

THE VAT IS NECESSARY

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MAY 10, 2010 -- The big banks, the multi-nationals, and Wall Street are making big profits from the off-shoring of production and jobs. This keeps the market up, but the economy is going to pot. People are without jobs and will stay jobless unless we can stop the hemorrhage of off-shoring.

Oliver Wendell Holmes observed: "Taxes are what we pay for civilized society" While it's difficult, every Mayor, every Governor, each year pays for the government that the city or state provides. But when those same Mayors or Governors get to Congress, they become economists worrying about the economy. Taxes hurt the economy. Suddenly, everybody is against taxes. Congress goes into this off-Broadway show of all talk, no action -- cutting spending; closing loopholes; long-range plans to lower the debt; and fail-safe provisions for later Congresses to pay for government. As a result of this nonsense, at the end of this fiscal year Congress will have added \$5 trillion to the national debt in four years.

Congress could easily eliminate deficit spending by cancelling the corporate income tax and replacing it with a 5% VAT. The 2010 corporate tax brought in \$191.4 billion, whereas a 5% VAT brings in \$583 billion. This actually amounts to a cut in taxes with more revenue.

Exemptions of \$83 billion for the low income leaves \$300 billion to start paying down the debt. Since the VAT is rebated, this promotes exports and frees up \$1 trillion in off-shore profits that Corporate America can repatriate to produce and create jobs.

The VAT solution is not just a good idea, but absolutely necessary. The problem is not just the off-shoring of production and jobs to China but the loss of production and jobs to Europe. Using its 19% VAT, which is rebated at export, Germany produces parts at high cost in Germany, ships the parts to Charleston, S. C., at a cost of 3%, assembles the parts at 3% cost, and produces windmills in the United States 13% cheaper than any U. S. production. The corporate income tax that is not rebated on export makes it difficult to produce for a profit in the United States and makes U. S. exports uncompetitive in globalization.

But front and center in the mind of every member of Congress is his or her job -- not the country's jobs. This takes contributions. Twelve years ago, in my race to be elected the seventh time to the United States Senate, I had to raise \$8.5 million. Eight and a half million dollars factors out to \$30 thousand a week, each week, every week, for six years. It's not just raising money the year ahead of election, it's raising money all six years. And Wall Street, the big banks, and the multi-nationals are the predominant contributors. Substituting the corporate tax for a VAT makes it profitable to produce in the United States, but the profit is not as big as off-shore profits. Wall Street, the big banks and multi-nationals are not concerned about the country's economy. All they care about is more and bigger profits. Multi-nationals get a tax break for off-shoring jobs. So Congress caters to the contributors. It continues the tax break for off-shoring jobs; refuses to even discuss a VAT;

introduces bills “made in the U.S.A.,” and engages in every fraud about creating jobs.

People are frustrated because there’s all talk and no action on jobs and deficits.

People are frustrated because our competitive country is not competing in globalization. To compete, to stop deficit spending, to create jobs, a value added tax is necessary.

Senator Hollings of South Carolina served 38 years in the United States Senate, and for many years was Chairman of the Commerce, Space, Science & Transportation Committee. He is the author of the recently published book, [Making Government Work](#) (University of South Carolina Press, 2008).

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