havens.

The report stated, “offshore tax havens and secrecy jurisdictions hold over $11 trillion of high-net-worth individuals’ assets worldwide. Of that figure, it is estimated that U.S. citizens are responsible for over one trillion dollars offshore.” Furthermore, the report goes on to state “these individuals evade between $40 to $70 billion in U.S. taxes each year.”

If we then combine that with estimated numbers from the I.R.S. on corporate tax evasion, through the use of tax havens and schemes such as transfer pricing the number then grows to an estimate “between $123 to $153 billion in foregone tax revenue annually.” Now, if we take that number and look at just the last decade, we are over a trillion dollars in lost revenue. (Addison, 2009, 723-727).

Think about what that could have been used for: disease research, space exploration, infrastructure, the list goes on and on. As staggering as these numbers are just for our own nation, if we take a glimpse at it from a global view then we see that over two hundred and fifty-five billion each year is lost to tax havens.

For the sake of argument, look at these numbers and put yourself in the position of a liberal-minded person who wants the government of their home nation to provide better health care and education. Imagine just how much better things would be if every nation was not hemorrhaging this kind of money. I think this is common ground that people, regardless of party
affiliation and societal views, should be able to come together and agree. The revocation of tax havens and international law, and law enforcement should be stepped up to stop the money laundering schemes that often take place in them. This would do nothing but continue to allow companies to be adequately profitable and, in turn, make every nation better due to an increase in revenue from their own industries.

Now a person who is famously cited in favor of tax havens, Mr. Charles Tiebout, said that citizens “vote with their feet.” If an individual does not like the mixture of public goods provided by his government, that person can relocate to a different state. This should, in turn, promote efficiency by pressuring governments to use tax revenues to effectively and efficiently improve social welfare. There are many flaws in this. Perhaps, in a time when states and nations were not so interconnected with one another and other countries, this may have had some bit of truth to it. However, now, with the free-flowing of information and the intense interconnectivity of the global society, this is not so much the case. Secondly, people – individuals - are not entirely mobile as that statement would lead one to believe. There are a multitude of reasons for that, ranging from financial inability to personal or family obligations.

Another negative effect that tax havens have on national or state economies is that they tend to force them to lower their own taxes, thus decreasing an already-reduced amount of revenue. This is done in the hopes of enticing businesses to return to the state/nation.

In theory, that should force nations to ensure that every dollar being spent is being done so in as efficient a manner as possible. However, there currently no studies that give any legitimacy to that. The devotion of people and resources to collect the revenue that should have already been given to the state ends up costing more than it originally should have. Those resources and people are not producing anything for the nation, but simply trying to collect what
they were already due. This also reduces consumer goods to a lower-than-desired level and this then reduces the overall welfare of that society. Now, I am no social or economic expert, but that makes it plain to me that, although what many of these corporations are doing is legal, it is not moral and therefore should be stopped.

“A 10 percent reduction in tax rates typically causes a 6 percent increase in inbound foreign investment.” (Addison, 2009, 723-727). Most of the tax havens have seen a rapid growth in the last 25 years. This is due to increased investment from these outside corporations, which supports the claim that many nations choose to become a tax haven because it promotes more investments. There are only three sources of income, and those are land, labor, and capital and capital “can flee at the speed of light these days.” (Addison, 2009, 723-727).

Although there have been many attempts, both current and past, at stopping or reducing the use or availability of tax havens, they have met with little to no success. This is due in part to several factors, one of which is failure to acknowledge that tax havens produce most of their gross domestic product (GDP) through their financial industry. Another factor is cooperation agreements between the United States and the Organization for Economic Cooperation and Development (OECD).

Although these agreements did afford more cooperation and communication, they did little to nothing to help stem the flow of money into the tax havens. In fact, it can be argued that they aided it by producing or giving the ability to use a “smoke and mirror” effect on things, specifically through Tax Information Exchange Agreements (TIEA). “TIEAs will continue to be ineffective if the United States and other OECD member states do not enact more effective legislation to combat tax evasion and provide adequate incentives for tax havens to seek out tax evaders.” (Addison, 2009, 723-727).
Business Ethics and the Beta Mentality: A Dangerous Poison

Returning to the ethical portion of this paper, it has been noted by a multitude of scholars and business professionals that there has been a decline in ethical behavior in the business environment. Often, this is justified by simply saying “this is business,” or “this is just how it’s done.” That is potentially due to a couple things, one being that many people simply lack the courage to do what is right, whether people are observing them or not. Many people would rather have the beautiful lie, versus the ugly truth.

