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GLOBAL MINIMUM CORPORATE TAX

By Henry Weiland

INTRODUCTION

Multinational corporations - *corporate organization that owns and controls the production of goods or services in at least one country other than its home country.*

In today's dynamic global economy, **multinational corporations** (MNCs) have become incredibly influential, stretching their reach across borders with the rise of globalization and trade in the mid-20th century. However, concerns about fair taxation, with many large companies moving production to countries with the smallest tax rate and the resulting loss of tax revenue, have become critical issues for the global economy. As a response, some policymakers have proposed the Global Minimum Corporate Tax as a measure to mitigate companies moving their headquarters to low tax areas, such as Southeast Asia or other tax havens.

This idea aims to establish a minimum tax rate that MNCs must abide by, regardless of where they operate or have their headquarters. On April 5, 2021, Janet Yellen, current Treasury Secretary of the United States, gave a speech to the Chicago Council of Economic Affairs that called for an end to the “30-year race to the bottom” that allowed large companies to avoid paying taxes (Horsley, 2021). Yellen called for the critical cooperation of “other countries to end the pressure of tax competition,” mainly calling on G20 allies centered in Europe (Horsley, 2021). Yellen’s advocacy for the global minimum tax rate headlined the beginning of President Biden's agenda, mainly to fund his original $2.3 trillion infrastructure proposal (Rappeport, 2021).

Janet Yellen, former Fed Chairwoman and current U.S. Treasury Secretary, advocated for the global minimum coporate tax during a speech on April 5, 2021.

Source: NRP

The Global Minimum Corporate Tax raises critical questions about the optimal level of taxation and global cooperation. How much should the US government tax companies so companies are still incentivized to do business in the United States? What would happen if the other countries do not abide by the minimum tax, making it more lucrative for companies to move their headquarters there? Yellen believes this policy would create economic stability, enhance revenue collection, and promote an equal playing field for businesses worldwide. However, if the power of taxation is not wielded carefully, the policy could place the United States at an extreme economic disadvantage.

Historical Development

Neoliberalism – *a political approach that favors free-market capitalism, deregulation, and reduction in government spending.*

The global minimum corporate tax concept has emerged in response to the increasing interconnectedness of global economies, a result of economic **neoliberalism** that emerged after World War II. The first example of a multinational company is the East India Company, which facilitated trade and colonialism for the British Empire during the 1600s (Dalymple, 2015). As trade and investment between countries grew after World War II, MNCs used tax loopholes and shifted profits to low-tax jurisdictions, significantly reducing the taxes they owed. In 1978, after the death of Mao Zedong, China opened its economy to foreign direct investment and became known as the "world's factory" (Bajpai, 2022).

Organization for Economic Cooperation and Development (OECD) – *collective of 37 democratic governments with market-based economies collaborate to develop policy standards to promote sustainable economic growth.*

In 2013, the **Organization for Economic Co-operation and Development (OECD)** launched the Base Erosion and Profit Shifting (BEPS) project to combat tax avoidance strategies employed by MNCs. The project includes 15 action items for participating countries. These action items are aimed to develop guidelines and recommendations to ensure fair taxation by addressing issues such as the digital economy, treaty abuse, and price documentation (Deloitte, 2015). The framework expanded in October 2015 to include the G20 through the BEPS "inclusive framework" (Deloitte, 2015). The global minimum corporate tax is cited under Action 1, "Addressing Tax Challenges Arising from the Digitization of the Economy." Pillar One under Action One addresses where a company's tax should be paid, ensuring a fairer distribution of tax revenues and preventing corporations from shifting profits to low-tax jurisdictions (Deloitte, 2015). Pillar Two addresses the idea of a global minimum corporate tax, deterring MNCs from engaging in aggressive tax planning strategies that exploit disparities in tax systems. (Deloitte, 2015). Ideally, the global minimum corporate tax would create a level playing field for businesses worldwide and enhance tax fairness across national borders.

