

Value-added tax won't solve spending problem

In his column last Saturday, "The VAT masquerade," Robert Samuelson again demonstrates tremendous insight into our current economic situation.

In case you missed it, his focus was on the so-called "value-added tax" that is being promoted by some legislators as the best way to deal with the spiraling federal deficit. This approach involves taxing most discretionary purchases; i.e., nonessential consumer goods and services that simply enhance the quality of life: cars, televisions, movie tickets, air fares and some energy costs. More basic goods and services such as groceries, housing, health care and education would not be subject to the VAT.

Although there is considerable disagreement regarding what should be done about it, most economists have at least come to the realization that our government is on a course that is inher-

ently unsustainable. Something must be done about the deficit.

Again, the VAT is being touted by many politicians as the mechanism by which we can balance the budget and eventually bring the deficit down to a more manageable level.

Samuelson notes that since 1970, the government has been able to meet the increasing demands of an aging population by decreasing funding for defense. But that trend has reversed in the past decade – we have started to increase defense spending while the cost of social programs has continued to rise.

The VAT only addresses one aspect of the deficit. It provides a mechanism for increasing revenues. Unless we address the other half of the equation – spending – we will not be able to deal with the deficit.

Samuelson is on target in his assessment that an over-reliance

on the VAT alone will lead to "unnecessarily high taxes that would weaken the economy and discriminate against the young."

We have got to get government spending under control.

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