This is partially due to a resurgence in the acceptance of a beta mentality (see previous portion where the differences between the United States and Europe are discussed), beta meaning a less dominant and often less productive or successful personality.

Now I have no evidence to support this claim other than personal observations on things such as lower-performing people still getting praise for a job well done, to the extent that they may even get some sort of award when they did nothing at all above or greater than their prescribed duties (participation trophies). This can be seen anywhere from the military to the academic world to the corporate environment. Decades of celebrating mediocrity have fostered and grown the idea that being second best is ok. It is for most things, but not for a leadership or managerial role.

Allowing people with weaker mentalities, intestinal fortitude, and constitutions to step up and lead others simply affords a greater risk that they will not have the courage to speak up and take a hard right over the easy wrong. A great example where they speak of this courage needed to do the hard right in the business environment is in this video from TEDTalks. (TEDx
Talks, 2012). In here Deterline repeatedly gives examples of beta behavior: “everyone’s eyes were down staring at the table.”

That signifies that everyone was willing to go along with the C.F.O.’s idea of not confronting his friend and C.E.O. of the company about his immoral and illegal actions. However, in her story she finally realizes that she is simply complying, and that it is compromising her moral integrity and she takes a stand and does the right thing.

Mr. Youssef Gaboune gives what is, in my opinion, one of the best definitions of leadership and an ethical leader in the video. (TEDx Talks, 2005). In here he describes that quality as “the ability to move people towards a goal.” He then goes on to define an ethical leader as “a leader who consistently leads in a manner that is respectful towards the rights and dignity of all stakeholders.” If one thinks about that, it becomes clear that it is extremely accurate. Because, if the leader of the organization only cares about bottom line and perhaps personal image, then they will have no issues with questionable decisions or practices that will then potentially bring shame upon the dignity of all stakeholders.

He then goes on to speak on where the start for ethical reform should take place. He says historically we can see that typically social/political leaders are where the change starts. I completely agree with that statement and I feel it supports what I said earlier about only promoting alpha type people into a leadership role.

Paul Tudor Jones II goes on in a TEDTalks video to state yet another point that supports the argument that immoral leaders who are focused solely on profit are causing extensive damage to the global society. He states, “that a laser focus on profits is threatening the very underpinnings of society.” He then goes on to state that the way we have reduced business affairs to nothing, but numbers has removed the humanity from business. (Jones, 2015).
This is an extremely valid point as he goes on to clarify that we do not do this in our personal lives, so why do this in business? The removal of the humanity increases the opportunity for immoral thinking because the leaders then feel the only thing that matters is numbers. This again supports my idea that, as a society, we failed to only allow strong-willed and intelligent people to assume leadership roles.

Now, you may be thinking, what does all of this have to do with legality versus morality and tax havens? It’s simple; it shows the very basis for the moral decline in our nation and the rest of the world, particularly in the business environment. Also, that just because something is legal does not mean it is moral. The decline in morality may be good for the bottom line of business and its shareholders, but it is bad for the everyday working person, as is evidenced by the drastically increased wage inequality between business leaders and the subordinate workers.

These statements can be supported by the facts that are found at the following web sites and articles: "These 11 charts on income inequality will make your head explode." Mother Jones, as well as here: "USA." WID - World Wealth & Income Database. I have also attached a chart so it can be seen directly here. (Gilson, 2017).
Share of total US income by percentile

Including capital gains

Chart by Mother Jones

Source: Thomas Piketty, Emmanuel Saez Get the data
Potential Alternative Tax Plans

In the following pages, I will briefly address a few tax plans proposed by business and government leaders of the past. I will add in pros and cons for each. We will start with what was referred to as Herman Cain’s 9-9-9 tax reform, and discuss his ultimate end goal with tax reform. In his triple 9 plan, the intent was to simplify the tax code and even remove some tax burdens from major corporations, providing incentive for them to bring their headquarters and investment money back into the United States.

