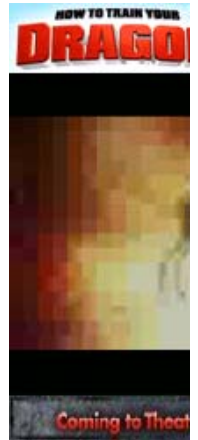




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Krauthammer: Get ready for the VAT debate

posted at 1:36 pm on March 24, 2010 by Ed Morrissey

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Charles Krauthammer warns viewers of Bill O'Reilly that the passage of ObamaCare will lead to the value-added tax, or VAT. The Europeans have it, in part to fund the national nanny states, and the US will need it to create the "river of revenue" that ObamaCare will require. Meanwhile, Krauthammer — a physician himself — also warns that the Obama administration doesn't need a public option, as the insurance companies will become arms of the government, just like public utilities (via [Greg Hengler](#)):

We've seen the VAT debate during the ObamaCare push, starting with [Nancy Pelosi's proposal in October](#). At that time, Dan Mitchell of the [Cato Institute](#) gave a primer on VAT:

The VAT would be great news for the political insiders and beltway elite. A brand new source of revenue would mean more money for them to spend and a new set of loopholes to swap for campaign cash and lobbying fees. But as I explain in this [new video](#) from the Center for Freedom and Prosperity, the evidence from Europe unambiguously suggests that a VAT will dramatically increase the burden of government. That's good for Washington, but bad for America.

It's worth noting that even if the politicians are unsuccessful in their campaign to take over the health care system, there will be a VAT fight at some point in the next few years. This will be a Armageddon moment for proponents of limited government. Defeating a VAT is not a sufficient condition for controlling the size of government, but it surely is a necessary condition.

That didn't keep the [New York Times from pushing a VAT](#) in December. Krauthammer's right; as soon as the predicted budget surpluses turn into huge deficits, Democrats will try to stem the tide not by undoing ObamaCare but by imposing onerous consumption taxes on Americans. That will slow the economy, which will make the ObamaCare deficits even worse, and will continue a cycle of stagnation.

Be prepared. Start learning about the VAT now in order to stop it later.



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right2bright on March 24, 2010 at 2:10 PM

The VAT is indirect. It does not show up as a sales tax at the point of purchase. It is added in at each step in getting the product to market. The poor will be hurt the most because of the higher cost for the products.

chemman on March 24, 2010 at [2:13 PM](#)

VAT coming...society's parasites to be hardest hit-Unintended consequences, or benefits depending on your point of view. My regret is the effect it will have on older people with fixed incomes.

orlandocajun on March 24, 2010 at [2:14 PM](#)

Just like corporate taxes are a stealth tax on the individual. The VAT tax will be another stealth tax on the individual. They both make what we purchase cost more.

chemman on March 24, 2010 at 1:58 PM

Stelth tax? The corporations will pass expenses on to the consumer, of course. These fools have no idea the mess they are so giddy to create. I have no doubt we have not seen nothing yet as far as economic pain.

China will be the big winner as American products become cost prohibitive. Also, there will be a brain drain here as achievers recognize the USA is not the place to do business anymore.

Unintended consequences. Working consumers will reduce spending as costs expand. And, I think many Americans will feel it is their patriotic duty not work as aggressively to make more money to give to the government. Idle back, and let the whole rotten house of cards re-calibrate itself.

The dems think the illegal immigrant amnesty will save the day, but it will just accelerate the crash. Like reagan said to his son Michael, "why should I work harder when the extra money is taxed at 90%?"

Like feeding the racoons....when the chow line stops, the racoons get aggressive. Pretty soon the racoons are a real problem, and you have to hire a pest control company to restore normalcy around your house.

saiga on March 24, 2010 at [2:14 PM](#)

"But when a long train of abuses and usurpations, pursuing invariably the same object evinces a design to reduce them under absolute despotism, it is their right, it is their duty, to throw off such government, and to provide new guards for their future security."

[smfoushee](#) on March 24, 2010 at [2:15 PM](#)

conservative pilgrim on March 24, 2010 at 2:09 PM

when you have a moment, check your mail as well.

[upinak](#) on March 24, 2010 at [2:15 PM](#)

We're all going Galt whether we want to or not....

d1carter on March 24, 2010 at 2:06 PM

The big question is whether you want to control you own destiny.

The National Socialist wacko wing of the Democrat Party is determined to run us off a cliff, we can either *go Galt now and stop it*, or have to go Galt later when it happens.

