

The Panama Papers and Their Widely Ignored Implications for Ordinary Folk in the USA

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The Panama Papers aren't just about Panama. They're relevant for us, the average Joe and Joanne in the United States, because they offer a tantalizing look into the globalized financial system that has emerged over the past 45 years. The cache of over 11 million documents, which were leaked from the Panama City office of corporate law firm Mossack Fonseca, provide penetrating insight into the rules that govern the casino capitalism that systematically stacks the odds in favor of the high rollers at the expense of everyday people who are being suckered at the poker table of the daily grind and slot machine of hard work. The Panama Papers divulge not only the names of some of the wealthiest politicians, athletes, actors, and businesspeople in the world who have been taking advantage of offshore loopholes, but more importantly expose a massive business network of global tax evasion. Yet in spite of these revelations, relatively few heads have rolled as a result of their disclosure; after the resignation of the Prime Minister of Iceland, Sigmundur Davíð Gunnlaugsson, few other of the implicated public figures have faced serious sanction.

There are several lessons that we should take from the Panama Papers scandal, many of which seemingly have not been paid enough serious attention by the mainstream press in Europe and North America. By looking more deeply into these issues, I hope to examine some of the political and also *moral* implications that have so far largely evaded serious analysis.

First, the disclosure of Panama Papers has provided perhaps the most conclusive evidence yet to date for what has long been obvious to the more discerning followers of international tax policy: that a completely different set of rules currently exists for the wealthy. Whereas the average citizen must declare income and pay up to the IRS on tax day, it is now clearer than ever that the rich are allowed to hide incredible fortunes in offshore shell companies and foreign tax havens. Unfortunately for those of us who want to see greater transparency and more progressive taxation policies emerge throughout the world, such behavior is completely legal in most cases. In fact, the only cases in which taking advantage of these tax loopholes becomes illegal is if there is a clear conflict of interest, which incidentally is what toppled Gunnlaugsson, or in cases of tax evasion (deliberate hiding assets) or money laundering. But in just about all other scenarios, stashing money in these tax shelters allows the most privileged and powerful members of society to avoid paying their fair share of taxes without actually breaking any domestic or international law. Meanwhile, the rest of us are supposed to abide by a different set of rules that requires us to pay our taxes every April 15 without the benefit of tax relief.

Second, although few Americans have been directly named as actors in the scandal so far, this could paradoxically be even more disturbing for us as a nation since it suggests that the United States *itself* has become a tax haven for billionaires. As a matter of fact, last year multiple

international organizations rated the United States as one of the world's biggest tax havens.¹ Consequently, the rich hardly even need offshore accounts any more. Instead, many simply create anonymous shell companies in states like Delaware and Nevada, which are known for "loose regulations and low taxes, [which make] them attractive for people to hide their activities and assets behind a corporate façade."² The gross economic inequality for which this has given rise has been compounded by regressive tax reforms that have been instituted by successive governments. As the United States' 99% recently paid their taxes, the 1% are cashing in on the radical redistribution of wealth (from the bottom and middle to the top) that all U.S. administrations going back to at least the Reagan administration have presided over. Today, as a result of these legal and public policy changes the wealthiest Americans pay among the lowest taxes in the developed world.³

Third, the Panama Papers have both domestic and foreign policy implications for the upcoming U.S. presidential election. In domestic affairs, only one of the candidates running in the primaries of our two major political parties, Bernie Sanders, staked his campaign on reforming the unfair and unjust taxation system that over burdens working families while letting billionaires like Donald Trump and Wall Street executives take advantage of lucrative tax shelters. On the other hand, at least one high-dollar Clinton donor, a man also implicated in the Iran Contra Scandal, has been named in the Panama Papers.⁴ To put it as generously as one possibly can, this should give us serious pause about Hillary Clinton's ability, willingness, and commitment to reform the unfair tax structures of which many of her wealthy donors are direct beneficiaries. It should also remind us of the urgency of campaign finance reform, which is desperately needed to ensure our democracy's grounding in the principle of *one person, one vote*.

Fourth, we should turn our attention to the manner in which so-called free trade agreements (FTAs) interact with the system of global tax avoidance. There is increasing evidence that FTAs like NAFTA and CAFTA have made monitoring, regulating, and closing down tax shelters and loopholes more difficult. It's no wonder that public outcry against looming agreements like the Trans-Pacific Partnership (TPP) is growing and mobilizing voters in the upcoming election cycle. But even more relevant for understanding the Panama Papers is the rarely mentioned U.S.-Panama Free Trade Deal, an FTA that passed through Congress via the secretive and controversial "fast track" procedure. During debate on the Senate floor about whether to pass the agreement, Sanders offered an impassioned appeal explaining why he would never support such a deal. Citing research from Citizens for Tax Justice, he noted that tax havens have at least one of three characteristics: no or low income tax rates, bank secrecy laws, and a

¹ "Introduction." Introduction. Accessed June 2016. <http://www.financialsecrecyindex.com/>.