In June 2021, during the G7 Summit, Rishi Sunak, who was then overseeing Britain's treasury, announced the agreement of a global minimum corporate tax to ensure "the right companies pay the right tax in the right places" (Rappeport, 2021). The agreement set a threshold of 15%, regardless of where companies locate their headquarters, which Secretary Yellen applauded (Rappeport, 2021). In October of the same year, G20 leaders approved the deal, mainly targeting tech giants such as Google, Facebook, and Amazon (Reuters, 2021). In 2023, countries have worked together through the OECD to address implementation challenges, with support from over 140 countries (Reuters, 2023).

Scope of the Problem

Adopting the Global Minimum Tax in the United States would need to be adopted in Congress, raising a heated and partisan Congressional session over the controversial issue. The Global Minimum Corporate Tax can be divided into three areas of debate: economic competitiveness, the domestic economy, and national sovereignty over taxation.

Shah Alam, Mughal Emperor, hands a scroll to Robert Clive that gave the East India Company the ability to collect taxes in India
Source: British Library

Competitiveness

The question of a Global Minimum Corporate Tax pits the efficiency of the MNCs against the potential negative impacts of taxing these companies at a higher rate. MNCs have successfully internationalized U.S. business — think about how many ubiquitous American products, like the iPhone, have supply chains running through several international countries. So, there are concerns that the tax would make it less efficient for companies to conduct business overseas or domestically, slowing business productivity and reducing global competition among MNCs.

One of the benefits of MNCs is that they largely invest in local markets, spur foreign investment, and create new opportunities for the US to trade with the subsequent increase in employment and skill-upgrading abroad. Large firms such as Google, Microsoft, and Citi have all created foreign corporate incubators, cultivating new startups and potential cross-national technological exchange (Bahar, 2015). Thus, these MNCs are particularly beneficial in global economic development, which increasing US investments in foreign markets. If global taxes were to deter this development, this could risk a potential worldwide slowdown in growth or stifle future business ventures.

International Monetary Fund (IMF) *– major financial agency of the United Nations, and an international financial institution, headquartered in Washington, D.C., consisting of 190 countries.*

However, researchers from the **International Monetary Fund (IMF)** argue in a paper that the Global Minimum Corporate Tax Rate incentivizes foreign countries not to decrease domestic taxes to appeal to MNCs. The paper argues that this higher level of tax improves domestic policy and creates bigger gains in revenue for all countries than previously estimated (Mooji, Klemm, and Waerzeggers, 2021). Though the proposed Global Minimum Corporate Tax Rate of 15% is below the U.S. rate of 21%, this policy could potentially deter further reductions in the corporate tax rate. There is no clear evidence of the optimal U.S. corporate tax rate, and the policy is largely a tradeoff between business growth and redistribution.

Domestic Economy

Increasing the Global Minimum Corporate Tax also raises the concern of reducing economic activity and investment within the United States. MNCs create significant **positive externalities** for the domestic economy, meaning that when U.S. companies succeed abroad, they boost business prospects in the States. For example, when an MNC increases hiring abroad, it also increases hiring domestically 67% of the time (Bunn, 2021). Also, when U.S.-based MNCs increase profits, they will likely invest more in research and development, increasing domestic business investment (Bunn, 2021). Thus, the success of MNCs is integral to the success of the entire U.S. economy.

***Positive externality** – an unintended, positive benefit, of an action*

On the one hand, implementing the 15% minimum tax would raise $70 billion in new tax revenue by bringing companies back to the US. It could potentially reduce the **savings glut** of the top income bracket of the country by creating more opportunities for domestic investment (Straub, 2021). The United States is an extremely unequal country, ranking with a **Gini coefficient**, a common measure of inequality within a country, of 0.49, which increased from 0.43 in 1990 (Statista). Much of the rise in inequality in the United States is also timed with the rise of CEO pay, decreasing opportunities for the middle and lower classes, and racial wealth disparities (Chetty, 2016). The minimum tax could be a redistributive power, transferring wealth from corporations to individuals with the newly generated revenue.

***Gini coefficient** – a measure of economic inequality in a given country. A higher coefficient means a more unequal economy.*

***Savings Glut** – a situation in which desired saving exceeds desired investment.*

However, economists have raised concerns that even with a minimum tax, governments could still provide direct subsidies, luring companies back to the domestic economy with government support. For example, the CHIPS and Science Act of 2022, a law signed by President Biden in 2022, allocates $52.7 in federal subsidies to chip manufacturing ("The CHIPS Act," PWC). Theoretically, if MNCs felt disincentivized to invest in a country with the new global minimum tax, that countries government could provide subsidies incentivizing the companies to return.