Chip on March 24, 2010 at [2:16 PM](#)

The liberties of a people never were, nor ever will be, secure, when the transactions of their rulers may be concealed from them.

Patrick Henry

sdd on March 24, 2010 at [2:16 PM](#)

That's why Obama set up this phony "bipartisan" commission. Plausible denial ability.

BrianA on March 24, 2010 at 2:02 PM

You took the words right out of my mouth. BO will try and pretend his hands are clean and that he didn't break

his promise not to raise taxes. He will blame that e-v-i-l commission and cry about how *he didn't want to do* that but the commission gave him no other options. And by delaying their shafting of the public until after the elections the Dems won't even be penalized for it.

katiejane on March 24, 2010 at [2:17 PM](#)

Be prepared. Start learning about the VAT now in order to stop it later.

Just like we stopped Obamacare, right?

[Daggett](#) on March 24, 2010 at [2:17 PM](#)

Learn to garden and grow your own food. We'll all be in survival mode.

conservative pilgrim on March 24, 2010 at 1:51 PM

Done, I even learned how to do home canning after O was elected.

OmahaConservative on March 24, 2010 at 2:05 PM

I started when the '08 campaign started. The writing was on the wall with the press fawning over Obama.

A VAT combined with Hell Care and Cap'n Rape will drive me underground.

I'm guessing that is where the new 15,000 extra IRS agents with guns come it.

cntrlfrk on March 24, 2010 at [2:18 PM](#)

When the American spirit was in its youth, the language of America was different: Liberty, sir, was the primary object.

Patrick Henry

sdd on March 24, 2010 at [2:18 PM](#)

sad

[blatantblue](#) on March 24, 2010 at [2:18 PM](#)

The poor will be hurt the most because of the higher cost for the products.

chemman on March 24, 2010 at 2:13 PM

I imagine that there will be some way of refunding the VAT tax to the poor – like the EIC when they file their taxes.

katiejane on March 24, 2010 at [2:19 PM](#)

“But when a long train of abuses and usurpations, pursuing invariably the same object evinces a design to reduce them under absolute despotism, it is their right, it is their duty, to throw off such government, and to provide new guards for their future security.”

smfoushee on March 24, 2010 at 2:15 PM

Shows you how Incrementalism has made our society so soft to tyranny.

I imagine our ancestors would have been out taking action *Long* before this point.

Chip on March 24, 2010 at [2:20 PM](#)

Obama is taking America into what Mussolini called fascism. The merger of state and corporate. So it is not communism where the state controls monopolies – it's fascism, plain and simple. State-controlled capitalism is

called fascism, and fascism is being brought to America by the latter day Benito Mussolini, Barackito Obamalini.

MB4 on March 24, 2010 at [2:20 PM](#)

Guard with jealous attention the public liberty. Suspect everyone who approaches that jewel. Unfortunately, nothing will preserve it but downright force. Whenever you give up that force, you are inevitably ruined.

Patrick Henry

sdd on March 24, 2010 at [2:20 PM](#)

People have to understand: this has nothing to do with raising money. The rank-and-file moonbat may not even have a firm grasp on the concept of money, let alone economics. But even the craziest liberal Congressmen have somebody on staff who took at least one mail-order course.

They know perfectly well that each addition to the tax code at this point means LESS net government revenue. And a VAT will be even more repressive than the already abominable system of income tax.

This is all about control of commerce. The purpose is to insert government regulation into every last nook-and-cranny of every business in America.

A VAT cannot possibly have a coherent definition of a “taxable event.” The government will decide on an ad hoc basis when and how much money to take out.

Once this law (or, technically I suppose they should be called “decrees” from now on) is in force, then EVERY transaction that takes place in this country will comprise a presumptively illegal “black market.” And everyone who makes any transaction — even barter — will be required to pre-disclose everything he does to the government as potentially incriminating evidence against himself.

logis on March 24, 2010 at [2:24 PM](#)

As I mentioned in another thread... Canada and Mexico will be forced into passing their own Comprehensive Immigration Reform legislation by the time Obama is done with our ‘transformation’ to hope and change. A tall, wide wall will be built on the Mexican-American border.... by the Mexicans.

