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## Book Review of 'Havens in a Storm: The Struggle for Global Tax Regulation'

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*Havens in a Storm: The Struggle for Global Tax Regulation.* By J.C. Sharman. Ithaca, N.Y.: Cornell University Press, 2006. Pp. x + 211 pages. \$39.95 cloth.

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In 1998, the Organisation for Economic Co-operation and Development (OECD) issued a report titled “*Harmful Tax Competition—An Emerging Global Issue*” (14). In this report, the OECD sought to “define what harmful tax competition was, to make an argument for just why it was harmful, and to set out a response to the problem” (42). In reality, the OECD proposed two *different* responses to the “problem,” based on the relative power of the offender (45, 55-56). With respect to its own member states, the OECD decided upon a collaborative approach, opting for peer review and peer pressure to urge the elimination of potentially harmful preferential tax regimes. With respect to the weaker, non-member tax havens, however, the OECD took a confrontational and exclusionary approach—threatening to blacklist the tax havens and apply “defensive measures” to coerce their cooperation, if necessary. Interestingly, despite an obvious imbalance of power, the OECD has now spent nearly a decade backpedaling from this report, and it has essentially “failed in its central goal of preventing tax havens from using tax concessions to attract foreign investment” (8).

In *Havens in a Storm*, J.C. Sharman approaches this David and Goliath struggle from a political science perspective. Relying on a combination of public documents, fieldwork, and interviews, Sharman attempts to explain how a few dozen relatively powerless tax havens were able to defeat the OECD—a coalition of powerful countries including the United States, Great Britain, France, Germany, and Japan (7-8). Sharman begins by explaining why the OECD member states chose not to take military or economic action against the tax havens (49-69). Sharman then quite persuasively explains how the OECD, having opted for a rhetorical struggle, was outflanked by the tax havens (70-100). In what became a struggle over reputations (101-48), the tax havens deftly used the OECD’s own rhetoric against it by arguing that the OECD was infringing their sovereignty, was trying to impose standards on them that it had not imposed on its own members (e.g., Luxembourg and Switzerland), and was unilaterally setting the terms of the debate rather than treating them as equals (71). It is worth noting that Sharman further

attributes the OECD's failure to prevent the tax havens from engaging in "harmful tax competition" to its very choice to use exclusionary and confrontational tactics against them, as these tactics departed from the OECD's usual mode of (co-)operation—both with member *and* non-member states (134-35, 145-48).

*Havens in a Storm* will be of particular interest to those in the fields of international tax and international relations; however, it should also be of more general interest, especially to those concerned with the dynamics of struggles between the powerful and the weak. Indeed, as Sharman notes, the struggle between the OECD and the tax havens is a nice example of a "critique within hegemony"; that is, of a subordinated group's use of the dominant group's own symbols and values against it (145). In the right circumstances—such as here, where the OECD's effectiveness is tied so closely to its reputation as an impartial, "scientific" authority (133-34, 135-38, 146)—a critique within hegemony can be a powerful mode of attack, because "it ... threatens to appeal to sincere members of the elite in a way that an attack from outside their values could not" (145).

Yet, Sharman could have enhanced his analysis had he probed a bit more deeply the question of why the tax havens were able so quickly to succeed against the OECD. In particular, it might have been helpful for him to recognize the hollowness of the OECD's self-identification as, and reputation for being, a "scientific" authority in the area of taxation. Sharman did recognize early on in the book the absence of "expert consensus" on the "problem" of tax competition; however, the failure of tax competition to constitute "a technical, aseptic matter open to definitive resolution by an epistemic community of experts" is by no means a unique occurrence in the tax policy area (36-40). In fact, tax policy involves no immutable rules; instead, it is highly political in nature, and its association in the popular imagination with economics serves only to cloak it with a false aura of scientificity (see, e.g., Kornhauser 1996, 610). This observation could have aided Sharman in explaining the quick success of the tax havens. More importantly, it renders Sharman's very interesting findings more generalizable than he had anticipated (161).

Reference

Kornhauser, Marjorie E. (1996) "Equality, Liberty, and a Fair Income Tax." *Fordham Urban Law Journal* 23: 607-61.