NEWVISTAS

The Value-Added Tax and the Nation State After the Communities

One percentage on the value each business adds: how the rate falls as the communities take up schooling, health, retirement, roads and SI, and where it settles once the state does only the basics

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Summary

- **The question.** The community dictates nothing to the civil area. Its people vote with their feet, in the communities they choose, and with their ballots, as citizens. As the communities carry their own schooling, health, retirement, roads, transit, housing and SI, citizens can ask the state to leave those services and the taxes that paid for them. This study asks what single rate on value added would then pay for what the state still does, year by year over 300 years, and where that rate settles.
- **Today.** Every level of government in the United States together spends 39.6 percent of GDP (2024). Of that, 27.5 points are services the communities take up, 4.7 points are interest on the debt, and 7.3 points are the basics: government itself, defence, and public order and safety, with the regulation and standards a state keeps.
- **The final rate.** Once the communities carry everything but the basics, the state needs about **4 percent of value added** in the central case. It needs 2.3 percent if defence and government shrink furthest, and 6.8 percent if defence stays at today's American level and government is trimmed little. If output per person keeps rising while the basics keep their real cost, the central rate falls toward 2 percent.
- **The transition.** In the United States, where communities fill early and migrants arrive in communities, the rate needed falls below 20 percent about 2118, below 10 percent about 2143, and below 5 percent about 2192. A nation that fills at the world's pace reaches the same points about 2140, 2178 and 2235. Both arrive near 4 percent.
- **Why the rate comes down.**
- Services leave the state as the communities take them up.
- Pensions already earned are paid out and end.

- The debt is retired.
- The basics shrink: elected offices carry little or no pay, as in the community, where no office is paid or reimbursed; open records leave little room for graft; and citizens free to walk away leave little patience for frills.
- The state contracts for its services instead of employing staff, so the work it still pays for is bought from businesses on competitive terms.
- **Why one percentage is fair.** Incomes differ. A single percentage on value added takes from each person in exact proportion to what that person's business adds: no brackets, exemptions or special treatment. Levied on value added where it is made, it needs no customs at any border.

1. The premises

- **The community dictates nothing.** It pays every tax in full, keeps the law of its area, and takes no position on any public question. The state changes only because its citizens, voting and walking, ask it to.
- **Every person owns a business.** Each person works through his or her own Enterprise LLC, and every Enterprise LLC contracts only with other Enterprise LLCs. A tax on the value each business adds is therefore a tax on what each person adds.
- **One percentage on value added, where it is made.** The tax is sales less purchases from other businesses, read from books each business already keeps. Most value-added taxes today are levied where goods are bought, which requires checking goods at the border to tax imports and refund exports. A tax levied where value is made needs no border check, so tariffs and customs disappear together.
- **The percentage follows the transition.** It is highest while the state still carries services the communities have not yet taken up, and it comes down as the communities flourish.
- **Little pay, little graft, no frills.** In the community no office is paid or reimbursed. People who live that way give little support to high pay for officials, if any pay at all. Open records and easy exposure leave little room for graft. Citizens who can walk to a better place, and vote, leave the state little room for anything beyond the basics.
- **The state contracts.** Where every person owns a business, the state too moves to contracting for services instead of employing staff, as every Enterprise LLC does. What it still does is bought from businesses, to deliverables, on competitive terms, and the value those businesses add is taxed like any other. Most of those who serve the state leave the cities and live in communities, so employment disappears as a way

of being paid: everyone, public work included, is paid to deliverables through his or her own business.

2. What states spend today

General government spending, all levels, latest year, percent of GDP (OECD national accounts, government expenditure by function):

Function	United States 2024	Carried after the communities
Social protection (pensions, disability, family, unemployment)	7.80	The community: retirement through custody and the Owner’s Draw; household support
Health	10.28	The community
Education	5.59	The community: learning mentors and practice guides
Economic affairs (transport, energy, agriculture, communications)	3.34	The community: roads, transit and SI; the state keeps 0.3 for regulation and standards
Housing and community amenities	0.55	The community: water and waste at each building
Recreation, culture and religion	0.25	The community
Services taken up	**27.51**	
General public services, less interest	2.12	The state
Defence	3.11	The state
Public order and safety (police, fire, courts, prisons)	1.80	The state
Regulation and standards	0.30	The state
The basics	**7.33**	
Interest on the debt	4.73	Retired over the transition
Total	**39.57**	

The basics vary much less among nations than total spending does:

Japan already runs its basics at 4.6 percent of GDP and the United States at 7.0, even though total spending runs from 39 to 57 percent. (General public services in Germany, Sweden and Australia include transfers that the national accounts place there.) The final cases bracket what a state that does only the basics might need:

Final case	Government, less interest, with regulation	Defence	Public order and safety	The basics
High: today’s American defence, little trimming	2.3	3.1	1.4	6.8
Central: defence halved, offices little paid, records open	1.5	1.5	0.9	3.9
Low: war rare, government lean	0.9	0.8	0.6	2.3

- **Defence.** The central case halves today’s American share to 1.5 percent, about where Germany, Japan and Italy stand now. Wars may continue, but what remains of them is plain to all as a contest of ego. The high case keeps today’s American share in case they do.
- **Public order and safety.** Public order falls because the communities secure and maintain their own buildings and settle most disputes by certified arbitration, with the civil courts as the final backstop. Police authority stays with the state.
- **Government.** Government shrinks as pay for office falls, as SI carries administration, as contracting to deliverables replaces staff, and as open records leave little room for graft.

3. The base

The tax falls on the value added by every business.