BPD on March 24, 2010 at [2:26 PM](#)

when you have a moment, check your mail as well.

upinak on March 24, 2010 at 2:15 PM

Just got it. Thanks for the info! Wrote back to you.

conservative pilgrim on March 24, 2010 at [2:27 PM](#)

Like Father, Like Son

As a Nairobi bureaucrat, Barack Hussein Obama Sr. advised the pro-Western Kenyan government there to “redistribute” income through higher taxes. He also demonized corporations and called for massive government “investment” in social programs.

Writing in a 1965 scholarly paper, Obama’s late father slammed the administration of then-President Jomo Kenyatta for moving the Third World country away from socialism toward capitalism. He chafed at the idea of relying on private investors — who earn “dividends” on their venture capital — to develop the country’s fledgling economy.

“What is more important is to find means by which we can redistribute our economic gains to the benefit of all,” said the senior Obama, a Harvard-educated economist. “This is the government’s obligation.”

The “means” he had in mind were confiscatory taxes on a scale that redefines the term “progressive taxation.”

“Theoretically,” he wrote, “there is nothing that can stop the government from taxing 100% of income so long as the people get benefits from the government commensurate with their income which is taxed.”

Therefore, he added, “I do not see why the government cannot tax those who have more and syphon some of these revenues into savings which can be utilized in investment for future development.”

As Obama’s father saw it, taxes couldn’t be high enough, so long as the collective benefited. “Certainly there is no limit to taxation if the benefits derived from public services by society measure up to the cost in taxation which they have to pay,” he said. “It is a fallacy to say that there is this limit, and it is a fallacy to rely mainly on individual free enterprise to get the savings.”

<http://www.investors.com/NewsAndAnalysis/Article.aspx?id=454957>

Cody1991 on March 24, 2010 at [2:28 PM](#)

Obama is taking America into what Mussolini called fascism. The merger of state and corporate. So it is not communism where the state controls monopolies – it’s fascism, plain and simple. State-controlled capitalism is called fascism, and fascism is being brought to America by the latter day Benito Mussolini, Barackito Obamalini.
MB4 on March 24, 2010 at 2:20 PM

It doesn’t really matter what you call it – be it ‘**National Socialism**’ or ‘Statism’ or ‘Progressivism’, it’s the same old Stupid idea.

Someone else posted that **excrement is still excrement** no matter if you call it be it, Dung, manure, do-do, **Obama** or even ‘**Stupak**’ it still stinks.

Chip on March 24, 2010 at [2:28 PM](#)

For the uninitiated, VAT = sales tax. It’s already 9.75% here in LA.

Apologetic California on March 24, 2010 at 1:46 PM

This is not true. It is more insidious.

A VAT tax is a tax on each stage of the manufacturing process during which a product becomes more valuable.

I’ll give you a simple example—a chair.

A timber company fells a tree and sells the trunk. A lumber company buys the trunk and turns it into a group of boards. Since finished boards are more valuable than a raw tree trunk, a 15% tax must be paid to the gubmint on the difference between the sum of the boards and the cost of the trunk when the boards are sold. The lumber company sells some of the boards to a furniture company. The furniture company turns the boards on a lathe to create chair legs. Since unfinished chair legs are more valuable than raw boards, 15% must be paid on the difference in value once the legs are sold (to Lowe’s for example). Meanwhile some of the chair legs are added with other chair parts to make an unfinished chair. If the furniture company sells the unfinished chair to an unfinished furniture store, the difference in value between the unfinished chair and the raw lumber is taxed at 15%. The remaining chairs are stained and lacquered and sold to furniture stores. The difference between the finished chairs and the raw lumber is taxed at 15%.

All these costs are accounted for by the different companies at their various stages of manufacture, the added costs to the various products are calculated, and the prices are raised accordingly at each point of sale. The end user pays the full VAT since companies do not pay taxes.

The VAT does not show on the consumer's sales receipt, which makes it a stealth tax—the kind the gubmint likes the most.

I used to work for a French-owned eyeglass lens company and wrote a lot of software for their EU subsidiaries. I wrote a lot of the code that tracked and calculated the value of the products at each stage of manufacturing. It was a nightmare. The cost of compliance was enormous. These costs are also passed on to the ultimate consumer. Wear Transitions or Varulux lenses? You are already paying VAT.

stvnscott on March 24, 2010 at [2:28 PM](#)

Learn to garden and grow your own food. We'll all be in survival mode.

conservative pilgrim on March 24, 2010 at 1:51 PM

Done, I even learned how to do home canning after O was elected.

