

Macro Roundup Article

Headline: [Only Trump Can Make America European](#)

Article Link: <https://www.themoneyillusion.com/only-trump-can-make-america-european/>

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Tweet: .@MoneyIllusion notes that government in Europe is at least 10% of GDP larger than the US, primarily funded via VAT, and argues that Trump's tariff regime would be a backdoor VAT. "It's the fiscal equivalent of Nixon going to China."

Summary: The progressive left will never be able to achieve their dream of a Euro-style welfare state by taxing the rich. If you read the smarter progressives, they all know this. They understand that the US would have to add a large tax on consumption in order to get government spending up to 45% of GDP. Until now, that idea has been a complete non-starter, because of intense opposition from the GOP. But now, Trump is proposing a big new tax on consumption, indeed a tax that is even more regressive than a VAT. He's advocating a 10% tariff on all imports (and 60% on China.) Yes, that falls far short of a 20% VAT on goods and services. But it's the foot in the door. The next step is when the Dems reclaim power and complain that tariffs hurt the poor because the consumption basket of the rich is skewed toward services. "Why should services be exempt?" They switch us from a 10% tariff to a 10% VAT. Then, when more money is needed, it becomes a 12% VAT. Rinse and repeat...we are on the way to becoming a Euro-style welfare state.

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Primary Topic: Savings Glut/Trade Deficit

Topics: Fiscal Policy, GDP, Op-Ed/Blog Post, Politics, Savings Glut/Trade Deficit, Taxation, Trade (not deficits)

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