In a nutshell the triple 9 plan would put a flat 9% tax rate on individual income tax, a business tax, and a sales tax. Now, just because those labels are placed on the taxes does not show who would be paying more than their fair share of taxes, for example. The wealthy who simply live off the revenue generated from investments would be paying less than the average working person. As highlighted in the article “Not Diggin' the Nines? Try Cain's Other Tax Plan.” Written by Peter Coy and John McCormick, published in Bloomberg Business Week back in 2011.

“But how taxes are labeled doesn't necessarily match who effectively pays them. Daniel N. Shaviro, a professor of tax law at New York University School of Law, says ‘businesses would pay the tax levied on them by reducing workers' pay, while the sales tax would cut into the spending power of wages.’” (Coy, 2011).

The end goal for Cain’s tax reform is a 30% flat federal retail sales tax that replaces the personal and corporate income taxes, as well as the gift, estate, capital gains, and payroll taxes. This is referred to as his fair tax plan, but it isn’t even his idea - it is the intellectual property of a Mr. Leo E. Linbeck Jr., a wealthy, 77-year-old Houston builder who devised it with some friends in 1996 after commissioning research by economists and consulting focus groups. He says Cain
is good friend of his and they haven’t discussed the 9-9-9 plan other than "except to the extent that he sees 9-9-9 as a segue into the Fair Tax. We didn't talk about the details. I didn't see any reason to, frankly." (Coy, 2011).

Next, we will look at President Trump’s proposed tax plan. In his plan, corporate taxes would be reduced via simplifying the personal tax code by cutting rates and eliminating deductions used by more affluent Americans, in addition to cutting the top income tax rate from 39.6 percent to 35 percent. The plan would also reduce the number of personal income tax brackets from seven to three. Potential tax rates would be as follows: 10 percent, 25 percent and 35 percent. It would then double the standard deduction for married couples to $24,000, all the while keeping deductions for charitable giving and mortgage interest payments. The top corporate tax rate would drop from 35 percent to 15 percent with this plan.

Now, many advocates against the plan consistently state the mounting national debt is far too large to take a cut like that to potential tax revenue, and that it would have nothing but a devastating impact on federal and state funding for all types of programs, ranging from national defense to health care and social security. Proponents of the plan say that the cuts would cause more individual spending and bring business and their investment capital back into the U.S. so it would negate any losses.

The big question as far as I can see is whether these corporations and their potential capital and increased spending from individuals would happen fast enough? Or would it take too long and have an irreversible negative impact on the federal finances be the outcome? I personally feel that, if the governmental systems (both federal and state) would be streamlined and run more efficiently than they currently are, the potential for any revamped tax plan’s
success would be dramatically increased, simply due to less waste of the funding currently allocated to run them.

Looking at former presidential candidate Marco Rubio and Utah senator Mike Lee’s proposal, we will see the trend in reducing top tier taxes while providing large reliefs for middle class people. Particular to this plan was the $2,500-per-child tax credit that would have potentially generated a 1.5 trillion-dollar tax reduction over 10 years, in the hopes of having that money then returned to the national economy via increased purchases or investments. This new tax plan is what is referred to as a “supply side” tax plan. In particular this one is seen as a “very aggressive” plan.

The referral to supply side means they are targeting the side of the taxes where they come from; not where they are going i.e. federal or state funded programs and governmental departments. Supply-based taxes have been the driving force since President Ronald Reagan. It is also noted that supporters of this plan believe that a change from Reagan-era taxes is stale and we must move to new ideas. Many of the supporters of this idea are not pleased with how little the upper echelon tax reduction is, though, being that it is only going from 25% from 35%. One economist, Mr. Stephen Moore, an economist at the conservative Heritage Foundation, states that "The problem is the more you increase things like the child tax credit, the more you will move back to the 1960s and '70s tax system with higher tax rates. Instead, we need much lower rates and a broader base.”(Hunt,2015).

One thing that you will notice is that both sides of the discussion, be it the legal or the moral side, realize that there must be changes to the U.S. tax code, and that those changes must be done in order to rejuvenate the willingness of corporations to either stay, or to return to the United States. This recurring theme rings true through all the articles, papers, videos, and
journals we have discussed to this point, with the majority of them stating support either for lowering the taxes as an incentive to bring back the corporations and their investment capital, or arguing against it that they and the leaders of them already do not pay their fair share in taxes, so why reduce it even further? Both arguments have valid points, but they also both have the common ground of attempting to do what is best for the nation.