OmahaConservative on March 24, 2010 at 2:05 PM

Same here. Waiting for spring and the nurseries to open to start the planting. My grandchildren and I have tilled the garden area already. Also since we live in western New York, there's a farmer down the road that sells chicken eggs for \$1.00 a dozen. Also bought canning/preserving books and been going to the library reading about specific gardening in this area being from TX and not used to this area. Wish I knew how to raise sheep for wool. hmmmmmm

sicoit on March 24, 2010 at [2:28 PM](#)

The VAT is indirect. It does not show up as a sales tax at the point of purchase. It is added in at each step in getting the product to market. The poor will be hurt the most because of the higher cost for the products.

chemman on March 24, 2010 at 2:13 PM

Oh, great, that means that we will be paying state sales tax on the VAT. If the Sales tax is 9.75%, we get to pay an additional \$9.75 to the state for every \$100.00 spent because of the VAT.

PrettyD_Vicious on March 24, 2010 at [2:32 PM](#)

The audacity of hope was for his campaign
Tyranny and thuggery are for his reign
His candidacy was rather like that of a Henry Houdini
His presidency is shaping up to be much more like that of a Benito Mussolini

Although he tries to slip it all in under another guise
To all his fascist action most foul we must still be wise
In spite of all the Houdini lies
Dancing in Obama's Mussolini eyes!

MB4 on March 24, 2010 at [2:34 PM](#)

Oh, great, that means that we will be paying state sales tax on the VAT. If the Sales tax is 9.75%, we get to pay an additional \$9.75 to the state for every \$100.00 spent because of the VAT.

PrettyD_Vicious on March 24, 2010 at 2:32 PM

It's a tax on *everything* on top of what you already pay including services.

Cody1991 on March 24, 2010 at [2:35 PM](#)

Let's call it a Cost Added Tax (CAT). I think that sounds worse, or is CAT too cute?

zmdavid on March 24, 2010 at [2:36 PM](#)

Our public servants are our masters only if we let them.

I blame the American people for the mess we are in.

Schadenfreude on March 24, 2010 at [2:37 PM](#)

Hat Tip to “Two and a Half Men” “You can roll a turd in powdered sugar but that still doesn’t make it a jelly donut”.

sicoit on March 24, 2010 at [2:37 PM](#)

For the uninitiated, VAT = sales tax. It’s already 9.75% here in LA.

Apologetic California on March 24, 2010 at 1:46 PM

1. The VAT would be IN ADDITION TO your existing state sales tax. So if your county sales tax is 9.75% and the VAT was 4% you would be taxed 13.75%.

2. The VAT would tax products on each step of assembly. The lumberjack sells wood to carpenter. Carpenter pays a VAT. The carpenter sells chair to store. Store pays VAT. Customer buys chair. Customer pays VAT. This is why it’s called a “value added tax.”

visions on March 24, 2010 at [2:39 PM](#)

Let’s call it a Cost Added Tax (CAT). I think that sounds worse, or is CAT to cute?

zmdavid on March 24, 2010 at 2:36 PM

Oops, should be “too cute”

zmdavid on March 24, 2010 at [2:39 PM](#)

It’s sickening. If VAT increases the price of an item that today is \$10 up to \$12, we’re paying sales tax on a \$12 purchase. So, the sales tax is increased proportionately. And that’s on an item that’s really ‘worth’ \$10 actual market value.

Liam on March 24, 2010 at [2:42 PM](#)

VAT= a reason to buy all the good liquor you can now while you can afford it and in order to use said liquor to calm your nerves as we enter the realm of fascism before we kill it.

Does this mean they are also going to tax my satellite and tv usage? I would bet this will include my internet usage, and especially the number of times I click on HotAir!

freeus on March 24, 2010 at [2:43 PM](#)

Going to take a lot of money to bail out the states which will be unable to pay for ObamaCare. Alas, I feel better to doing my part for the America of Dick Durbin’s dream.

/

Angry Dumbo on March 24, 2010 at [2:44 PM](#)

I wonder how ammo sales are doing?

saiga on March 24, 2010 at [2:44 PM](#)

I don’t think Krauthammer is *warning* us about the looming VAT debate, I think he’s trying to *warm* us to the inevitability of a VAT. He said it on Sunday night “We’re going to have a VAT” and he says it again in this interview, “It’s coming.” His default position is surrender.

