Congress of the United States
Washington, DC 20515

May 20, 2010

The Honorable Erskine Bowles
Co-Chair, National Commission on Fiscal Responsibility and Reform
1600 Pennsylvania Avenue
Washington, D.C. 20500

The Honorable Alan Simpson
Co-Chair, National Commission on Fiscal Responsibility and Reform
1600 Pennsylvania Avenue
Washington, D.C. 20500

Dear Chairman Bowles and Chairman Simpson:

As leaders of the President's National Commission on Fiscal Responsibility and Reform you know that America's fiscal house is in disrepair. Without serious reforms it is very possible that Europe's debt crisis will become America's debt crisis.

Therefore, we urge the Commission to focus on spending reduction, not tax increases. We must avoid the mistake Europe made when it tried to pay for bigger government with new taxes—namely the Value Added Tax (VAT).

In a depressed economy, the number one priority of government should be to stimulate job growth. With unemployment at nearly 10 percent, Americans cannot afford the burden of a new job killing tax. But this is exactly what a VAT will do. A VAT will increase the cost of goods and services for all Americans, including the lower and middle classes. It will tax our manufacturers, sending even more jobs overseas. And, it will decrease consumption, which will deepen the recession and suppress entrepreneurialism. This is exactly what has happened in Europe where increased government spending and taxation has led to consistently high unemployment and suppressed economic activity.

The VAT did not save Greece. During the decade preceding the global financial crisis that started in 2008, Greece's government borrowed heavily from abroad to fund its burgeoning government programs. Between 2001 and 2008, Greece's reported budget deficits averaged 5 percent per year. In 2009, the budget deficit was 13.6 percent of GDP. These deficits grew in spite of Greece's 19 percent VAT rate. The result of increased government spending and taxation in Greece has been a consistently high unemployment rate of nearly 10 percent and a bankrupt government.

Unfortunately, America is making the same mistake that countries like Greece made. In the heart of a debt crisis, Congress passed yet another entitlement program with no way to pay for it, and government spending continues to grow at alarming rates. Our national debt grew from $9 trillion to $12 trillion since 2008. In FY2009, the deficit was almost

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10 percent of GDP. It is not hard to see how in just a few short years we could experience a crisis nearly identical to Greece.

Disappointingly, some in Washington still believe that we must grow our government and the tax base to fix the debt crisis. Recently the President's own advisors have suggested that a VAT could be good for America. Not even a 19 percent VAT was able to save Greece from a full-blown debt crisis. We should not expect different results in America.

The bottom line is that America has never and will never be able to tax its way to prosperity. Our prosperity has always come from entrepreneurs, small-business owners, and hard working Americans working freely to pursue their dreams.

Adding a VAT to an overly burdensome tax code will destroy American jobs and crush American innovation. We urge the Commission to consider other ways to rein in out of control government spending.

Sincerely,

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John Boehner

Eric Cantor

Mike Pence

Thomas Price

Leonard Lance

Connie Mack

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Ed Royce

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Joe Barton

Pete Sessions

Zach Wamp

Roy Blunt

Michael T. McCaul

Jerry Moran

Howard P. "Buck" McKeon

Mark Souder

W. Todd Tiberi

Parker Griffith

Phil Gingrey

Kay Granger

Tim Murphy

Steve Scalise

Roscoe

Ron Paul

Rodney Alexander

Mike Rogers (MI)

Aaron Schock

Chris Bowstany

Sam Johnson

Lynn A. Westmoreland

Mary Fallin

Kevin McCarthy

John Culberson

Shelley Berkley

Mike Coffman

K. Mitchell Zeng

Steve Austria

Mike Castle

Cynthia M. Lummis

Steve Buyer

Walter B. Jones

Daniel Kerr

J Rudy Forbes

Tom Latham

Erik Paulsen

Christopher Lee

Thaddeus A McCotter

Ken Calvert

Bob Goodlatte

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