National Sovereignty

Imposing the Global Minimum Corporate Tax would hinder the U.S.'s ability to lower the corporate tax below the proposed 15%, which could raise concerns of impeding the U.S.'s ability to set its own tax code. In fact, the U.S. ceding the ability to control its own tax destiny mirrors arguments over trade deals, monetary policy, and international cooperation. To what extent should the U.S. participate in globalization while forfeiting some control over the destiny of its domestic institutions?

Yellen argues that implementing the minimum tax would not cede domestic autonomy. Instead, she has said that "the current international tax system has eroded national sovereignty in ways that have real and measurable impacts on American workers and families" (International Tax and Transfer Pricing News, 2021). Yellen believes that because nations have the incentive to lower their corporate tax rate below competitors, this decreases the tax revenue countries collect. This lost revenue translates to underinvestment in domestic institutions: education and labor force training. This argument is particularly concerned with developing countries: it assumes they will lower their tax rates to appeal to corporations, with potential negative ramifications for the country's citizens. The IMF found that there is indeed a "race to the bottom" among developing countries, especially in Africa, and argues that higher taxes raise revenues in the short run (Park, 2012).

The average global tax rate is 23.37%; the U.S. has a rate of 21% (Tax Foundation)

However, advocates against the Global Minimum Corporate Tax argue that the policy prevents developing countries from boosting economic activity during a global downturn and that corporate tax rates are inefficient in collecting revenue from MNCs. The *National Review* argues that imposing the minimum tax would have slowed countries' recovery from COVID or deter wealthy nations such as Ireland from competing on the world stage (Spencer, 2021). Moreover, the Tax Foundation also found that higher corporate taxes in the U.S. reduces wages for young, low-skilled, and women participants in the workforce, making it an inefficient mode to fund U.S. expenses (Tax Foundation).

Congressional Action

The Global Minimum Corporate Tax became an early policy priority of the Biden administration and especially of Treasury Secretary Janet Yellen, a champion of the tax. As aforementioned, the Biden administration agreed to the OECD's international framework in 2021, but the minimum corporate tax still needed to be approved by Congress. The main Congressional push occurred in July 2022, when the Democrats last controlled the House and Senate before the 2022 Midterm Elections. Negotiations were held between Sen. Chuck Schumer (D-NY) and Sen. Joe Manchin (D-WV) to include the Global Minimum Corporate Tax in a Congressional spending bill. However, Sen. Manchin rejected the tax, citing "rest of the countries won't follow, and we'll put all of our international companies in jeopardy, which harms the American economy" (Faler, 2022). Sen. Schumer and Sen. Manchin did agree to a minimum corporate tax set at the same rate of 15%, but this tax differs from the OECD proposal and would not satisfy OECD requirements (Lawder, 2022). The 15% tax that was passed allows for tax credits for research and development, which are not present in the agreed international plan (Lawder, 2022). The EU, the U.K., and South Korea recently agreed to provide a partial pause until 2025 for the U.S. to implement

Sen. Manchin (pictured left) and Sen. Schumer (pictured right) negotiated the merits of the Global Minimum Corporate Tax in 2022

Source: AP News

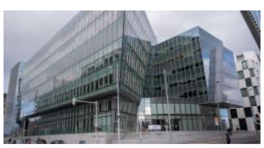
the plan and allow the nations to tax U.S. companies in excess for not agreeing to the plan (Rubin, 2023).

Budget Reconciliation – *special parliamentary procedure of the United States Congress set up to expedite the passage of certain budgetary legislation in the Senate.*

The Global Minimum Corporate Tax has large support from Democrats in the House and Senate. During the **budget reconciliation** in 2022, Rep. Richard Neal (D-MA) called the minimum tax an "important consideration" for the Democrats, which Sen. Elizabeth Warren (D-MA) seconded by saying that not passing the tax would be a "terrible embarrassment" for U.S. leadership abroad (Weiss, 2022). However, Republicans have strongly opposed the tax, as all 25 Republicans on the House Ways and Means Committee agreed to impose retaliatory taxes on any country that implements the minimum tax (Maui News, 2023). Particularly, Rep. Jason Smith (R-MO), the Chairman of the House Ways and Means Committee, is leading the opposition in the Republican Congress.