[joe doufu](#) on March 24, 2010 at [2:46 PM](#)

If nationalized health care is the death of America then the V.A.T is the nail in the coffin. You open up that door to this government and it will become the enabler that allows government to grow past the point of any repair. It will also be the kind of drain on the economy that causes a never ending recession. There is no coming back from that Mike Tyson (in his prime) uppercut to freedom. <http://alecsavestheworld.blogspot.com>

[alecj](#) on March 24, 2010 at [2:46 PM](#)

The easy way to think of a 15% VAT would be to think of an instant 15% reduction in your standard of living, for nothing more than to benefit the looters of society.

[MNHawk](#) on March 24, 2010 at [2:46 PM](#)

1. The VAT would be IN ADDITION TO your existing state sales tax. So if your county sales tax is 9.75% and the VAT was 4% you would be taxed 13.75%.

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visions on March 24, 2010 at 2:39 PM

I don't know what the Obama destruction team plan is, but in Europe the consumer pays the VAT only on large items. Say items costing \$100 and up.

I don't know if the government charges the VAT to the different producers of a product. My understanding of the European model is that the VAT applies to consumers on the finished product. It's another way to fill the government coffers. I think the healthcare taxes alone on small businesses will make them obsolete.

conservative pilgrim on March 24, 2010 at [2:47 PM](#)

I think the healthcare taxes alone on small businesses will make them obsolete.

conservative pilgrim on March 24, 2010 at 2:47 PM

That's the plan.

Cody1991 on March 24, 2010 at [2:51 PM](#)

If any VAT goes thru, I don't think people are going to sit idly by this time.

I seriously believe there will be a 'refreshing of the liberty tree' at that point.

RedbonePro on March 24, 2010 at [2:51 PM](#)

Fascism is being brought to America by the latter day Benito Mussolini, Barackito Obamalini.

MB4 on March 24, 2010 at 2:20 PM

Otherwise known as "Wussolini".

[RD](#) on March 24, 2010 at [2:52 PM](#)

All of the people who thought those mythical "rich" masses were going to pay for the programs promised by their Messiah are going to be paying for their votes with sweat and blood.

Add the VAT to inflation, that we will inevitably experience in the reasonably near future, and we will see mass foreclosures and personal bankruptcies that even our omnipotent Congress can't fix by borrowing more money (at higher bond rates).

Welcome to the world of Barack Hussein Obama.

You can't say you weren't warned.

molonlabe28 on March 24, 2010 at [2:56 PM](#)

This is why we need to vote more Republicans into office, especially into the Senate, so that we can stop a future VAT movement.

Old Fritz on March 24, 2010 at [2:57 PM](#)

It's sickening. If VAT increases the price of an item that today is \$10 up to \$12, we're paying sales tax on a \$12 purchase. So, the sales tax is increased proportionately. And that's on an item that's really 'worth' \$10 actual market value.

Liam on March 24, 2010 at 2:42 PM

That shouldn't be legal, even in a VAT regime. They do have ways of imputing the original 'unaltered' price, even if it's not 100% accurate, and they can (and probably have to by law) base their sales tax on that. Admittedly a very thin silver lining in a big dark cloud.

[RD](#) on March 24, 2010 at [2:58 PM](#)

For the uninitiated, VAT = sales tax. It's already 9.75% here in LA.

Apologetic California on March 24, 2010 at 1:46 PM

Oh no, it is much, much more than a sales tax. The VAT is added every time merchandise changes hands. So when the factory sells the product to the wholesaler, a VAT is added. When the wholesaler sells the product to the retailer, a VAT is added and, of course, when the retailer sells it to you....

Kafir on March 24, 2010 at [3:20 PM](#)

RD on March 24, 2010 at 2:58 PM

It's done similarly in NY, where I pay cigarette tax on every pack, plus sales tax on the full price (cig tax included) on that pack. In NJ, years ago, there was no sales tax because I was paying a cigarette tax and the state didn't double-dip into my pockets. I don't know if that still holds.

I can foresee the states going on the full price at point of sale, including any VAT contained in that price.

Liam on March 24, 2010 at [3:22 PM](#)

Charles needs to really speak more slowly so O'Reilly can understand him.

jjverdi on March 24, 2010 at [3:27 PM](#)

A national sales tax and the VAT tax are two different things. Krauthammer only mentioned a national sales tax. It is important to understand the difference.

A sales tax is added to a transaction at the point of retail or end-user purchase. However, it would generate incredible revenue for the government and Congress must be salivating at the prospect of such a tax.