The issue with the majority of those who argue against it is that they consistently propose ideas or plans that work well in much smaller nations who are not looked at as such a world leader in things like humanitarian aid or defense of human rights. Most of that is done by the U.S. military, which is one of the largest points of contention from the anti-tax cut side of the argument. What they fail to realize is that a significant portion of the defense budget would be reduced if they had their way and cut the budget. This would then cause a reduced capability of our military to provide aid or assistance to other nations, who often not only ask for it, but in many cases, would not even exist if it weren’t for the protection provided to them, be it directly or indirectly, from our nation’s belief in basic human rights.
Mass Exodus

Yet another issue that is taking place with the extensive use of tax havens and the absurd tax laws that we currently have, is the exodus of corporate executives to other nations. It is not on the same level as science and tech industry leaders, however it is still rather concerning. If one takes the time to think that if most of our science, tech, and business leaders choose to, or are forced to leave our nation, due to whatever absurd regulation or law, then how are we supposed to maintain a higher standard compared other nations in any of those areas? This is particularly concerning when you consider that the ones that are leaving are potentially the better and more intelligent leaders.

If the best and the brightest businesspeople leave, then who is going to teach and train any up-and-coming people? Who is going to advise and guide the businesses that stay in the United States? These could all be alleviated by simply adjusting our federal tax codes and stop trying to over-tax the corporations that are being the most productive, and, especially to stop taxing any profit made from their investments. If we want to maintain our status as a world leader, then we must make these changes as soon as possible.
Dirty Lobbyists

Another way to combat this deceitful and morally degrading behavior is the removal of lobbyists from politics in its entirety. The effect lobbyists have on how laws are written and passed is clearly evident if a person takes the time to see who will benefit from the law or policy. A superb example of some of the things that happen “behind the scenes” all too often involves these lobbyists. It can be seen in the beginning of the following article; although it is a bit dated, it is still highly accurate. “The corporate tax lobbyists were all smiles and backslaps as they poured into the upscale Watergate Hotel a week ago Friday to meet with Larry Lindsey, the president's chief economic adviser. They were eyeing George Bush's tax proposal as if it were a medium-rare porterhouse.” (Brant, 2001).

The fact that they refer to the area, where the majority of the lobbyist work, as Gucci Gulch speaks volumes. “Gucci Gulch, the Capitol corridors where well-shod lobbyists ply their trade, is always busy this time of year. But the Bush tax-cut package has the K Street crowd on overdrive.” (Brant, 2001). It is clear they do not respect any of their friends or former coworkers - the sole concern is the dollar and how much can they make.

It is evident that they have no real care for their fellow man, nor any real moral standards. It is a sad day in the business world when a potential leader states thing such as this: “I am getting calls from my former colleagues in business," says Treasury Secretary Paul O'Neill. "I tell them, 'Don't come to this feast... Please go away, please stand down'." But for all his pleading, O'Neill is also a realist. "I know they're going to go up there [Capitol Hill] and do their Gucci-loafer thing." (Brant, 2001).
These few quotes from one article are a drop in the bucket when compared to the amount of references that can easily be found. They all have one resounding common thread, and that is that the lobbyists are the men behind the curtain.

From their behavior, we can then trace the degradation or the moral business compass back to most of the major corporations that are using these lobbyists and tax havens to either get laws passed that will facilitate them making more money and paying less taxes, or that they are simply using a lax moral philosophy to not pay any corporate taxes. Often this is done in combination with one another.

One of the selling points for many during our recent presidential election was then-presidential hopeful Donald Trump’s stand on trying to reduce or altogether remove the corruption in Washington D.C. “Donald Trump says he wants a constitutional amendment to impose term limits of members of Congress.” In addition, he stated “that the limits should be part of a bigger plan to ‘drain the swamp’ of Washington corruption. He says decades of special interest dealing must, and will, come to an end.” (Associated Press, 2016).