Other Policy Action

After 2021, unlike the United States, several countries have shown support for the global minimum corporate tax and have taken steps toward implementing it. In the latter half of 2022, all 27 EU States agreed to Pillar Two of the BEPS document after successful negotiations with Hungary (Mehboob and Gottlieb, 2023). Germany and Ireland plan to roll out tax coordination plans in late 2023. Even though Ireland is a popular destination for MNCs headquarters, with a lucratively low corporate tax, they are set to raise their rate from 12.5% to 15% (Halpin and Humphries, 2023).



Meta building near the River Liffey in Dublin, Ireland. The country's low tax rate made it a popular destination for U.S. MNCs to stage their coporate offices.
Source: Alarmy Stock Photo

Outside the EU, the U.K., Japan, South Korea, UAE, and South Africa have all agreed to implement legislation to set the minimum tax in 2022 or 2023 (Mehboob and Gottlieb, 2023). Many Caribbean Islands, Kenya, Nigeria, Peru, and Sri Lanka were also initially opposed to the minimum tax, but negotiations are ongoing, and many nations are slowly opening to the idea as others implement the policy (Alderman, Tankersley, and Nelson, 2021).

IDEOLOGICAL VIEWPOINTS

Conservative View

Republicans argue that adopting a global minimum tax would infringe upon national sovereignty, impact businesses negatively, fail to address tax avoidance and pass on costs to consumers. Particularly, former Senator Pat Toomey (R-PA) called the justification for President Biden's minimum tax plan a reason to "justify tax increases in the U.S." (Toomey, 2022). Senator Mike

Crapo (R-ID) also called into question President Biden's plan as a mode to implement a "cartel-like global tax code with a trilogy of new taxes, which appear to put America last" (Carpo, 2023).

It is critical to note that Republicans are typically against raising corporate taxes. The last alteration to the tax code, the **Tax Cut and Jobs Act (TCJA)**, lowered the corporate tax rate from 35% to 21%. Former President Donald Trump was a strong proponent of lowering the corporate tax rate.

Tax Cut and Jobs Act (TJCA) *– 2017 law that changed deductions, depreciation, expensing, tax credits and other tax items that affect businesses.*

Liberal View

Democrats argue that the Global Corporate Minimum Tax emphasizes tax fairness, closing loopholes, and promoting international cooperation. Sen. Elizabeth Warren has been particularly vocal about tax fairness and loopholes, claiming the loopholes and unfairness mean "[MNCs] often pay no income tax to the IRS and leave hardworking families holding the bag" (Warren, 2021). Senator Sherod Brown (D-OH) also submitted his proposed tax plan, including the minimum tax, to the Senate Finance Committee to boost American competitiveness by "[increasing] domestic production and [creating] high-skilled jobs" (Brown, 2013). Democrats believe this increased revenue can be re-invested in the American public by investing in education, healthcare, or other programs.

The TJCA was the first overhaul to the U.S. tax code since Republican President Ronald Reagan pushed through legislation in 1986.

Importantly, the Global Minimum Corporate Tax has the backing of President Biden, who initially brokered the deal with various European and international allies. It is unclear whether a new Democrat administration would aggressively pursue the minimum tax plan again.

AREAS OF DEBATE

Implement OECD Policy

Implementing the OECD policy would be the most direct and straightforward way to include the U.S. in international cooperation related to the Global Minimum Corporate Tax. The OECD and BEPS framework lays out a 15% minimum tax rate that would be adopted globally. Note that the OECD policy needs to be approved by Congress for the U.S. to adopt the framework.

Arguments favoring the minimum tax would likely point to the $70 billion in revenue generated and creating responsible corporate behavior. Those in favor of the OECD policy would also point to the discrepancies in wealth inequality, such as the rise in CEO pay, and argue that the revenue from the minimum tax could be used for redistributive programs.

