Outsourcing and Offshoring in the Global Economy: US Corporations Moving to Offshore Tax Havens

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One of the greatest detriments to job creation in the US is the overseas income deferral law. This unbelievable gift to transnational corporations is at the heart of free trade, globalization, offshoring and outsourcing. Presently these corporations are sitting on $2.2 trillion in untaxed profits, which is costing the American taxpayer almost $800 billion in lost tax revenue if like in 2006 they are allowed to bring the funds back at 5-1/4% taxation. Those conglomerates want to bring those funds back into the US tax free, which means $1 trillion in lost taxes, taking advantage of the current financial situation in the US. Five years ago Congress passed legislation allowing $350 billion to be returned to the US at 5-1/4% taxation, not the normal 35%, because these corporations said they would use the funds to create jobs. Very few jobs were created and a large part of the funds were used to purchase company stock, which rose in value, allowing the officers of these corporations to sell stock from options and make billions of dollars in profit for themselves. These are the same corporations that have been responsible for the loss of 11.7 million jobs, the loss of good paying jobs 450,000 American companies and the loss of hundreds of billions of dollars in tax revenue. These corporations are responsible for the heart of American manufacturing being ripped out of America. It over time has spread as well into service and professional industries.

There was a secret meeting on December 24, 2010 with the president in the White House where these pressured Congress and the White House to exempt overseas corporate profits from taxation. It is our opinion that a continuation of such a policy would deprive the US of badly needed taxation. A cessation of present policy would as well help to stem the flow of jobs out of the country. This change would stop the flow of businesses leaving the US and would cause some companies to return to the US.

This policy in place is known as territorial taxation. US companies would be taxed only by the country where the funds are earned. Currently, offshore, almost all these companies are headquartered in tax havens, such as the Cayman Islands, which have no corporate taxation. Presently they put off taxation indefinitely. This law is unbelievable abusive to the American people and should be repealed forcing these entities to return all funds to the US for taxation. That would totally fund stimulus 3.

The present administration is in the back pocket of these conglomerates and the present president is supposedly considering a limited version of such taxation. The plan is currently a secret. The multinationals want to delay any kind of legislation indefinitely. These companies are pushing for general tax reform that might not come for years. The current enabling group, also known as the Super Committee, or the Super Congress, won't act on it until they have cut the budget deficit and butchered Social Security and Medicare.

Today we see a stampede of American corporations moving offshore to take advantage of current law. They hope that even if the system is changed that they will get a better tax deal than they have now. As you can see they could care less about being good American corporate citizens, or good fellow Americans. Not only do these malefactors avoid taxation, but also they are responsible for worsening unemployment. Allowing such a travesty to continue is certainly un-American and detrimental to the future of America.

In coming full circle on the issue it would be most easily be settled by having these transnational conglomerates pay the same taxes, as domestic corporations and to re-impose tariffs on goods and services, a system that worked for the US for 210 years and created a level playing field. What we have experienced is absurd and is a travesty that is destroying America as we have known it.

We see no light at the end of the tunnel. All we get is lies and platitudes and more misdirection and propaganda. The beginning of the beginning of the end of the US and world banking system began three years ago. It was deliberate and presently the timetable is being stretched out, because of the many flaws in their original plans. In the European Union the failures were: failure to get a Constitution in place prior to the euro, the imposition in the Maastricht Treaty of public debt not to exceed 3% of GDP, which was obviously unattainable and one interest rate fits all. We pointed out these shortcomings 13 years ago, but as usual no one was listening. You are all familiar with the historical events that have taken place in the US. The myriad secret and public bailouts, much of which have yet to be disclosed, although the GAO has another report coming in December. Then there was two years ago the beginning of official criminal bookkeeping when the government, the BIS and the FASB approved corporations using two sets of books. If you were to do that you would go to jail. As you can see there are no rules anymore and within that legal structure there are two sets of rules. One for the insiders and one for us.

Conditions being what they are it is no surprise that gold and silver are moving higher in spite of market manipulation by the US government and others. The failure of all currencies vs. gold and silver continue in an orgy of debasement, except for the volatility caused by market manipulation the prices still move higher. Those who in the past have procrastinated have paid a dear price and have not protected their wealth. It is still not too late to join in with the world' most sophisticated investors. We are in phase 2 of 4 or 5 stages of one of the greatest bull markets in history.

