



Great Moments in Taxing, Spending, and Regulating

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When people ask me why [I mock government](#) for being a slovenly, bloated, and malicious entity, I'm sometimes not sure what to say.

Do I give them examples of [corrupt corporate welfare](#)?

Do I share instances of [government thuggery](#)?

Do I direct them to [preposterous examples of waste](#)?

Do I show them details about an [insanely complex tax code](#)?

Do I enlighten them about [sleazy insider behavior by the political elite](#)?

The short answer is that I'm never sure what to say, which is why I oftentimes resort instead to utilitarian arguments in which I show that nations with smaller public sectors [out-perform](#) countries with larger levels of taxation, spending, regulation, and intervention.

I figure many people will probably never share my [instinctive libertarian outrage about abusive government](#), but they presumably will be susceptible to the argument that it's better to enjoy the prosperity of jurisdictions like [Hong Kong](#) and [Singapore](#) rather than suffer the stagnation of nations such as [France](#) and [Greece](#).

And perhaps if I also share enough stories about foolish government policy, they'll eventually realize that $2+2=4$ and also decide to become libertarians (or at least small-government conservatives).

With that in mind, let's look at three episodes of brain-addled government policy, one about taxes, one about spending, and the other about regulation.

For our tax story, let's look at the so-called "Snooki tax." Here are some excerpts from [a column](#) by Erik Telford published in *The Hill*.

...architects of the Affordable Care Act thought they found a winning funding formula. Create a "sin tax" on vanity businesses and use it to help pay for massive increase in government healthcare spending. Proposals to hit Botox sparked strong reaction from the dermatologist lobby, so legislators went to plan B—go after a weaker industry and tax tanning beds. ... They called it the "Snooki Tax" after the oft-criticized reality TV star and tried to put a shallow celebrity face on a tax that would harm thousands of small businesses. The Congressional Joint Committee on Taxation crowed that the tax would raise \$2.7 billion in nine years, all to offset the estimated \$1 trillion price tag of the ACA. Each business would have to tack on a 10 percent excise tax on each tanning experience for every customer.

You won't be surprised to learn that the [JCT's estimate was wrong](#) and the tax [isn't collecting as much revenue](#) as forecast.

But you might be shocked to learn that the levy is incredibly inefficient.

...roughly 19,000 "mom and pop" small businesses may have been affected by the new tax — and those businesses likely spent an average of \$74 an hour to comply with federal tax paperwork burdens... the taxes collected might not even pay for the efforts to reap them. Enforcement requires heavy investments in training and employee hours to catch businesses offering services "under the table." An agent trying to audit a business that offers tanning must observe a business in operation, compare subjective observations about customer flow to the businesses' bookkeeping, take into account "weak internal accounting systems," then "request trial balance (if any), summary sheets, work papers and determine the audit trail either for manual or automated record keeping systems, for all transactions."

I don't know if the tanning tax is worse than the [infamous German coffee tax](#), but it's probably a close race.

Now let's look at a report about wasteful government spending.

I've written that the [federal government shouldn't be in the disaster business](#) since that's a recipe for the blame-shifting, mis-management, and inefficiency we saw after Katrina.

But I realize some folks may think my approach is "too radical," even though I think it's common sense that affected communities are far more likely to effectively plan and respond to disasters rather than bureaucrats in Washington.

So let's look at what happens when those bureaucrats make decisions. Here are some blurbs in [a report](#) from the National Center for Policy Analysis.

Houses that are built according to FEMA guidelines suffer more property damage during hurricanes than homes built prior to the guidelines, write Carolyn Dehring, professor at the University of Georgia Terry College of Business, and Martin Halek, senior lecturer at the

University of Wisconsin's School of Business, for the Cato Institute. The National Flood Insurance Program (NFIP) provides flood insurance to homeowners in communities participating in the program. Those communities are required to adopt the NFIP building code, which uses minimum building standards established by the Federal Emergency Management Agency (FEMA). ...The study found that buildings in the A-Zone constructed after the NFIP code was implemented were much more likely to sustain damage, and have a greater extent of damage, than other structures in the area built prior to the NFIP code. Of buildings that were damaged, buildings constructed post-NFIP incurred 57 percent more damages than similarly situated property.

So federal regulations designed to "help" actually led to more damage. Go figure.

By the way, the costs weren't borne by the actual property owners or even the local communities of states. Uncle Sugar (meaning you and me) picked up the tab.

NFIP has paid \$3.7 billion in losses in Florida alone since 1978.

This is sort of the government's version of biblical miracles. But instead of turning water into wine, Washington turns tax dollars into mud.

Now for our example of brainless regulation. *The Hill* [reports](#) that the bureaucracy is about to impose a big pile of red tape on the food industry.

The menu-labeling rule, due out any day, is expected to be one of the most expensive regulations to hit the food industry in recent years, business groups said. Not only does it take aim at restaurants, but, depending on its final language, the rule could also apply to grocery stores, convenience stores, gas stations and movie theaters that sell prepared food. The nation's eateries are faced with the costly prospect of having to calculate the number of calories in the various meals they serve. "Not every steak is exactly the same," says Scott DeFife, executive vice president of policy and government affairs at the National Restaurant Industry. "The slightest variation in how I cut the steak and serve it can affect the nutritional content."

This costly and intrusive bit of red tape is "a requirement of ObamaCare." And like [many other parts of that odious law](#), it imposes onerous burdens on the economy's productive sector.

...restaurants and grocery stores are concerned they'll be required to recount the number of calories in a meal every time they tinker with a recipe, which they say would be nearly impossible to do considering the endless number of food combinations they sell. At McDonald's, for instance, a Big Mac is usually 550 calories, but it could be more for a customer who orders extra cheese. It's even more complicated for pizza joints. Domino's says there are 34 million potential combinations of its pizza that go well beyond a customer deciding between toppings like pepperoni and sausage. They also must factor in whether it's a large, medium, or small pizza, deep dish or thin crust, and any extra ingredients. ...Grocery stores are experiencing the same concerns, facing what they say is \$1 billion in compliance costs in the first year alone. They say 95 percent of the food they sell — like breakfast cereal, potato chips, milk — already lists nutritional information including the number of calories. But the menu labeling

requirements would target their delis, bakeries and any fresh fruit they slice up and put in containers to sell. ... That could push many grocery stores to close up their delis and bakeries and stop offering fresh fruit.

Amazingly, some interest groups and politicians want the proposed regulation to be even more sweeping.

Wootan would also like to see movie theaters included in the menu labeling requirements. She seems to have support from the congressional authors of the menu labeling requirements, Sen. Tom Harkin (D-Iowa) and Rep. Rosa DeLauro (D-Conn.), who not only believe restaurants and grocery stores should be covered, but also movie houses, miniature golf courses, amusement parks and any other venue that serves prepared food. The two lawmakers have written numerous letters to the FDA saying they are disappointed with how “narrow” the rule is.

Heck, maybe they can assign a bureaucrat to every household in America and require calorie counts for every home-cooked meal as well.

Though I shouldn't joke. Some statist will think I'm being serious and run with the idea.

Meanwhile, I'll make a very simple prediction. If this regulation is implemented, it will have zero measurable impact on American waistlines.

So even if you believe in government coercion, this won't work. And the types of coercion that would work – such as mandatory exercise and criminalizing carbs – are incompatible with a free (or even semi-free) society.

Remember the message of [this poster](#): If government is the answer, you've asked a very silly question. Or a misguided question. Or a dangerous question.

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