



The GOP and the VAT: Acronyms No Longer Acrimonious

For all those who look to the Republican Party for defense of limited government, personal liberty, and constitutional restraint, you better look elsewhere. Although the GOP has consistently attacked the idea of the value-added tax (VAT) since it was first floated by Democrats in Congress and the West Wing, there are now a handful of Republicans that have signed on to the proposition.

Five Republican House members have added their names as cosponsors of a bill authored by Rep. Bill Pascrell (D-N.J.) that would impose a VAT on imports from countries where the tax is already in use. In the upper house, Senator George Voinovich (R-Ohio) has intimated that he would promote legislation replacing income taxes with a VAT, claiming that such would serve to simplify the tax code. "I don't know whether it would [be more efficient] or not," Voinovich told [The Hill](#). "All I'm saying is that we shouldn't just say it's a bad thing."

Such a stance isn't surprising given the fact that Voinovich was one of just 13 Senators who opposed a non-binding resolution proposed by Sen. John McCain (R-Ariz.) in April describing the VAT as "a massive tax increase that will cripple families on fixed income and only further push back America's economic recovery." The resolution passed on April 15, 2010 on a vote of 85-13, with every other Republican and many Democrats agreeing to the principle.

Those in favor of the imposition of some sort of consumption tax (Republicans and Democrats) claim that the VAT could significantly repair the American tax code and simultaneously promote the purchase of U.S. exports abroad, while reducing the burdensome tax schedule that currently disincentivizes income and saving. They argue that the VAT is preferable to the income tax as it is assessed incrementally at the various stops along the path of production. They assert that such a scheme successfully raises revenue in other developed nations.

The Republican National Committee (RNC) doesn't see it that way. They assume, and probably rightly so given past history, that the VAT would be added on to the multilayered tax scheme already burying the middle class.

Representative Walter Jones (R-N.C.) joined Voinovich as a cosponsor of Pascrell's bill. Jones defended his position saying that he believes that the VAT should at least be considered by Congress, the President, and the commission the President has tasked with finding solutions to the nation's fiscal problems.



Written by [Joe Wolverton, II, J.D.](#) on May 3, 2010

The other Republicans in the House of Representatives who have jumped on the VAT express are Congressmen Gresham Barrett of South Carolina, Howard Coble of North Carolina, Lynn Westmoreland of Georgia, and Joe Wilson also of South Carolina.

Republican muckety-mucks at the RNC are not pleased with the behavior of these members of their party. In fact, the RNC quickly attacked Democrats for even mentioning the word VAT after Paul Volcker, the former Federal Reserve chairman and economic adviser to Obama, stated that higher taxes (including a VAT) would be necessary to reduce the crushing federal deficit. In a press release issued after Volcker's statement and a response by President Obama indicating that he would not rule out passage of a VAT, the RNC quickly reminded the media of President Obama's campaign pledge to never raise taxes on individuals making less than \$200,000 and couples making less than \$250,000.

"Obama will use [the] deficit commission to push for European-style value-added tax despite the fact that the tax would violate his campaign pledge [and] hit middle-class American families hard all to pay for his record binge spending spree," the RNC said in a statement e-mailed to reporters.

There are other solutions, however. Rep. John Linder (R-Ga.) and others have called for the abolishment of the federal income tax, with a national sales tax imposed to take its place. Linder worries that the VAT would end up being a "money machine" that Congressmen would go to when they needed to fund an increase in the size of government. "Milton Friedman summed it up," he added. "The value-added tax is the most efficient way to raise revenues and government. It's the most effective way to increase the size of government," added Linder, when informed that members of his party supported the VAT.

There is evidence that the efforts to block the promulgation of VAT legislation are working. Even Paul Volcker, the man who started the snowball rolling, backed away from his unqualified advocacy.

"I don't think it's on the political table now or for the indefinite future," Volcker said during a summit on the debt sponsored by the Peter G. Peterson Foundation. "But that's the kind of thing you have to look at."

For his part, Representative Pascrell reckons that the biggest obstacle to the enactment of a VAT law is not economic, but political. Fights over healthcare, bailouts, and immigration have left his fellow legislators reluctant to stick their necks out so close to November. "I don't think you want to bring it up now because it would be divisive in our own party and it would be divisive on the other side's party," Pascrell said in an interview. "I will stand by what I've introduced. I think it's important on the way to level off the imbalance in trade because other countries [with a VAT] subsidize their manufacturers, and we don't."

For now, the VAT bill sits on an overcrowded backburner with regulatory and immigration reform. Predictably, Democrats and Republicans will wait until after the mid-term elections to start stirring any of those boiling pots again.



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