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## A phonecall with Dan Mitchell of the Cato Institute

Posted By [Karl Deeter](#) On September 15, 2009 @ 3:40 pm In [economics](#), [financial literacy](#), [general financial news](#), [international finance](#), [tax information](#) | [1 Comment](#)



[1] Sometimes when I'm having a rough day I decide to reach out to some of the people that I see on TV or read about in the press and talk to them, it's part of a greater ideal in which I believe people should have as many mentors as possible, spending time around the people whom they hope to emulate, if you can't meet them in person then call them on the phone. It works (in my opinion!).

Anyway, today I was reading something Dan Mitchell from the [2] [Cato Institute](#) wrote and decided that it would be best to give him a call, his receptionist obviously mistook me for somebody important (pigeon American/Irish accent works wonders!) and put me through and all I can say is that in person Dan Mitchell is a joy to talk to, while somehow managing to make a lot of sense in an easy to digest manner. That particular talent is a rarity.

I wanted to talk about taxation, the Commission on Taxation Report that came out this week has been playing in my mind, the idea that it is 'revenue neutral' is a myth in my opinion, simply because 1. it is state run and that means it will either be run badly (and not take in money) or run as most of the bureaucracy is run here meaning it will cost much more than expected.

Dan had an interesting point on this, his research has suggested that it is virtually impossible to have a positive and healthy tax system when a government gets too large, specifically, if they are responsible for spending any more than (when we mention 'spending' you can replace it with

'borrowing' because the money they are spending recently is essentially coming from elsewhere) 20% of GDP, at which point it actually slows down an economy. We are (in Ireland) well above that mark unfortunately.

In considering a taxation system he said that there was a ranking of the 'general approach' and it is broadly as follows:

1. Consumption taxes (best).
2. Property taxes (middle ground).
3. Income taxes (worst).

While some commentators such as [3] [Fred Harrison](#) are advocates of (essentially) a property only/asset only taxation system, it has yet to be tried in real life or in any country so the jury is out although it is definitely considered a better option than taxing incomes.

The Singaporeans try to avoid 'tax and transfer' and instead put much of the responsibility on the individual rather than using it to fund entitlement schemes. However, they also manage the money and that is why (according to Mitchell) the Australians have it right: mandatory participation in an individual pre-funding scheme.

This is currently only used for retirement, but similar schemes could equally be set up for health or unemployment, the obvious obstacle is that of trying to convince people to take responsibility for their own future, while that may seem cruel, it is equally cruel to sub-contract this out to the state who have a deplorable record (internationally) of getting things right individually.

There is a rare opportunity at the moment in Ireland to radically re-think the way we have been doing things and sadly, I believe that opportunity will be largely missed and the tenet of a 'simplified tax system' (as suggested in the report) will not become a reality, nor will the horizontal equity it purports to bring about.

Dan is a well known commentator on CNBC, Bloomberg, and every other business channel of note, I was really delighted he took my call and some time out of his day to talk to me (so if you ever read this: thanks!). We hope to bring you more on Dan's thoughts in the near future, for now, here is [4] [one of the snippets from the past.](#)

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[1] Image: <http://www.mortgagebrokers.ie/blog/wp-content/uploads/2009/09/dan-mitchell-cato.jpg>

[2] Cato Institute: <http://www.cato.org/>

[3] Fred Harrison: <http://www.fredharrison.org/>

[4] one of the snippets from the past. : <http://www.mortgagebrokers.ie/blog/index.php/2009/04/21/the-cost-of-the-taxation-system-is-a-tax-in-itself/>

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