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Where lawmakers come to blog

### The Big Question: Would a VAT make sense for the U.S.?

By Sydelle Moore - 04/08/10 11:12 AM ET

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Some of the nation's top political commentators, legislators and intellectuals offer insight into the biggest question burning up the blogosphere today.

Today's question:

#### Would a value-added tax make sense for the United States?

**Daniel J. Mitchell**, Senior Fellow at The Cato Institute, said:

Handing Washington a whole new source of revenue would be akin to giving keys to a liquor store to a bunch of alcoholics.

The VAT -- on top of all the other taxes Washington imposes -- is a terrible idea. Imposing it would pretty well finish the transformation of our country into a European-style slow-growth nation. The right way to close Uncle Sam's gaping deficits is to reverse the continued explosion of federal spending.

Today's income-tax system is a nightmarish combination of class warfare and corrupt loopholes. But adding a VAT solves none of those problems; it merely gives politicians more money to spend and a chance to auction off a new set of tax breaks to interest groups. That's good for Washington, but bad for America.

**Grover Norquist**, president of Americans for Tax Reform, said:

The Democrats have finally showed their hand. The plan is to spend so much taxpayer money and run up such a large debt that citizens can be terrified into accepting a massive new tax...the Value Added Tax.

The Value added tax in Europe averages about 20%. Imagine if every product or service you purchased every day was to cost 20 percent more. Your life savings are now worth 20% less. Your pension is worth 20% less. Your salary is now worth 20% less in purchasing power.

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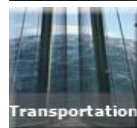
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That is Obama's vision for your future. More money for his Chicago politics. Less for your family.

America will drift down to something between France and Greece.

**Frank Askin**, professor of law at Rutgers University, said:

Not nearly as much sense as restoring the Bush tax cuts and reinstating the inheritance tax. But they all may be necessary.

**Justin Raimondo**, editorial director of Antiwar.com, said:

If you want to kill off what's left of the economy and impoverish the average American, then — please, by all means — be my guest and impose a "value-added tax." A new tax during a recession is the best way to push us into a full-fledged depression. We can call it America's Great Obama Depression, or to depersonalize it somewhat, simply "the Demo-pression." Just for the historical record, you understand ....

**Peter Navarro**, professor of economics and public policy at UC Irvine, said:

A VAT makes no sense in an Obama administration. In theory, a revenue-neutral VAT that lowered marginal income tax rates would be a spur to growth but Obamaites would use the damn thing as a tax collector to pay for all the entitlement programs they want to create.

**Glenn Reynolds**, Instapundit Blogger, said:

There are two problems with a VAT. One is that, despite whatever promises are made at the inception, we will wind up with an income tax as high as we have now, with a VAT on top of it. The other is that the VAT's chief attraction to politicians is its opacity. I would much prefer a national sales tax, where the amount of the tax is clearly indicated at the time of sale, and where the tax rate varies up and down along with federal spending. We are very unlikely to see that, because accountability for taxes and spending is not what politicians want.

**Dean Baker**, co-director of the Center for Economic and Policy Research, said:

A value-added tax could make sense in the United States but only after we had first tapped other more progressive revenue sources.

The most obvious alternative would be a financial speculation tax. A very modest tax on trades of financial assets (e.g., 0.25 percent on the buying or selling of a share of stock and 0.02 percent on a credit default swap) could raise a vast amount of money while barely affecting ordinary investors. England raises the equivalent of \$40 billion a year just by taxing stock trades. A comprehensive set of speculation taxes in the United States could raise as much as \$150 billion a year.

The only real obstacle to implementing a financial speculation tax is the power of the financial industry. They get members of Congress and other public figures to say silly things like a tax would have to be coordinated



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internationally or that it wouldn't raise very much money. This is in spite of the fact that the U.K. is already raising the equivalent of \$40 billion a year with no international coordination. This is yet another case where politicians are asking us to believe them instead of what we can see with our own eyes.

## Comments (40)

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Hit the billionaires and super rich corporations with a tax increase to pay for reducing the deficit.

