The pros and cons of a National Sales Tax are debated. Supporters say it could help pay for programs such as national health insurance. Opponents say this type of program is costly to administer and will increase unemployment.

Keywords
National Sales Tax, Value-Added Tax, Clinton Administration, Europe, Insurance, Representative John Dingell, Chairman, House Energy & Commerce Committee, Jim Davidson, National Taxpayers Union, Chairman, Auto Tax, Unemployment, Economy, Spending Cuts, Small Business Deficit, Balanced Budget, Health Care Costs, Exports, Imports, Taxpayers
Debate On The Pros And Cons Of A National Sales Tax

KATIE COURIC, co-host:
On CLOSE UP this morning, a national sales tax. It's reportedly one idea being considered by the Clinton Administration and its task force on health-care to help pay the tab for national health insurance. And it could potentially raise prices on many consumer items by 3, 4, or even 5 percent. It's an idea strongly supported by Congressman John Dingell, Chairman of the House Energy and Commerce Committee, and opposed by Jim Davidson, Chairman of the National Taxpayers Union. This morning both are at our NBC News bureau in Washington.

Gentlemen, good morning.

Congressman JOHN DINGELL: Good morning.

Mr. JIM DAVIDSON: Good morning.

COURIC: Congressman, let me start with you. I know you've been a big proponent of a national sales tax for some time. I know you even suggested it as early as last year. Why do you think it's a good idea?

Congressman DINGELL: Well, not--first of all, not really a national sales tax, but a value added tax. Because it's the most efficient way of collecting money, because it eliminates a lot of the vices that we now face--find in paying for our health-care costs, because it is something which stimulates exports, penalizes imports, which eliminates major penalties on competitiveness in the United States.

COURIC: Why don't you quickly explain the difference between a national sales and a value added tax for our viewers.

Congressman DINGELL: Well, value added tax simply taxes the value added at every point on the chain of...

COURIC: Production.

Congressman DINGELL: Production. The result of it is, quite frankly, that we would have a tax that the
Europeans use to confer competitive advantage--advantages on themselves and disadvantages on those entering their markets.

COURIC: I'd like to ask you about something you said yesterday in USA Today. You said, 'Everybody says it's unfair, sneaky, and dishonest, yet we can't find anything better.' That doesn't sound like a very whole-hearted endorsement to me.

Congressman DINGELL: Well, no--I haven't yet met anybody that wants taxes, and I haven't met anybody that likes them. A national sales tax or a--a value added tax is subject to those charges. It can be made fair by other adjustments in the tax code, and of course I would strongly favor that if we go this route, and I think we should, that other adjustments be made elsewhere in the tax code to return fairness, and return progressive character to the tax structure.

COURIC: We'll talk a little more about that in a minute. Jim Davidson, why don't you like the idea of a national sales tax or a value added tax?

Mr. DAVIDSON: Well, for one thing, it's going to add tremendously to the amount of money that is spent by government. Every European country has raised their tax rates on the value added up the 18 percent to 25 percent. In Ireland, it's as high as 40 percent when you buy an automobile. That is a tremendous increase in the cost of living. It also takes a lot of money, and puts it into the pockets of politicians, who will, if the past is any good record, spend it--spend it in ways that are probably not as effective and useful as the people would if they kept the money themselves.

If you look around the world, it's like taking a 400-pound man and saying we're going to put him on a diet. We're going to cut spending, and the way we're going to do it is by giving him a ton of chocolate. It is not a way of reducing costs. It's a way that is going to increase unemployment significantly. All the European countries have high rates of unemployment. They have low rates of small business start-ups. One of the characteristics of the value added tax is that it's very costly to administer. So you can't really have a low value added tax. Seven to eight percent is the rate which is usually the starting rate in order to justify the cost.

COURIC: One word--one word answer from you both, Congressman and Jim Davidson, will we see a national sales tax enacted?

Congressman DINGELL: I hope so.

Mr. DAVIDSON: I hope not.

COURIC: There you go. Well, three words from each of you. Gentlemen, thanks a lot for talking with us this morning.