A value added tax or VAT is more of a hidden tax. It takes place at each level of manufacturing or sale. You take a tax credit for what you paid to your supplier or wholesaler and then you collect tax on the new sale price. So, each incremental increase in value gets taxed from raw materials to final sale, and tax returns are filed for all the levels. This tax is more effective and efficient for the government in that pretty much eliminates a lot of the tax evasion in the underground economy because tax is collected and paid beginning at the raw material level.

A sales tax is much easier to implement and only is triggered when a taxable sale occurs at the retail level. People
hotair.com/.../krauthammer-get-ready...

selling across state lines who did not previously collect the destination sales tax (or use tax) would be required to collect the national sales tax.

What the Obama administration would do is likely implement both types of taxes. Both taxes collect taxes from people who otherwise would not be paying an income tax.

Texas Mike on March 24, 2010 at [3:28 PM](#)

But how would Obama be able to exempt unions from a VAT?

GW on March 24, 2010 at [3:32 PM](#)

But how would Obama be able to exempt unions from a VAT?

GW on March 24, 2010 at 3:32 PM

Special deduction on a tax form, like that for railroad workers' pension fund, maybe?

Liam on March 24, 2010 at [3:40 PM](#)

Special deduction on a tax form, like that for railroad workers' pension fund, maybe?

Liam on March 24, 2010 at 3:40 PM

You know they'd figure out a way.

[ladyingray](#) on March 24, 2010 at [3:50 PM](#)

But how would Obama be able to exempt unions from a VAT?

Same way the local indians do around where I live. There's a sign up sheet at the checkout counter of the local mini-mart. Name and tribe, bada-bing, no tax.

WitchDoctor on March 24, 2010 at [3:58 PM](#)

Couple things ...

One ... K-Hammer said the push would come in December if I'm correct. I just don't see it happening. I really believe the GOP will wipe the floor with the faces of Democrats in November – so this would have to be pushed by a lame duck Democratic Congress. The only way they'd get it through – is through heavy legislative trickery which the American people may well rebel against. I'm throwing rock-throwing anger here because the VAT is a BIG DEAL. TWO ... We already (most of us) pay heavy State taxes and this would be crushing. This would be high-octane gasoline for a tax revolt bonfire.

[HondaV65](#) on March 24, 2010 at [4:02 PM](#)

<http://howtogogalt.com/>

<http://go-galt.org/>

davidk on March 24, 2010 at [4:08 PM](#)

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for a tax revolt bonfire.

HondaV65 on March 24, 2010 at 4:02 PM

I agree. The Tea Party pushback last August will seem like tea time with the Queen compared to the outrage if they try this.

conservative pilgrim on March 24, 2010 at [4:08 PM](#)

They most certainly will try it. They will argue that with a VAT even the poorest, subsidized insured will then be paying something.

jeanie on March 24, 2010 at [4:16 PM](#)

It does not show up as a sales tax at the point of purchase.

Oh yeah? In Europe when you buy something, just look at the receipt: Price of item PLUS Value Added Tax = Retail price.

And there are different VAT for different items.

albill on March 24, 2010 at [4:35 PM](#)

Just like we stopped Obamacare, right?

Daggett on March 24, 2010 at 2:17 PM

A tax that hits everybody is a lot easier to stop than a program that promises free goodies.

MarkTheGreat on March 24, 2010 at [4:37 PM](#)

Bill is not as smart as Charles so I wish Bill will just STFU and let him speak.

[RobCon](#) on March 24, 2010 at [4:43 PM](#)

V. A. T.

Very Annoying Totalitarians.

percysunshine on March 24, 2010 at [5:01 PM](#)

Remember when Gerald Celente predicted food and tax riots by 2012? People thought he was nuts? Well, looks like his predictions may come true...

Sam Adams on March 24, 2010 at [5:30 PM](#)

We are being forced to accept Canada's health care system, we might as well take their VAT too.

Mallard T. Drake on March 24, 2010 at [6:52 PM](#)

From Pierre Lemieux in 1994 (don't know if the [G&M link still works](#)):

As budget day nears, politicians of all stripes warn us that tax evasion is rampant in Canada. Before he started talking about tax increases, Finance Minister Paul Martin had declared that "hundreds of thousands of otherwise honest people ... have withdrawn their consent to be governed" by escaping in the underground economy.