Arguments opposing the minimum tax could either argue that the policy is inefficient, hurts the U.S. economy, or impedes national sovereignty. Those opposed to the tax could point to economic studies cited earlier about how raising corporate taxes is correlated with declines in wages for the youth, women, and lower-skilled workers.

Political Perspectives on this Solution

Democrats are generally in favor of implementing the Global Minimum Corporate Tax. Sen. Warren (D-MA) is a strong advocate in the Senate, but the more center-left wing is less eager to implement the policy, including Sen. Manchin (D-WV). It is crucial to note that President Biden heavily supports this policy, making it likely that he will attempt to implement it before his first term ends in 2024.

America First *– policy stance in the United States that generally emphasizes American exceptionalism and non-interventionism.*

Republicans are typically against the Global Minimum Corporate Tax. Rep. Jason Smith (R-MO), the current House Ways and Means Committee Chairman, is publicly against the tax, making it difficult to pass in the Republican-controlled House. It is also important to note that former President Trump, along with those that endorse his policies in the current Republican primary, advance an **America First** agenda. Typically, this meant that Trump was skeptical of cross-border collaboration, notably sinking the Paris Climate Accords in 2017. Also, Trump lowered the corporate tax rate under the TCJA, which makes it unlikely that he would support a measure setting a threshold on the corporate tax rate.

Strengthen Penalties and Enforcement

Instead of directly implementing the OECD agreement, Congress could instead aim to make companies pay a greater share of the taxes they already owe. Current figures from the Congressional Budget Office estimate that the U.S. loses $600 billion from taxes that are owed but not paid (Hendricks and Hanlon, 2021). This traces back to Republicans slashing the **Internal Revenue Service's (IRS)** budget in 2010, preventing the agency from conducting internal audits of wealthy individuals and corporations (Hendricks and Hanlon, 2021). Strengthening the IRS could be one avenue to boost the collection of revenues without implementing the minimum tax.

Internal Revenue Service (IRS) *– U.S. government agency responsible for administering the federal tax code and collecting taxes.*

Arguments against increasing IRS headcount or strengthening the agency would argue for fears of encroaching on personal liberties due to increased internal audits. These audits could increase government overreach, targeted at one political party by the current party in power.

Arguments favoring increasing IRS enforcement and budgeting would point to the inefficient technology of the organization and lost revenue each year by not collecting more taxes. Without raising any taxes themselves, the government can raise more revenue, an estimated $1.15 trillion over 10 years, by improving enforcement mechanisms with internal audits (Hendricks and Hanlon, 2021).

Political Perspectives on this Solution

The U.S. could collect $1.15 trillion over 10 years by improving tax enforcement.

Republicans are likely to oppose an increased IRS budget because of fears of being targeted by internal audits. Senator Jerry Moran (R-KS) stated that increased enforcement of the agency "raises red flags" because of fears of political manipulation and exploitation (Los Angeles Times, 2021). Republicans could point to the years of Democrats attempting to obtain former President Trump's tax returns as reason for distrust.

Democrats are likely to support a stronger IRS to boost the collection of revenues as it was included in President Biden's 2022 Inflation Reduction Act. President Biden advocated hiring new agents, modernizing technology, and more audits (NPR, 2022). Though successful, negotiations over the federal debt in the summer of 2023 ceiling reduced the amount spent on the IRS, which the Republicans wanted to decrease.

Bermuda is widely considered the world's tax haven, offering a nation for MNCs to profit shift and stash their savings in offshore bank accounts.
Source: Liberty Mundo

Mitigate Tax Havens

Another alternative to strengthen the U.S. tax code without implementing the OECD minimum tax would be to reduce the availability of **tax havens** for large corporations. Often, companies shift profits to tax havens, countries with low tax rates, to avoid paying a larger corporate tax rate in the U.S. This is one of the main problems the OECD minimum tax is trying to solve: stop profiting shifting to low-tax countries to avoid paying higher taxes. Congress could consider stricter reporting requirements for corporations, closer corporate oversight, or financial penalties to prevent corporations from moving their operations to tax havens.