BY **ALLEN** on 04/08/2010 at 11:52

The preponderance of negatives surprised me but every one talks only about increasing revenues to solve the deficient. Where is the discussion about eliminating the wasteful spending, excessive government for just one example, and then with lower taxes we'll be on the right path toward balancing the budget.

BY **WALDO** on 04/08/2010 at 11:58

Why don't they try to curb spending first? What?? That makes too much sense??? If they get more taxes, they won't pay down the debt, they'll just spend even more. Cut the budget hard first. Cut the size of the government, that'll save a fortune. I don't know about you but I NEVER saw a federal worker that looked like they were overworked, in fact just the opposite. Secure in their forever, stress free jobs. Cut the budgets of all departments EXCEPT the military by 15 percent as a starting point. Lay off workers like every one else has to. Make the government do what we in the real world have to do when our debt gets out of hand—we stop spending first.

BY **NOTLIKINGOBAMAMUCH** on 04/08/2010 at 11:59

ALLEN, the "rich people" don't have enough money to cover the debt, neither do the corporations. Take the corporation's money away and there will be no jobs. Are you really that clueless? And why do you hate (or is it envy) the rich so much? You should be showing that same animosity towards Obama as he is LOADED. He is one of the rich elitists you despise so much. Before they tax us another dime, they need to show some responsibility first—by cutting spending and stop creating yet more entitlement programs.

BY **2CONFUSED** on 04/08/2010 at 12:14

Doh! Stop spending money!

BY **JIMBO** on 04/08/2010 at 12:15

I just read an article that 47% of Americans will pay no income taxes for 2009, they either did not make enough or had enough credits to pay 0. I know I don't qualify. So Allen who do think is paying all the taxes right now. I believe it is what you call the wealthy and the corporations. I think we should do away with the income tax and have a national sales tax. That way EVERYONE pays their fair share. Jobs would be created because business would not worry about being taxes to death. I know my boss is not hiring or giving raises because of the political climate. He is going to wait and see what this congress and obama are going to do. So all you liberals who think employers will just take in the rear end are fooling yourselves. This administration has brought business to a screeching halt. It will continue that way until these idiots in Washington become more business friendly. And stop talking about raising taxes.

BY **KW** on 04/08/2010 at 12:53

And here's the answer to today's question: NO!

BY **GUNNAR** on 04/08/2010 at 13:03

Good idea, Allen! Then we can kill all the damn parasite Jews, too! Once we have no employers and no, um, doctors, think how much happier we will all be!

BY **CHUCKIE** on 04/08/2010 at 13:13

Better yet, Allen, let's outlaw millionaires and billionaires...

BY **TWG** on 04/08/2010 at 13:16

People are sooo confused as to what this tax -is- that they will lose sight of the fact that it -will- kill what's left of American Production and send it over seas! A Value Added Tax is a Tax placed upon all improved materials, usually with the only exception being Food! For example. Lets say I make tables for a living. 1. The

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woodsman that cuts the wood would be charged a tax upon selling the wood. Since cutting down a tree would be improvement to raw materials for a profit.2. The Mill worker who bought the lumber would have to pay a tax, or percentage of his profit for improving the lumber into table legs and selling them.3. The Furniture manufacturer would have to pay a tax on the amount that they make for assembling the legs and table together in order to sell the table.WOW!. Even at 1 percent the government would make a killing off of this tax. Not to mention all the fasteners that would be taxed and the other things that go in to building a table.This is already used in europe and its exponentially increased taxation from 1 percent value added tax to over 20percent value added tax on every day items in a short time of 4 years! WHERE DO WE DRAW THE LINE ON TAXATION! WAKE UP AMERICA! DO NOT ALLOW THIS TO HAPPEN! I will be joining you in the unemployment line for sure if this tax is imposed. I can't afford to pay 20percent more on everthing I buy right now. I can barely afford to shop at walmart!WE WILL NOT STAND FOR MORE JOBS TO BE SENT TO NATIONS WHERE THEY DO NOT HAVE THE VAT!!! Ok. Im done

BY **MARTIN MARTINSON** on 04/08/2010 at 13:16

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