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That Fair Tax thing [1]

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Now that Mike Huckabee has actually won something in his quest to be the next President of the United States it's time to have a look at one or two of his economic and taxation ideas. As the basic one is the "Fair Tax", why not that? This is the idea that all other Federal taxes will be swept away and replaced by a 23% sales tax.

This is, to put it kindly, insane. Don't just take my word for it though, for detailed reasons as to why it is try Bruce Bartlett [3].

The idea's been around for a few years now and from writings elsewhere I've had my share of ALL CAPS emails berating me when I've tried to point out the obvious errors in the idea.

Even if the rate proposed is correct (it isn't, it'll be much higher) the idea of collecting the entire tax take at the point of the retail transaction simply won't work. We're all well aware of small traders offering two rates for the job, cash and on the books. We've now extended that to the entire economy, as we don't have the chain of people adding VAT on each part of the value they add: only on that final sale to the consumer.

Not that there's any chance of Congress enacting such a tax system, whoever becomes President, but it is slightly alarming that the Republican front-runner at this point is advocating such a system. Which of the two alternative explanations for the advocacy of the idea you find more alarming is up to you: that Huckabee doesn't know the problems with the scheme or does and is still proposing it.

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