The problem is that the politicians do not seem to draw the right conclusions. Pressed for money — actually, nearly bankrupt —, the federal government, as well as some provincial governments, has **decided to clamp down on the underground economy. Revenue Minister David Anderson has declared a war on tax evaders.**

After shopkeepers defied the law by openly selling smuggled cigarettes in Saint-Eustache, Qué., Bloc Québécois leader Lucien Bouchard came out against what he sees as a new state-cheating culture. He apparently thinks that citizens should always obey the rulers. Indeed, the governing class shows a rare unanimity in bringing the Canadians back under the government's rod of iron.

A VAT is a rise in the black market, the underground market and seeking to do anything to avoid the VAT. No VAT ever, not once, pulls in anywhere near what it is projected to because people change their spending habits and seek all possible ways to evade it.

He then goes on to examine the causes of the tax evasion society:

First, how did tax evasion develop among so docile a people as the Canadians? The answer lies, of course, in the tax burden they have to shoulder. Tobacco, on which federal tax rates have increased by 150% over the last five years, is only the tip of the iceberg. The total tax take by all levels of government now amounts to nearly 40% of the Canadian gross domestic product. If we include the deficits, which are just future taxes, government takes close to one half of what people produce and earn in this country. In two words, tax evasion is a response to tax invasion.

[..]

Galloping regulations are another factor. Some of them come with taxes: Small businesses now have to perform time-consuming GST accounting, and prepare a complex quarterly report. I don't know if we ever were a nation of shopkeepers, but we are certainly becoming one of tax collectors and accountants. Other forms of regulation — labor regulations, for instance — make it much more simpler and cheaper to go underground, for consumers and suppliers alike.

The second question is, How could we ever accept such a tax burden in the first place? One hundred or 200 years ago, the great Western thinkers to whom we owe whatever liberty we have left would never have thought this could happen in a free country.

[..]

The third question relates to the state's reaction. Politicians argue that the individuals who do not pay their "fair share" thereby increase the tax burden of other citizens. The main thrust of the coming federal and provincial budgets may well be to increase the effective tax burden under the guise of "fair shares."

This is a naïve cliché which assumes that political and bureaucratic processes naturally lead to the optimal amount of taxes required to finance unanimously demanded public services. What actually happens (at least if we agree with the Public Choice approach in economics) is that the government will take as much as it can, it will charge what the traffic will bear. Governments satisfy minority pressure groups and buy votes through spending. If Canadians in the underground economy were to start paying their "fair" taxes, government revenues and expenses would just increase by the amount of the new taxes. In this perspective, the underground economy is a useful restraint on Leviathan, and a benefit to all taxpayers.

The VAT makes shopkeepers the Revenue Agents of the system, and forces them to do the book keeping for the State via their collection of taxes. Thus shops, already stressed by taxes and regulations, get an extra job to do as that money is extremely necessary to the running of government and shop keepers can be punished for not doing their job far more than individuals can via a mere income tax.

You want to wreck the economy and make it barely functional? Add a VAT.

You need a vat to cook things in and what comes out in the pot is your liberty, your freedom from government and ability to have any transactions outside the realm of government control. Politicians love the VAT as it gets lots of money... just never enough to suit their appetites as they find more and more 'good' government can do for you while it impoverishes you.

[ajacksonian](#) on March 24, 2010 at [7:17 PM](#)

Replacing the individual and corporate income taxes with a VAT is about the best thing, economically speaking, that could be done. An income tax applies whether or not the income is being put to productive use (read: invested), but a VAT, properly implemented, only applies to consumption.

Replacing the income taxes with a VAT would have a number of positive effects, including making saving more attractive versus consumption compared to the present system. This would alleviate America's consumer debt problem and trade deficit with China; increase investment leading to higher productivity, per capita GDP, wages, after-tax income, etc. down the road; and also streamline the tax collection process (goodbye personal interaction with the IRS). A VAT also has the added advantage of being kosher per the original Constitution (a VAT, like a national sales tax, is nothing but an excise tax levied equally against all goods).

But since Republicans know nothing about economics and never waste an opportunity to demagogue against a good idea (not that Democrats know any more about economics, or that Republicans never demagogue against bad ideas), we will hear non-stop about socialism this and fascism that and how a VAT would completely demolish the American way of life.

[hicsuget](#) on March 25, 2010 at [1:42 AM](#)

Get Paul Ryan and all the believable GOP politicians out their railing about this:

[BuckeyeSam](#) on March 24, 2010 at 1:57 PM

I think Ryan's plan also has a VAT, (he calls it a "business consumption tax"), though he also proposes massive spending cuts, and I think he also cuts and flattens income taxes more.