- **Today.** Business value added is about 81 percent of GDP. The rest is the government’s own value added (about 10.8 percent: the pay of its staff and the wear of its buildings) and the rent owners impute to the homes they live in (about 8 percent).
- **As the communities take up services.** Government staff leave with them, and the state contracts for what remains, so its own value added becomes business value added. Homes are leased from businesses, so housing becomes business value added too.
- **The final base.** All of GDP: about 90 percent by 2100 and 98 percent by 2130 in the United States.

A tax on value added at one rate across all of GDP raises, point for point, its rate in revenue. Value-added taxes today raise about a fifth of all tax revenue in the OECD, at standard rates near 20 percent, because their base is narrowed by exemptions and reduced rates.

4. The transition

How the model works.

- **Share in communities.** Each nation’s share of people living in communities rises over time:
- in the United States, about 35 percent by 2100, 80 percent by 2130 and 98 percent by 2200, since migrants arrive in communities (the world spread: 11,267 communities stand in the United States by 2130 against 2,776 still to be founded at home);
- at the world’s pace, 20 percent by 2100, half by 2130 and 91 percent by 2200.
- **Services and basics.** Services leave the state in proportion as people live in communities. The basics move from today’s level toward the final case in the same proportion, as voting and walking press on them.
- **Pensions already earned.** Old-age pensions are 5.0 percent of GDP. The pensions people earned before joining a community are paid out in full, tapering to nothing over 60 years from joining.
- **The debt.** The debt is 120 percent of GDP, carrying 4.73 percent of GDP in interest. It is retired smoothly from 2045 to 2145, and the repayment is counted in the rate.
- **Contracting.** The state moves from staff to contracting in the same proportion.
- **No deficits.** The rate pays all spending in each year.

United States, central case: what the state still pays, percent of GDP, and the single rate on value added that pays it.

Year	Share in communities, United States	Rate needed, United States (central)	Share in communities, world pace	Rate needed, world pace (central)
2026	0%	48.7%	0%	48.7%
2075	9%	45.1%	4%	47.3%
2100	35%	32.4%	20%	38.4%
2130	80%	13.7%	50%	23.7%
2160	93%	7.1%	74%	13.6%
2200	98%	4.7%	91%	7.3%
2250	99%	4.1%	98%	4.6%
2330	100%	3.9%	100%	3.9%

When a single rate can carry the state.

- **Today it cannot.** A value-added tax alone would need nearly half of value added to pay for what governments do now. During the early decades the present taxes carry the state, shrinking as spending shrinks.
- **The point of choice.** In the United States the single rate reaches about 20 percent about 2118. That is a standard rate already familiar in Europe, but laid on nearly every dollar of value added rather than on a narrow base. Citizens can choose to make the switch there, retiring income, property and sales taxes, tariffs and customs together.
- **After that.** The rate keeps falling for the rest of the transition.

Rate needed falls below	United States, central	United States, high	United States, low	World pace, central
20%	2118	2122	2117	2140
10%	2143	2159	2138	2178
5%	2192	not reached	2167	2235

5. The final level

When the state does only the basics, its whole cost is the rate:

- **Central case.** 3.9 percent of value added: 1.5 points for government and regulation, 1.5 for defence and 0.9 for public order and safety.
- **Range.** 2.3 percent in the low case, 6.8 percent in the high.
- **Rising output.** The communities are built to raise output per person: twenty hours a week in the Business Enterprise, SI-assisted work and a productive hinterland. If output per person doubles while the basics keep their real cost, the central rate halves to about 2 percent.
- **Against today.** Governments in rich nations take 39 to 57 percent of GDP today. The person who adds a dollar of value then pays about four cents, at the same rate as every other person, and pays nothing else: no income, payroll, property or sales tax, no tariff and no customs.

6. Why one percentage is fair

- **Proportional.** Incomes differ, and the rate does not. Each person pays in exact proportion to what that person’s business adds.

- **Nothing to carve.** With no brackets, credits or exemptions, there is nothing for officials to grant and nothing for anyone to lobby for. Every person can read the rate and check the books.
- **Hard to evade.** Every sale is another business's purchase, so each business's books confirm its neighbours'.
- **Light to collect.** Each business already keeps its books. Nothing is checked at any border, so the tax asks nothing of travel or exchange between nations, which wear away their divisions.
- **It falls on its own.** As the communities flourish, citizens see the rate come down. The rate itself is the record of how much the state still does.

7. Limits

- **Only the United States is read in detail.** The model uses the United States' fiscal structure. Nations with smaller defence and larger social spending start higher, since more of their spending is services, and fall further. Their basics land close to the same final level.
- **Assumed paths.** The share of people in communities follows the world spread's founding paths (half of each nation's own people founded by 2130). The exits of services follow that share. Real states will exit unevenly, schooling and roads perhaps before health and pensions.
- **Not counted.** Health care already promised to the retired, and other legacy obligations beyond old-age pensions, are not counted separately. They would lift the rate in the middle decades and leave the final level unchanged.
- **Assumed rates.** The 60-year payout of earned pensions, the 2045–2145 retirement of the debt, and a constant 3.9 percent interest rate are all assumptions.
- **The final cases are readings, not forecasts.** Defence in particular depends on how quickly war loses its reasons.
- **The state's choice.** Whether and when citizens choose a single value-added tax is theirs to decide. The community takes no position.

Sources

- OECD, National Accounts, Table 11: Government expenditure by function (COFOG), general government, 2019–2024, with GDP from Table 1 (sdmx.oecd.org, dataflows DSD_NASEC10@DF_TABLE11 and DSD_NAMAIN10@DF_TABLE1_EXPENDITURE), read November 9, 2026.

- OECD, *Consumption Tax Trends 2024*: VAT as the largest category of tax revenue, 20.8 percent of the total.
- The NewVistas Constitution, November 9, 2026.
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