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Don't Give Obama a VAT

by Grover Norquist ([more by this author](#))

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It's official. President Obama wants a value-added tax (VAT) for the United States.

In a nationally broadcast CNBC television interview on Wednesday with John Harwood of the *New York Times*, Obama said that a VAT would be “novel for the United States.” He repeatedly did not want to rule it out since he “wants to get a better picture of what our options are.” These are not the words of a President who is not considering a VAT, or who has ruled one out. Rather, they are a clear and direct signal to anyone bothering to listen that a VAT is President Obama's preferred method of raising the taxes to pay for his massive expansion of government spending.

President Obama, House Speaker Nancy Pelosi (D.-Calif.), and Senate Majority Leader Harry Reid (D.-Nev.) desperately want and need new tax revenue. Whether it's the trillion-dollar bailouts of big banks and unionized auto companies, the nearly trillion-dollar stimulus package (which seemed to stimulate only government employee unions), the trillion-dollar takeover of America's healthcare system, or the trillion-dollar expansion in discretionary spending, the size and scope of federal spending is changing.

What is a VAT? Put simply, a VAT is a European-style sales tax. It's assessed on the profits generated at every stage of production (raw material, manufacturer, wholesaler, retailer, etc.), so there is constant reporting and payment. As such, it's an extremely efficient money machine for big government. The VAT is embedded inside the price of a good (as opposed to the U.S., where sales tax is transparent and on top of the price). As such, people forget they pay it, and European governments have found it too easy to raise the tax repeatedly over time.

This VAT push is not a new effort by the left. Back in the very early Clinton Administration, Americans for Tax Reform founded the “Anti-VAT Caucus.” Unlike

other congressional caucuses, the Anti-VAT Caucus has no meetings to attend, no dues to pay, and no platform to endorse. Rather, it's a simple affirmation (currently taken by 60 congressmen and four senators) to oppose a value-added tax in America. We're asking every congressional and senatorial candidate who signs ATR's Taxpayer Protection Pledge to preemptively join the Anti-VAT Caucus, effective upon their election to the House or Senate. Recently the Senate passed a symbolic measure 85-13 rejecting a VAT.

We should pause here to make a distinction the mainstream media will not: the VAT is not the same as the "FAIR Tax." The latter is a full-replacement tax reform plan proposed by congressmen like John Linder (R.-Ga.) and Steve King (R.-Iowa). The VAT which the left is proposing is an add-on tax, one which seeks to bring in new sources of tax revenue on top of our existing tax structure.

Neither, it should be pointed out, did the VAT replace any tax in Europe. When VATs started out in Europe in the 1960s, they were small (usually less than 5%). Today, the average VAT rate in Europe is 18.4%. If your country wants to join the European Union, you have to have a minimum VAT rate of 15% so that people won't take retail shopping vacations in your cities. Norway, Denmark, and Sweden win the dubious award of having the world's highest VAT rate at 25%.

At the same time as the VAT grew and grew in Europe, the tax burden also grew. According to Dan Mitchell of the Cato Institute, the U.S. and Europe each collected about 27 cents in taxes for every \$1.00 of economic output in the 1960s. The U.S. still does. Europe, however, has seen its tax burden jump from an average of 27% then to an average of 40% today. Other taxes grew, not shrank.

Americans for Tax Reform has estimated that if the United States adopted a European-style VAT system, every 1 percentage point VAT rate would generate about \$50 billion in additional tax revenue. There is no doubt that every penny of this (and then some) will be spent by an ever-expanding government. After all, "VAT" is a French word meaning "Big Government."

Obama's advisors and confidantes haven't exactly kept their desire for a VAT close to the vest. Last September, Obama's transition team leader John Podesta floated the idea during a nationally televised [interview](#), saying a VAT would "*create a balance*" with European and Japanese systems and "*could potentially have a*

substantial effect on competitiveness”.

In February, Erskine Bowles, co-chairman of Obama's deficit-reduction commission, [said](#), “A value-added tax—I've looked at lots of them—ought to be something that's on the table.”

In April, Obama advisor Paul Volcker [said](#) a VAT is “not as toxic an idea” as it has been in the past and said, “If at the end of the day we need to raise taxes, we should raise taxes.”

The fact is, the White House has never permanently ruled out the possibility of a VAT. Because of Obama's pledge not to raise “any form” of taxes on those making less than \$250,000, he has a duty to immediately dismiss the mere suggestion of a VAT. White House spokesman Robert Gibbs and economic advisor Austan Goolsbee will say only that a VAT is not currently under consideration and defer to the deficit-reduction commission.

Obama's endorsement of a VAT is his “read my lips” moment. In 1988, presidential candidate George H.W. Bush famously said he would never raise taxes. He broke that pledge and threw away an otherwise decent presidency in 1992. Obama is setting himself up to do the same with his own tax pledge and a VAT.

Americans spent 50 years fighting the Cold War to avoid becoming East Germany. We will spend the upcoming decades fighting the Left's efforts to turn us into a cross between France and Greece

The campaign to impose a VAT is the opening shot announcing that this struggle has now officially begun.

Go [here](#) to sign a petition from the editors of HUMAN EVENTS and RedState asking House Speaker Nancy Pelosi and Senate Majority Leader Harry Reid to reject imposing a Value Added Tax on the American people.

Below are the members of the Anti-VAT Caucus in Congress.

U.S. Senate (4)

John McCain
James Risch
Pat Roberts
David Vitter

U.S. House (60)

Chairman: Wally Herger
Todd Akin
Roscoe Bartlett
Spencer Bachus
Rob Bishop
Marsha Blackburn
John Boozman
Paul Broun
Dan Burton
Ken Calvert
Jason Chaffetz
Howard Coble
Tom Cole
Michael Conaway
Jerry Costello
Peter DeFazio
Jeff Flake
Elton Gallegly
Scott Garrett
Bob Goodlatte
Ralph Hall
Doc Hastings
Jeb Hensarling
Wally Herger
Peter Hoekstra
Bob Inglis
Sam Johnson
Jim Jordan

Steve King
Jack Kingston
Doug Lamborn
Bob Latta
Jerry Lewis
John Linder
Frank LoBiondo
Connie Mack
Donald Manzullo
Michael McCaul
Tom McClintock
Buck McKeon
John Mica
Jeff Miller
Jerry Moran
Sue Myrick
Randy Neugebauer
Frank Pallone
Mike Pence
Joe Pitts
Bill Posey
Tom Price
George Radanovich
Dana Rohrabacher
Ed Royce
Steve Scalise
Pete Sessions
John Shadegg
John Shimkus
Cliff Stearns
Todd Tiahrt
Zach Wamp
Joe Wilson

Mr. Norquist is president of Americans for Tax Reform.

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