



### 1 Trick to Stock Trading Riches?

I used to lose money hand over fist trading the stock market until I found this 1 "weird" and unusual trick. Here it is. Step 1 is to plot

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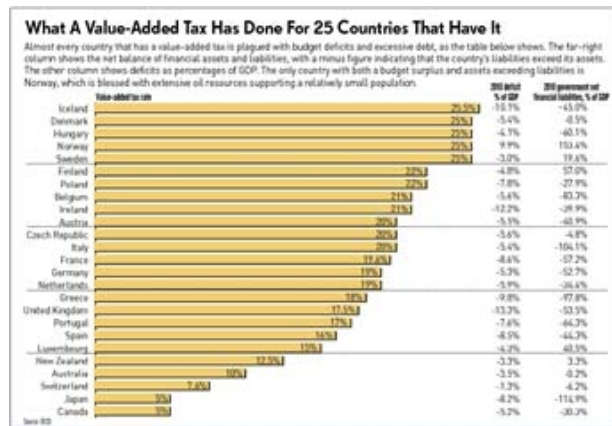
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# If VAT Is Rx For Deficits And Debt, Why Are VAT Users On The Brink?

By JIM POWELL

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Drums are beating in Washington for a value-added tax in addition to the "stimulus" taxes, health care taxes, energy taxes and other taxes President Obama has imposed and wants to impose on hard-pressed taxpayers.

Supposedly a value-added tax is a magic elixir for curing budget deficits and excessive debt. Quack remedy would be more like it. If it worked, you'd observe that countries with a VAT had budget surpluses and no debt problems. But almost every country that has a VAT is plagued with budget deficits and excessive debt.

The most notable exception is Norway whose government has net assets larger than its gross domestic product, thanks to large oil revenues and a small population.

By contrast, the U.S. GDP is dwarfed by trillions of dollars of the government's unfunded liabilities. In the event Washington introduced a

VAT, the government would spend all the revenue and then some, as has happened so many times before, and we would again find ourselves struggling with budget deficits and excessive debt — and a bigger tax burden.

A VAT puts big spenders on steroids. It generates lots of revenue, and because this tax is substantially hidden from consumers, there's less political resistance to it.

For example, a lumber company sells \$100 of lumber to a furniture manufacturer, and let's say there's a 10% VAT on that transaction. The lumber company remits \$10 to the government. The manufacturer turns the lumber into furniture, sells \$350 of it to a retailer and there's a 10% — \$35 — VAT on that transaction, but the manufacturer deducts the VAT previously levied on the lumber (\$10). So the manufacturer remits \$25 to the government.

Finally, the retailer sells the furniture to a consumer for \$500, and there's a 10% — \$50 — VAT on that transaction, but the retailer deducts the VAT previously levied on the furniture (\$35). The retailer remits \$15 to the government. In this example, \$50 of value-added taxes (\$10 + \$25 + \$15) are passed on to a consumer, but the net tax on the final sale is only \$15. Although the specifics of a VAT vary from country to country, a major political aim is still to conceal most of the tax from consumers.

The Organization for Economic Co-Operation and Development reported that since the 1960s, when the VAT began to be widely adopted, government spending by OECD member countries with a VAT soared from 30% of their GDP to 50%. Governments tend to spend all available revenue, and then some.

No surprise that the worst financial basket cases all have a VAT. Iceland has the highest VAT rates, but this didn't prevent its financial crisis

and the near bankruptcy of its government. Italy's VAT rates are almost as high, and its debt exceeds its GDP. Financial crises are looming in Spain and Portugal, and of course they have a VAT.

Greece has a VAT, too, and when politicians ran out of money to pay government employees for more than a year's worth of work every year, they rioted in the streets. Great Britain has a VAT, and its government finances are in the worst shape since World War II — its budget deficit is expected to be bigger than that of Greece.

Moreover, the OECD has acknowledged that "(VAT) tax and transfer wedges have discouraged firms from offering employment and individuals from taking it, reduced employment and increased inequality."

By disrupting the economy, VAT-induced spending makes it more difficult to handle budget deficits and debt. The last thing we need is a VAT.

- Powell, a senior fellow at the Cato Institute, is the author of "FDR's Folly," "Wilson's War," "Bully Boy" and other books. He's working on "What's Likely to Happen When Government Goes Broke."

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