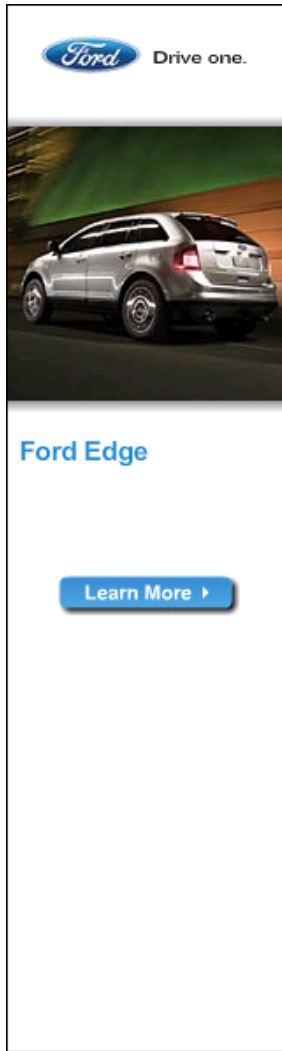
[RINO in Name Only](#) on March 25, 2010 at [4:29 AM](#)

I am beginning to wonder about Krauthammer...Obama is doing this because his heart is in the right place?? Obama is an intelligent man?? Excuse me while I go puke....

[theaddora](#) on March 25, 2010 at [11:36 AM](#)

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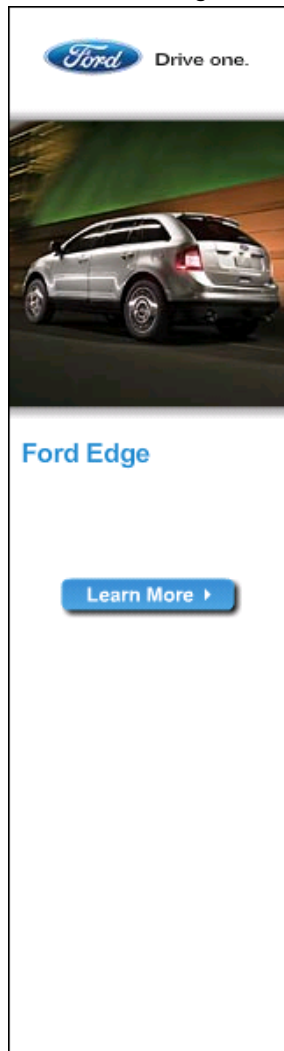


The advertisement features the Ford logo and the slogan "Drive one." at the top. Below this is a photograph of a silver Ford Edge SUV. Underneath the photo, the text "Ford Edge" is displayed in a blue font. At the bottom of the ad is a blue button with the text "Learn More" and a right-pointing arrow.

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The banner features a book cover for "CONSERVATIVE VICTORY" by Sean Hannity. The cover includes the text "HANNITY'S NEW BOOK FREE" and "with a subscription to TOWNHALL MAGAZINE". A call to action says "click here TODAY!". The background of the banner is black.

A vertical advertisement for the Ford Edge. At the top, the Ford logo is on the left and the slogan "Drive one." is on the right. Below this is a photograph of a silver Ford Edge SUV parked in a dark setting with a green light source in the background. Underneath the photo, the text "Ford Edge" is displayed in a blue font. At the bottom of the advertisement is a blue button with the text "Learn More" and a right-pointing arrow.

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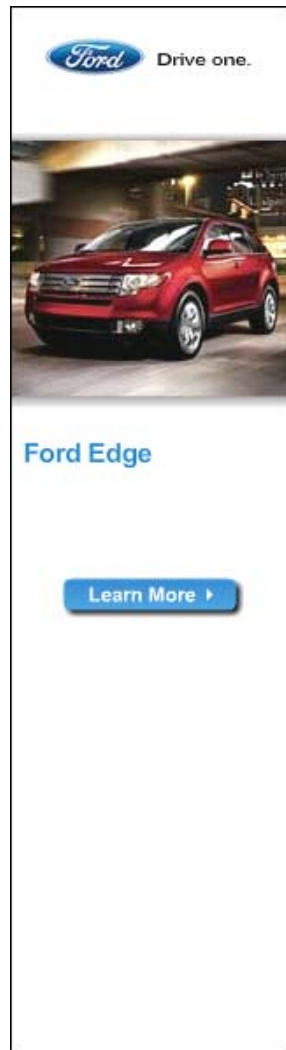
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