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## The Foundry

### [Did You Want More Spending with VAT?](#)

-  Posted October 14th, 2009 at 11.52am in [Enterprise and Free Markets](#).

P.J. O'Rourke [once quipped](#) about spending in Washington: "The budget grows because, like zygotes and suburban lawns, it was designed to do nothing else." To help pay for their addiction to more spending, [the left is now calling for a value-added tax](#) or VAT.

CATO Senior Fellow [Dan Mitchell](#), in conjunction with the [Center for Freedom and Prosperity Foundation](#), has produced a video conclusively showing that the VAT will do nothing to stop deficits since governments that have adopted VATs have a proven track record of only raising spending even further after they pass. Watch:



Heritage's own Curtis Dubay wrote on the [VAT](#) this July:


A VAT piled on top of current income and payroll taxes would suffer from the following additional problems:

**Hidden Tax Increase.** Sound tax policy requires that taxes be transparent to taxpayers. But taxpayers will not see the portion of the VAT paid by businesses unless Congress requires that businesses show the full VAT paid on receipts. Even then, however, taxpayers could be unaware of the total amount they pay because they are unlikely to keep their receipts and add up the total annually.

**Economic Distortion.** Taxes impose a cost on society above their explicit price because they reduce economic efficiency. Economists generally agree that VATs are more efficient than most of the taxes currently imposed on U.S. taxpayers. But that is only if they apply to all goods and services in an economy.

Due to political considerations, a VAT in addition to current taxes would likely exempt politically sensitive items like food, clothing, health care, and housing. This would drive the tax rate higher to achieve the same amount of revenue and impose new economic distortions. Industries that get an exemption will be more profitable, compared to taxable industries, than they would have been without the tax. This means more capital will flow to these industries. This will lower economic well-being because capital will not flow to its most efficient market-determined use.

**More Economic Power to Washington.** A VAT not levied on all goods and services would give Congress even more power over the economy. Industries would lobby heavily for exemptions from the VAT for the economic benefits described above. This would give Congress an even larger roll in picking winners and losers in the marketplace. Success would depend less on ingenuity

- Author: [Conn Carroll](#)
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**October 14, 2009 Freedom of Speech, TX writes:**

The VAT will do nothing to stop spending.

Well, we don't need a VAT to prove that.

ANY tax will result in more spending. Does anyone really expect the pols to be honest and pay down the debt with taxpayers' money?

They get more; they spend more. This behavior is no different than sending an acned-faced kid to college with a credit card.

The kid is "exploring the world" on parents hard-earned cash.

Our government is changing Americans' world with our hard-earned cash.

The only difference is you can cut your kid off. The government can throw you in jail for trying to cut them off.

Nothing but a bunch of parasites.

**October 14, 2009 Thanks, but no VAT, Virginia writes:**

I think you meant "an even larger role", not "roll".

Also, Nancy Pelosi endorsed the idea of a VAT: <http://online.wsj.com/article>

</SB10001424052748703298004574457512007010416.html>

More recently, the Brookings Institution has just come out in favor of a VAT, primarily to pay for health care:  
<http://www.washingtonpost.com/wp-dyn/content/article/2009/10/12/AR2009101202389.html>

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