This past week in Warsaw, Poland we were treated to another bailout via loans and swaps. We know the swaps were for $500 billion. We are waiting for the details on the loans, which are supposed to be for 45 days. Europe has a dollar shortage because investors have been pulling their deposits out of European banks. We are sure more information will be forthcoming. Just prior and during this episode world stock markets were again run up as gold was hit for $135, and silver for $3.00. The manipulation by corporatist fascist governments continues. The powers that be have probably bought time through the end of the year, unless the German Bundestag votes against more loans for Greece and others. This latest act of desperation does not solve the situation; it only buys time. In the meantime austerity is hard to come by in countries where it is needed. The population is fighting back and will continue to do so indefinitely. The reaction varies from country, but it isn't going to go away. Greece is a good example with demonstrations everyday in protest of austerity measure, increased taxes, lower wages and the sale of their country out from under them to bankers and others. The system in Europe, the US and UK is not going to improve anytime soon and gold and silver will continue to rise in price. For the past 20 years in varying degrees the ability of these nations to recover is questionable. Their industrial bases have been shipped to the second and third worlds and that asset stripping continues apace. Hurt the most is the US followed by the UK and then Europe. Most of this capacity has been shipped to Asia and a lesser part to Latin America. This shift or stripping has crippled the ability of these nations in trouble to pay back debt or to recover. What you are witnessing is an exercise in desperation and futility. It is not possible that they can recover without tariffs on goods and services.

As a result of European banking problems and forced de-leveraging the players found that the rally provided by the bank bailout by the Fed, BofE, BofJ and the SNB was a shock to those on the short side of the market. Albeit temporary contracts expired and losses had to be taken. Even those short gold and silver shares were surprised as they rallied strongly from a long oversold position. Government continues to spend billions to knock down gold, silver and the shares as soon as pressure is exhausted these irrespective of what government does investments come roaring back, thus, one should expect irrespective of what government does that these investments are in a new mode of resilience that cannot easily be dispelled. The pros know all these market mini-rallies are the result of government policies of flooding money and credit into the system, or by direct intervention. Those who have figured out what government is doing are making a fortune. Those who do not get it are paying the price. The next thing to pay attention to is the plight of sovereign nations and their debt. Yes, banks are in liquidity shortage in Europe and so are countries. That was three years ago but the plight of countries is far worse in Europe this time. They have gotten a temporary reprieve, but this does not solve the problem.

All it takes is common sense to realize financial and economic things are going to get worse. All central banks are doing is continually debasing their currencies. That does not solve the problems, leads to higher inflation and higher gold and silver prices. We got involved in gold and silver in 1959, because we could see by what the Fed and government were doing that the monetary system that holds the western world together was being broken. This meant that eventually gold and silver would have to move higher. We were correct and it has moved higher over the years. In fact, the battle has become acrimonious within countries as bailouts become larger and more numerous. Deficits are never reduced; they are just increased. Some believe gold and silver are over priced. This is the same group that said the same things about silver when it was at lower prices, as well as gold. Politicians, Wall Street and banking thought that debt extension of $16.7 trillion would carry them through the next election. They were wrong and we believe it won't carry them through the next election. They were wrong and we believe they will need $1 to $2 trillion more before November 2012. In Europe a number of failures are just over the horizon. There is no letup in the accumulation of debt in the US, UK and Europe. The sectors are enraptured with the creation of money and credit to solve their ills. This is the only avenue left open and they fully admit it. None of the governments understand that if you have austerity an economy cannot grow. Sooner or later the world's stock markets will fall. What will they do then? Can they have zero interest rates indefinitely? We do not think so. The real estate market is nowhere near recovery. We have banks being accused of fraud; that is novel. The crooks usually get away with it.

Whether you like it or not gold will soon be over $2,000. Banks are very short both gold and silver, and are in danger of insolvency once gold and silver rise higher. Three weeks ago gold and silver shares finally came under accumulation by institutions and we see that continuing simply because the shares have been oversold for so long. We expect these shares to return to their former status, not at 20 or 30 times earnings, but at 150 times earnings.

That will happen in time. One of the really compelling conditions is the commercial net short position in silver that continues to increase. Since early July some 2-1/2 months ago the cash market in silver has been up about $8.00 or almost 24%. During that period commercial traders have increased their net contracts by some 18,000, obviously in an effort to protect previous short positions. That is about a 62% increase. At sometime in the future they have to cover and that is not going to be easy or painless. If the recent past is any example short covering will come with higher prices. As you can see there is still a titanic struggle in motion in particularly the silver market, which we see being resolved to the upside.

Not only the status of monetary metals aid silver and gold, but this is the inflation factor caused by the massive usage of money and credit and also the fiscal and monetary turmoil in the US, UK and Europe. In Europe it has been two years and the Greek bailout situation has not been solved, nor has the financial aid needed to assist the other five borderline bankrupts. Later next week the German Bundestag will decide whether there will be any more bailouts, which the German voters are strongly against. A pro bailout vote by Congress could lead to demonstrations, rioting and perhaps more. In the more than 55 years we have known the German people we have never seen them more incensed. As you can see the prices in gold and silver have a lot going for them and that is why they will move higher, sweeping all opposition aside. This has been our contention since June 2000 and it will continue to be so.

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