This is a growing idea that is supported by many people here in America as is evidenced by outcome of the election. However, it is not just an issue in America, as the global environment has shrunk; it would seem that the reach of greed and moral decline has grown. Evidence of this can be found here. (Mcgrath,2009, 256–27) "The Lobbyist with ‘Balls of Iron and a Spine of Steel’: Why Ireland Needs Lobbying Reform." The author opens his paper up with the following statement “In common with most other nations, Ireland currently has no statutory regulation of lobbying activities. Equally, and in common with many countries, lobbying regulation is becoming a more prominent subject of political debate.” (Mcgrath,2009,
256–27). It shows that this issue is growing to what would almost appear to be a worldwide pandemic of corruption and lack of morality.

The article then goes on to discuss how some Irish politicians have attempted to bring a bit of a reprieve to this issue in the past, but were unceremoniously shut down. “Senator Quinn then called for a pre-legislative consultation process on all legislation: If people wanted to lobby, they would have to do so at a public hearing of a Seanad committee where every contribution would be recorded and available to all citizens. Further, access to the Seanad committee forum would be open to virtually anyone, not merely to those vested interests which can afford extensive and expensive lobbying operations.”

This new approach would totally ban any lobbying of Ministers or officials outside of the Seanad committee forum (Seanad Debates, 1999a: col. 894–95).” (Mcgrath, 2009, 256–27).

“Unsurprisingly, this view was a little too imaginative for most political actors. However, it was reported in May 2000 that the Cabinet had instructed the Attorney General, Michael McDowell, to draft a Bill to establish a lobbyists’ register which could then be considered by the Da´il Committee on Members’ Interests (Donohoe, 2000).” (Mcgrath, 2009, 256–27).

The sheer amount of evidence to support the idea, that there is a moral decline in America and potentially throughout the rest of the world is astounding. This is partially to blame for the actions of these corporations who choose to exploit the tax havens to make their profit margins that much higher. This has prompted many to say that the reason for this decline is the alleged decline in religious participation. They argue that religion is the foundation for morality and that without it there will continue to be societal downward spiral. Now, personally, I do not agree with this statement. I think that logic, compassion, and simply being able to open yourself
up to look at things from other points of view are a much stronger driving force than belief in someone who can walk on water, or someone who went to the moon on a mule.

The idea of simply doing what is right, not just for one’s self, but for the greater good does not originate with any religion. It simply stems from having compassion and caring for fellow man. Another little-known fact for those who argue that there is no real harm in the legal use of tax havens, and that corporations pay their fair share of taxes is explained extremely well in this article from the Atlantic: “The 50 largest American companies made about $4 trillion in profit from 2008 to 2014, according to SEC filings, and kept about a quarter of that amount outside the country. Oxfam analysts calculated that these corporations paid an average effective tax rate of 26.5 percent. That’s below the statutory corporate tax rate of 35 percent and lower than what the average American worker pays, which is 31.5 percent.” (Campbell, 2016). Now just imagine how much revenue could be generated if we were to completely remove or make totally illegal the use of any offshore tax havens for companies. We could still generate a highly inordinate amount of revenue, even if we lowered our corporate and capital gains taxes to something like fifteen percent each - that would then put us a total of 30 percent on any company and their investments. This would then aid in the further reduction of the current tax burden on the average American worker.

The drastically reduced amount of taxes these corporation pay also affects the economy and the nation as a whole in a yet another way: the burden it places on smaller businesses. Often, it is just too much, and they end up going out of business. According to Deborah Field, a former corporate tax accountant, “Because of all this, smaller businesses that don’t have the resources necessary to construct complex tax-avoidance schemes end up paying closer to the full tax rate. This means that they end up paying a larger share of the bill for services such as roads, health
care, and education.” (Campbell, 2016). Basically, the refusal of these corporations to toe their fair share of the line causes not just reduced revenue for the entire nation, but it also has some potentially severe negative impacts on job creation and business growth. This limited growth is detrimental to the overall economy, and the world, as it could potentially force what may end being some outstanding new technology or process from ever truly getting a foothold, because the entrepreneur that created it was just paying far too much out in taxes and was forced to go to another career field.

