



New Evidence from Japan Shows Why Romney's Interest in a Value-Added Tax Is So Troubling

by [Dan Mitchell](#)

In a recent column for the Wall Street Journal, I explained why [Mitt Romney's interest in a value-added tax is deeply troubling](#). One of my key points was that the [VAT is a money machine for big government](#). But don't believe me. Look at Japan, where the politicians see increases in the VAT as a way of financing a much larger burden of government spending. Here's some of what is being [reported by Bloomberg](#).

Noda reshuffled his cabinet last week, aiming to win support for doubling Japan's 5 percent national sales tax by 2015... Japan's finances are "getting worse and worse every day, every second," Takahira Ogawa, Singapore-based director of sovereign ratings at S&P... Japan's aging population is also weighing on Noda's struggle to achieve fiscal health. Social-security expenses have more than doubled in two decades and will account for 52 percent of general spending for the year starting in April, according to a budget proposal the cabinet approved last month.

The key point in this excerpt is that the VAT is a substitute for [entitlement reform](#). Without the VAT, politicians might actually reform the welfare state. But because of the VAT, they want to take the easy (but extremely destructive) route and boost the tax burden. This is why I get so agitated about the threat of a VAT in America, as illustrated by this recent appearance on Larry Kudlow's show.



By the way, you won't be surprised to know that the fiscal pyromaniacs at the International Monetary Fund support a bigger tax burden in Japan. Here's another passage from the Bloomberg story.

The International Monetary Fund has said a gradual increase of Japan's sales tax to 15 percent "could provide roughly half of the fiscal adjustment needed to put the public-debt ratio on a downward path."

Isn't it nice that we give these international bureaucrats [big tax-free salaries](#) so they can run around the world [pushing for bailouts](#) and [higher taxes](#)?