² Schuppe, Jon. "Why Are Americans Not Included in the Panama Papers?" NBC News. Accessed June 2016. <http://www.nbcnews.com/storyline/panama-papers/why-are-americans-not-included-panama-papers-n551081>.

³ DeSilver, Drew. "High-income Americans Pay Most Income Taxes, but Enough to Be 'fair'?" Pew Research Center RSS. April 13, 2016. Accessed June 2016. <http://www.pewresearch.org/fact-tank/2016/04/13/high-income-americans-pay-most-income-taxes-but-enough-to-be-fair/>; Inghram, Christopher. "As the Rich Become Super-rich, They Pay Lower Taxes. For Real." Washington Post. June 4, 2015. Accessed June 2016. <https://www.washingtonpost.com/news/wonk/wp/2015/06/04/as-the-rich-become-super-rich-they-pay-lower-taxes-for-real/>; Shell, Elizabeth, and Frank Bi. "Compare Your Pay after Averaged Taxes to Other Developed Nations." PBS. April 14, 2014. Accessed June 2016. <http://www.pbs.org/newshour/updates/calculator-compare-taxes-might-pay-u-s-developed-nations/>; Thomson, Derek. "How Low Are U.S. Taxes Compared to Other Countries?" The Atlantic. January 14, 2013. Accessed June 2016. <http://www.theatlantic.com/business/archive/2013/01/how-low-are-us-taxes-compared-to-other-countries/267148/>.

⁴ Fitzgibbon, Will. "Panama Papers: Links Revealed to Spies and Iran-Contra Affair." The Irish Times. April 5, 2016. Accessed June 2016. <http://www.irishtimes.com/business/panama-papers-links-revealed-to-spies-and-iran-contra-affair-1.2599083>.

history of non-cooperation in exchanging tax information with other countries.⁵ Panama, he noted, has all three of those and is among the worst offenders worldwide. Hillary Clinton, on the other hand, was, during her time as Secretary of State, a vocal advocate of not only the free trade deal with Panama, but also of similar treaties with Colombia and South Korea.⁶ Looking back at this context, Sanders' critique now sounds remarkably prescient, while Clinton appears to have long-ago sided with the global elite. Their diverging stances offer another example of how, when it comes to foreign policy at least, judgment trumps experience. The growing awareness amongst primary voters of such stark distinctions between the two candidates' records surely goes a long way in explaining why the Sanders' campaign gained so much momentum and made the race so much more competitive than Clinton and her party's establishment had anticipated. Though the inherently rigged contest now seems to have reached its inevitable conclusion, Democratic party delegates and super-delegates would be well advised to take this history into consideration at the convention when deciding who to cast their vote for.

Lastly, even though this is potentially the largest information leak in history, it must be kept in mind that the Panama Papers in all likelihood represent just the tip of the iceberg. They are, after all, merely a fraction of documents from just one law firm's business activities over a fixed and limited time period of its decades in operation. One can only imagine what further information is still concealed beneath the layers of secrecy that the rich and privileged use to legally hide their fortunes and avoid paying their fair share of taxes. Until we change this rigged system of financial rules that govern our national and global economies, ordinary working and middle class people will be destined to continue picking up the tab.

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⁵ "Did Bernie Sanders Predict the Panama Papers When He Opposed Clinton-Backed U.S.-Panama Trade Deal?" Democracy Now! April 5, 2016. Accessed June 2016.

http://www.democracynow.org/2016/4/5/did_bernier_sanders_predict_the_panama.

⁶Mindock, Clark. "Panama Papers: Obama, Clinton Pushed Trade Deal Amid Warnings It Would Make Money Laundering, Tax Evasion Worse." International Business Times. April 04, 2016. Accessed June 2016. <http://www.ibtimes.com/panama-papers-obama-clinton-pushed-trade-deal-amid-warnings-it-would-make-money-2348076>.; "Korea, Colombia, and Panama Free Trade Agreements." U.S. Department of State. October 03, 2011. Accessed June 2016.; <http://www.state.gov/secretary/20092013clinton/rm/2011/10/174957.htm>.