The following is a few excerpts from an interview between Matt Gardner and Patricia Sabga it explains just one of the ways that corporations use tax havens. “An American company that earns 1 billion dollars in profits on sales in the United States would face a U.S. tax bill of 350 million dollars before deductions, credits and write-offs. But if the company records those profits to an overseas subsidiary in say, Ireland, where the corporate tax rate is only 12.5% it would owe the Irish government 125 million dollars before any adjustments, and nothing to the U.S Treasury if the money is not brought home. One legal maneuver companies use to minimize their U.S. tax bill is to sell or license intangible assets, like software or drug patents, to a lower tax foreign subsidiary. When a product made with that intellectual property is sold, the foreign subsidiary records the income. And because of that, U.S. taxes can be deferred.

We counted 10,000 tax haven subsidiaries among Fortune 500 corporations. Deferral creates a clear incentive for companies to shift their activities offshore, but more damagingly, it creates a clear incentive for them to pretend they’re shifting their activities offshore.” (Sabga, 2017). They also talk about a tactic called “inversion,” which is explained here: “a legal tactic known as an inversion. That’s when an American company changes its corporate citizenship by acquiring a firm based in a lower tax country or jurisdiction. Since the 1980s, more than 50
American companies have pulled this off…with 25 such deals in the past five years alone.” (Sabga, 2017). The fact that 25 of these “deals” has taken place in the last 5 years should provide more than enough evidence to anyone who looks at this topic that the inordinate amount of new tax laws that have been generated are completely ineffective and do nothing but clog the judiciary system up with unneeded litigation as well as consume more precious resources.

Now, for the other side of the argument, they say that corporate sales tax is not the only driving force behind the exodus of U.S. corporations and their investments, I partially agree that it may not be the sole driving force; however, it is assuredly one of the main ones, if not the main one. One such article, at a web site called Think Progress, states that “If American companies are expatriating even though they already manage to avoid roughly half of the statutory tax burden they face, that suggests that cutting statutory rates would not produce a surge of patriotism from these firms.” (Pyke, 2013). They then go on to state “Rather than racing to the bottom on corporate tax rates, the U.S. and other global powers need to make a sea change on tax policy if they are to stop being exploited by savvy, thrifty corporate tax lawyers. European tax avoidance deals are receiving new scrutiny these days, but there is still no sign of the kind of dramatic shift in thinking that some experts say is needed to put a stop to legal tax avoidance.” (Pyke, 2013). They provide no other possible sources to support this side of the argument, so it makes it rather difficult, if not impossible, to lend any real credibility to any of the things they go on to speak about. They even provide ammunition for the other side of this discussion by talking about the merger between the Canadian brand Tim Horton and Burger King. “Burger King took significant heat from customers over its tax inversion merger with Canadian brand Tim Horton’s, but is pressing ahead anyway because the financial returns from the deal are too good to pass up” (Pyke, 2013), which is exactly the point. These corporations do not care about any negative press
because they know that most people do not either. What they care about is the bottom line and how to increase the overall profits.

An estimated 2.1 trillion dollars being held offshore spread out among the five hundred largest corporations in the country. If that money was to be repatriated back into the United States, it would generate roughly six hundred and twenty billion dollars in tax revenue. To give a comparison, the average department of defense budget for the last five years has been five hundred eighty-three billion, four hundred thousand U.S. dollars. That means that just these five hundred companies could provide funding for the department of defense if they paid their fair share; however, they didn’t and we, the rest of the people, must toe the line for them.

Returning to the topic of corporate social responsibility (CSR), we will look into a paper written by Hoy Chun Keung, titled "Is Corporate Social Responsibility (CSR) Associated with Tax Avoidance? Evidence from Irresponsible CSR Activities."

This paper opens with a great description of the two courses of action one can take when viewing CSR. One way to see it as, “On one hand, and consistent with corporate culture theories (e.g., Kreps 1990), one can treat CSR as a shared belief within a firm. In this context, CSR is the belief about the ‘‘right’’ course of action that takes into account not only economic, but also social environmental and other externalized impacts of company actions.” (Chun Keung, 2013).

Another is to look at it from this perspective: “On the other hand, one can treat CSR activities as primarily a risk-management strategy that a firm uses to enhance its CSR reputation, which, in turn, protects the firm from the risk of adverse political, regulatory, and social sanctions/penalties in the case of negative corporate events” (Chun Keung, 2013). Whatever way one chooses to look at it, it is clear that negative or “wrong” CSR will most likely have a negative overall impact on the organization in question.
Further proof of the negative impact of irresponsible CSR, and evidence supporting the fact that responsible CSR has no impact on effective rates, can be found in this article. They state that “we extend LR’s (Lanis and Richardson 2012) findings and show that only irresponsible CSR activities have a significantly negative association with effective tax rates, while responsible CSR activities are not significantly related to effective tax rates.” (Chun Keung, 2013).

