

CHAPTER VII

SALES TAX

Attempts are being made to put over a general sales tax, and the late Congress has recently passed acts applying this principle to many articles.

In determining the advisability of a sales tax it is important to find out who is to pay it. For this purpose the people subject to it can be divided into two main classes, first a class which may be termed the property owners, who own real estate or securities in considerable amounts, such as the twelve million farm owning farmers, whose farms now, by the way, are largely mortgaged, and the owners of real estate and successful business men in the cities, which latter are a very small number in proportion to all the people. The non-property owners consist mainly of eight million tenant farmers who own little or no property, and the wage earners in the cities living in tenements and apartments with no property except extremely modest savings in comparatively few instances.

Sales Taxes Rob Poor to Save Taxing the Rich

One objection to the sales tax is that it is added by the first taxpayer to the cost of his goods, and so passed

on, plus a profit on the tax, to the consumer. This means that in a general way it is collected in larger part from the non-property class, and relieves to that extent the property class from the burden of taxation. The non-property class numbers many times the property class in this country.

The sales tax is pushed by the big financial interests of the country, the property interests. It is argued that if the rich are more heavily taxed in incomes and inheritance taxes, there will not be sufficient capital to provide for the necessary increase of manufacturing facilities. With the Steel Trust operating at 15 percent of capacity, and other producers similarly affected, and the banks overflowing with capital for which there is no use, this argument seems absurd. It is argued that the sales tax is effective because it can be collected without the taxpayer realizing that he is paying the tax. This is a queer argument in a democracy. It is a splendid argument for a tyrant who wishes to exploit his people without their knowing the extent to which they are plundered, but in a democracy everyone ought to know the precise amount which he pays in taxes. This is one of the powerful arguments against the tariff policy, the cost of which is concealed in the price of goods and paid mainly by the non-property class.

The sales tax operates to decrease business and throw men out of work. No one denies this. The tax increases the cost of production, and every such increase means a lessened output, which in turn means a smaller number of people employed in productive enterprises.