Tax Havens *— Countries such as Bermuda or the Cayman Islands whose low tax rates or loose corporate regulations attract companies to headquarter their operations there*

Arguments favoring strengthening tax haven law would point to the amount of lost tax revenue and fairness in the tax code. Likely, arguments would center around the advantage corporations have in shifting profits, but the median American family does not have the resources available to understand extensive loopholes in the tax code.

Arguments opposing mitigating tax havens would state that the increased regulation could stifle business activity because offshoring already became more regulated under the TJCA in 2017. The new tax code implemented two new taxes on overseas profits for MNCs, amounting to $198.2 billion in raised revenue through 2027 (Furhmann, 2023).

Political Perspectives on this Solution

Democrats are likely to support policies to mitigate tax havens, especially Sen. Warren, who advocates that the tax system unfairly favors those with higher incomes. President Biden's $80 billion of increased funding to the IRS would help close various loopholes and ambiguous tax exploitations, which allows the wealthy to pass fewer taxes to the IRS.

Republicans are unlikely to support any sort of tax reform as their most recent tax proposal, the "Family and Small Business Taxpayer Protection Act," supported receding President Biden's IRS funding (O'Connor, 2023). Rep. Bob Carter (R-GA) advocated for abolishing the IRS altogether and implementing a 30% national sales tax (O'Connor, 2023).

Strengthen Information Collection

Instead of implementing the OECD policy, countries can bolster the amount of tax information they share with each other, enabling them to "root out" tax evaders by placing a light on secretive tax practices. The OECD spearheaded this initiative in 2010 with the "Convention on Mutual Administrative Assistance in Tax Matters," which allowed countries to instantly obtain tax information about individuals from other participating countries in the agreement (OECD, 2019). The OECD praises this system for collecting an additional EUR 7.5 billion since implementing the program 10 years ago (OECD, 2019).

Arguments opposing sharing tax information could include privacy concerns, particularly if other countries request information on individual Americans. This system could raise issues of inadvertent foreign espionage that would compromise the national security of the U.S.

Arguments favoring sharing tax information could center around the ease and access to detect potential tax evaders and collect the revenues on behalf of the U.S. government. If this information system was not developed, then it is easier for tax evaders to open multiple accounts across national borders and remain anonymous.

Political Perspectives on this Solution

Republicans would likely be hesitant to support a newly funded OECD program as GOP lawmakers have expressed concerns about the reach of the Global Minimum Corporate Tax on U.S. sovereignty. Specifically, Rep. Adrian Smith (R-NE) called into question the legitimacy of the "work product" of the OECD and the possibility that the organization should work "more in our interest" (Handler and Cioffi, 2023).

Democrats would likely be more open to supporting a new information-sharing software as President Biden has stressed international cooperation with allies, particularly the OECD. President Biden believes that a "foreign policy for the middle class" is most beneficial for America, and if strengthening information sharing is in line with his goals, he would be likely to endorse it (Biden, 2021).

Status Quo

Keeping the status quo means that the U.S. would not alter or change the current tax code. As mentioned earlier, the OECD plan relies on international cooperation, and if the U.S. does not comply, American companies will have taxes raised on them by participating countries until the 15% threshold. This policy threatens U.S. companies with extra taxation and lackluster international coordination.

Arguments favoring the status quo would point to previous mentions of the OECD plan threatening U.S. tax sovereignty, harming the domestic economy, or reducing the competitiveness of the tax landscape. Arguments could also point to the potential inefficiencies of raising corporate taxes on economic growth and instead focus on raising taxes in other sectors.

Arguments opposing the status quo would point to the lack of taxes MNCs pay and the maneuvering companies exhibit to avoid paying taxes. Many of the arguments of coordinating the OECD plan would rest on ending the "race to the bottom" because countries lowering cooperate taxes to attract companies could reduce domestic revenue collection.

Political Perspectives on this Solution

Democrats are generally against the established status quo with maintaining the current tax code, as the TJCA in 2017 was very partisan and divisive between Republicans and Democrats. In principle, the Democrats objected to lowering the corporate tax rate, and President Biden would like to see a higher rate. Many of President Biden's proposed policies would be funded by taxing the wealthy and corporations at a greater levy.