The argument that corporate society drives what is considered proper CSR is supported very well within the same article from before. They state, “the preceding arguments imply that if corporate culture drives company policies, then irresponsible CSR activities and aggressive tax avoidance practices are likely to be positively related.” (Chun Keung, 2013). The arguments they are speaking of are as follows “We specifically focus on irresponsible CSR activities because (1) these activities should be inconsistent with CSR as they are widely regarded as detrimental to shareholders and nonshareholder stakeholders; (2) companies most likely will try to avoid these activities, but they might voluntarily pursue responsible CSR activities that are viewed as beneficial to stakeholders;4 and (3) existing empirical evidence suggests that irresponsible CSR activities have explanatory power regarding the underlying CSR construct they intend to capture (Chatterji et al. 2009; Goss and Roberts 2011), while responsible CSR activities are too self-serving and tainted to provide such information (Neu et al. 1998; Cho and Paton 2007).

Although the payment of tax is a fundamental way in which corporations engage with society, it is seldom classified as a significant CSR activity. (5) But corporate tax avoidance practices are costly to society (Weisbach 2002) (6) and aggressive tax avoidance practices are often regarded by some of society’s arbiters as “irresponsible,” “unethical” and even “unpatriotic.” Moreover, aggressive tax avoidance practices can be viewed as an opportunistic
behavior whereby the firm is exploiting the implicit contract between the firm and society at the expense of the latter. It follows that aggressive tax avoidance should be inconsistent with CSR.” (Chun Keung, 2013).

The closing of that study is summed up with this statement: “Overall, our results suggest that firms with excessive irresponsible CSR activities are more aggressive in avoiding taxes, lending credence to the idea that CSR could be viewed as a facet of corporate culture that affects corporate tax avoidance.” (Chun Keung, 2013).

To further support the idea that reducing corporate taxes in America will bring back jobs and investors, I present the recent news about Foxconn, who is investing a total of ten billion dollars in a manufacturing facility in the state of Wisconsin. They are doing this because they are being afforded three billion dollars in tax cuts. Evidence of this is seen here: “Foxconn can receive up to $200 million per year in refundable tax credits, capped at $2.85 billion if meets capital and employment compensation targets. It can also avoid paying $150 million in sales taxes on building materials, equipment and supplies.” And in addition, it may also receive “up to $1.5 billion in state income tax credits for job creation and up to $1.35 billion in state income tax credits for capital investment.” As well as “The company is eligible for refundable tax credits equal to 17% of wages paid instead of the typical 7% and 15% of capital costs instead of 10%.” (Shepardson, 2017). It should be noted that Foxconn has extensive dealings with Apple, as they are one of the largest suppliers for that company. The facility they will be building in Wisconsin will be for the manufacturing of LCD flat screens.

The notion that corporate society drives corporate social responsibility is not very well supported in this case. However, some will argue it is due to the environmental “incentives” that are also being offered, such as “The draft legislation released by Walker waives a required state
environmental impact statement and allows the company to discharge dredged or fill material into some wetlands without state permits. The legislation also would allow Foxconn to connect artificial bodies of water with natural waterways without state permits.” And “The legislation also waives requiring approval for the project by the Public Service Commission, which oversees power and water utilities in Wisconsin.” (Shepardson, 2017).

Of course, this legislation is only in rough draft form, so there will most assuredly be some revisions concerning environmental impact. However, it does bring a tinge of questionable light onto the whole deal. It is at this point where we need to look at things from the perspective of what is better for the state/country? Pristine environment, or economic growth, and how much of one are we willing to sacrifice to have the other. It is clear that having both is generally far too expensive and perhaps even impossible, as one will always impact the other and usually not in a positive manner.

