

VAT'S THE MATTER?

More taxes in the name of transformative social change remind one of frogs in the proverbial slow boil; insidious and impossible to reverse. Taxpayer or toad, you're cooked. Incremental governmental incursion into the flow of daily life and commerce creates long term effects which soon become the object of the next "slow boil"

The health insurance bill is exemplary. Congress just wisely forestalled \$200 billion dollar cuts in Medicare fee reimbursements knowing enactment would badly scald the nature of medical practice and those who seek or stay in it. Yet that money is needed. The fountain of hope and change is out of coins.

The educational foundry that creates producers is losing flame and force. It's "Arrivederci Roma" revisited as we seem oblivious to the adage that when everything is coming our way, we might be in the wrong lane. As with the fall of Rome, leaders give us bread and circuses as consumers out number producers.

Getting warmer? Medicare and Social Security unfunded liabilities are \$36 and \$8 trillion, respectively. Federal spending has increased from a 30-year average of 21 percent of GDP to 25 percent, overnight.

Many states are worse. For e.g., California's 10-year bonds can't pay their debt, pensions are underfunded with unrealistic hopes of an 8 percent return and liability is six times outstanding bond value.

Trade partners buy energy and commodity assets with dollars of diminishing value as we continue to produce less and consume entitlements not backed by real assets.

The 1935 Social Security Act established 65 as "the age", but by 1961 entitlement mania lowered it to 62. Fifty percent of retirees rely solely on something never intended to support a third of adult life while personal savings are almost nonexistent.

In 1913, the first income tax was progressive to a maximum rate of 6% for those making from \$400 thousand to \$11 million (today's dollars). Now, 50% of households pay nothing and the top 25 percent pay over 85% while the bottom 50 percent pays under 4 % of taxes collected.

Feel the heat yet? We are too connected to personal receipt of benefits as we cripple our children who grow less likely to excel and produce in a global economy.

What to do? The Illinois legislature overwhelmingly decided to cap earnings used to calculate benefits and that new government employees must work until age 67 to be fully vested.

Higher taxes are not the answer. They suppress economic activity and give dollars to divas in Washington who produce nothing. Borrowing means raising interest rates. Printing more money means watching purchasing power evaporate like steam.

The private sector has shed over 8 million jobs while nationally the public sector has shed net zero. Politicians assume we love our candy more than cutting calories.

So has the VAT lady sung? Passing Obamacare made floating the trial balloon of a Value Added Tax (VAT) a certainty. A VAT is a surcharge imbedded in the price at each stage of a commercial transaction from raw material to retailer. The notion of a tax on consumption and not income is enormously attractive but the administration, like every other major fat VAT nation, would add this to income tax and it would fall on every citizen.

Politicians would love to put more taxpayer toadies on the boil as such “invisible taxes” are easier to collect without taxpayer revolt. A one percent VAT could yield up to \$1 trillion a decade.

Reducing federal spending, cutting taxes, pension reform, and removal of outrageous entitlements and resurrection of physical, academic and cultural standards is needed.

Let's forego synthesized indignation which comes so easily to the misinformed. Let's acknowledge the greater cruelty in lying to the young, whose heritage we are hemorrhaging, about things being good. We are in this pot together, we solve it together.

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