Republicans generally favor the status quo because they passed the TJCA along their party lines in December 2017. Much of Congress still aligns with President Trump's ideology, including his tax plan, which he hails as one of the most significant successes of his administration. Also, Republicans continued to show their reluctance to support tax reform when they proposed to undo President Biden's funding for the IRS.

BUDGETARY CONSIDERATIONS

As alluded to earlier, the passage of the Global Minimum Corporate Tax is proposed to raise $70 billion in new tax revenue. However, this is a first-order estimation and does not consider spillover effects. An increased corporate tax would potentially decrease business investment and the economy's growth. On the other hand, if the increased tax revenue is used to invest in education or labor up-skilling, the $70 billion can be used to stimulate economic growth and amount to a positive investment. When considering the budgetary implications, it is imperative to outline how the potential $70 billion would be used going forward.

CONCLUSION

The rise of globalization in the latter half of the 20th century led to the formation of massive MNCs, but international tax systems were too slow to catch up. The international "race to the bottom" means corporations seek to offshore and shift profits to nations with the lowest taxes. Governments are faced with the difficult choice to either lower their taxes and lose valuable tax revenue, or see companies move their operations entirely abroad. For this reason, the Biden administration proposed the Global Minimum Tax to promote global coordination and cooperation. However, an excess tax risks upsetting the entire economic system or slowing growth with decreased corporate investment if not implemented carefully.

The delicate balance between taxing too much or too little is something governments have had to wrestle with throughout American history, from the Townshend Acts during the American Revolution to the Conservative Tea Party in the 2010s. As the Senate Finance Committee, you will carry on this long national debate and the keys to the American economy.

Delegates are encouraged to research their roles, tax information and craft solutions with your brilliant peers. There is certainly no "right" or "wrong" solution for the Global Minimum Corporate Tax, so feel free to include any of the above solutions, none of the above solutions, or a mix of the proposed solutions.

GUIDE TO FURTHER RESEARCH

Additional research should follow current event news, current Congressional hearings, and any passed legislation. To check the political biases of news sources, please consult https://www.allsides.com/unbiased-balanced-news and factor in how these political leanings affect how opinions are presented. Also, a fantastic way to obtain information on specific Senator's stances is to visit their individual websites. Often, Senators publish their speeches and proposed legislation that outlines their personally held beliefs and opinions!

Again, to obtain information about the efficacy of certain policies, be wary of how partisan think tanks present for-tax or anti-tax studies and research. Be sure to cross-check sources and cited studies with available databases. The Chair will favorably consider any economics research, global development, or taxation studies presented in the institutional bodies (IMF, World Bank), American Economics Journal, or the National Bureau of Economics Research (NBER). Harvard economist Raj Chetty's Opportunity Insights tool will be particularly useful for looking at potential investment opportunities with the raised revenue from the Global Minimum Corporate Tax, if implemented.

GLOSSARY

America First – Policy stance in the United States that generally emphasizes American exceptionalism and non-interventionism

Budget reconciliation – Special parliamentary procedure of the United States Congress set up to expedite the passage of certain budgetary legislation in the Senate

Gini coefficient – A measure of economic inequality in a given country. A higher coefficient means a more unequal economy

Internal Revenue Service (IRS) – US government agency responsible for administering the federal tax code and collecting taxes

International Monetary Fund (IMF) – Major financial agency of the United Nations, and an international financial institution, headquartered in Washington, D.C., consisting of 190 countries

Multinational corporations – Corporate organization that owns and controls the production of goods or services in at least one country other than its home country

Neoliberalism – A political approach that favors free-market capitalism, deregulation, and reduction in government spending

Organization for Economic Co-operation and Development (OECD) – Governments of 37 democracies with market-based economies collaborate to develop policy standards to promote sustainable economic growth

Positive externality – An unintended, positive benefit, of an action

Savings Glut – A situation in which desired saving exceeds desired investment.

Tax Cut and Jobs Act (TJCA) – A 2017 law that changed deductions, depreciation, expensing, tax credits and other tax items that affect businesses

Tax Havens — Countries such as Bermuda or the Cayman Islands whose low tax rates or loose corporate regulations attract companies to headquarter their operations there

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