In order to truly understand the correlation between CSR and taxation, there are a multitude of variables that must be taken into consideration, such as number of jobs provided in the state/nation where it pays taxes. Is that number a substantial one? If yes, then would increasing the taxes on that corporation benefit or harm the society? Does this corporation provide investments back into the community, such as playgrounds or parks, or funding for upkeep of such things? Then, if they do, would increasing the taxes on those investments or funding harm or hurt the community?

There is an astronomical number of things that must be considered by all sides before anyone says that, yes, using tax havens is immoral and potentially illegal. Unfortunately, in today’s society, many people just want to run with their emotions and often not make any or a very minimal attempt at looking at subject and thinking it through all possible aspects.
Take Apple, for example: although they have billions in offshore accounts that they pay absolutely no taxes to the United States on, they do still provide rather well for the country and estimated (as of 2012) “47,000 workers in the U.S” (Arnold, 2012). That is not a small number of employees and all those employees pay taxes of some form or another, not to mention that Apple must also pay a certain percentage of tax on the payroll for those employees. So, is it truly fair to say they aren’t paying what they should?

As of May 3 2017 Apple is intending on investing one billion dollars into an advanced manufacturing facility in the United States. Now of course it has to borrow this from the nearly quarter of a trillion dollars that it hides in it offshore accounts so that it doesn’t have to pay corporate or capital gains tax on. It is believed this move is being conducted to attempt to head off any future conflict between the Trump administration and Apple. Regardless, if it is or not, an investment of that magnitude and the creation of more jobs not just in construction of the facility, but long-term, such as maintenance and other regular workers, there will again add to the number of employees they are paying and thus more payroll tax they must pay.

When looking at this idea of corporate social responsibility, we cannot forget the biggest reason to go into business is to be profitable and to do so as efficiently as possible.
Conclusion

It is my hope that readers who have chosen to read this feel that sometimes we must do things that may be questionable on the moral scale in order to do what is best for the nation, the people of that nation, and in effect the people of the world. It is at that point that we as a species must apply ourselves with our absolute maximum effort and resolve to think and act as neutrally as we can. The concerns and welfare of all others must come before those of ourselves.

The idea of making a safety net for others to fall onto is truly a grandiose thought - it is both just and worthy of serious considerations. However, as with any other species of animal on this planet, we have those who will take advantage of it and thus cause too great of a strain on those who would be providing for others. This can be seen in many instances throughout nature and our society. The difference being in nature, the ones who do not carry their weight often do not survive. In our society however, compassion drives us (some far more than others) to put in extra work and carry those who do not want to carry their own weight.

The idea of such a system would be truly amazing, but there is no way to truly lock it down so that 1, human greed does not take control of it and 2, there is no abuse by freeloading types. Additionally, any type of system like that should be purely voluntary. Our tax money should not be used to cover such a system, even though it currently does. Personally, the idea of having to have someone rule over me and I am supposed to pay them to do so doesn’t sit too well with me. I do understand that we should contribute to helping society and improving our environment, but I dislike that it is forced and then reinforced with jail or confiscation of personal belongings if these taxes are not paid.

Once again, I urge readers to simply look at things from as neutral a perspective as possible and to immerse themselves into the thoughts and ideas of others consistently. Ask
yourself if you would be willing to give up 35% or more of something that you had taken the
time to earn and spent the effort to create. Chances are that most people will say no. This then
leaves us with the question of whether it is human greed to not be willing to give excess that you
have created in order to make life better for others? Or is it perhaps a lack of compassion?
Personally, I don’t think it is either; I think it is simply a common desire among us and so many
other species to elevate our living conditions and those of our future generations. I think it is and
always will be a common trait and will be executed regardless of the impact on those who are
“less fortunate” (personally, I say in many cases it is less motivated than fortune-related).

So many times, throughout history, we have attempted to create a societal net that will help and aid those who contribute less for whatever reason. To the best of knowledge, this has failed repeatedly, every single time and that generally can be traced back to human greed. This then poses yet another question: how many times and how much resources do we want to squander on systems like this if they are doomed to fail? But is it in our nature as human beings to quit simply because we failed many times? If that was the case, then would we have ever explored space? Would we ever continuously conduct research for diseases and other illnesses? I would have to say, no; we will not simply stop there but we clearly must put some serious thought into how our government uses our taxes and if it is not being done so in an effective and efficient manner. It is not only our responsibility but our right to stand up to the government and make them do as we the people see fit.
References


