perhaps as objectionable as it was once regarded; it offers definite advantages over widespread excise tax systems, with their inevitable discrimination among various consumers and business firms and their tendency to distort consumption patterns; and it is definitely superior to high rate 'business' taxes with uncertain incidence and possible serious economic effects. But it must be regarded as secondary to income taxation, in terms of usually accepted standards of taxation." [3]

Recommendations for a sales tax at the Federal level in the United States generally overlook the fact that the States, supplemened by the cities, are gradually evolving a sales tax structure for the United States, and one at significant rates—44 States and the District of Columbia have sales taxes (there are municipal sales taxes in 15 States), the usual rate is presently around 3 percent but some taxes reach to levels of 5 percent and 6 percent (the usual municipal rate is 1 percent), and the trend is of course upwards. While this structure is not at the Federal level, its basic economic consequences are not different from a Federal sales tax.

Recommendations for a value-added tax also gloss over the complexities involved in adding a sales tax to our national system. No one should be misled into thinking a value-added tax is a simple levy, with a few pages of statutory text. It is a highly complex instrument.[4] It is considerably better than what most European countries have today—but no one should ask a country to adopt it unless there is a very clear, real gain to be achieved. Moreover, anyone who thinks a value-added tax sounds simple should just suppose he was back in the past and someone were to say: "Here's a simple way to tax people—you just add up their total income and then you subtract their total expenses, and then you just tax the difference. It's called an income tax." Well, you know the story of that tax! No mass tax can be a simple tax—as anyone acquainted with a State retail tax will agree—and a value-added tax is more complex than a retail tax.

These are among the factors that have in the past kept Congresses, Democratic or Republican, from legislating a national sales tax. If the past is prophesy, a pragmatic view of this question would appear to be that the Congress is not likely to change it course.

One may ask why the Europeans have high rate sales taxes. History plays a very large part. Most of the Eureopeans mass sales taxes were adopted in World War I or the period just after it, and were borne of financial necessity.

This was a time when no country had attempted to apply the income tax on a mass basis, and in addition the income tax itself was only in its developing stage. It was not until World Wor II that the United States demonstrated the income tax could be made into a mass tax. Moreover, the United States has been more successful than other countries in developing a truly mass individual income tax effectively administered. The European countries, having started on a different route through the choice of the sales tax as the mass tax, devoted more energy to working on their mass sales taxes than on their income taxes.

We must also remember that European countries are high tax countries compared to the United States: In 1965 our total tax burden (Federal, State and local) came to 27 percent of our GNP, whereas Italy and the United Kingdom came to 30 percent; Germany and the Netherlands to 34 percent; and France to 38 percent. If indirect taxes, principally these mass sales taxes, are treated as the "last taxes," the differences between the lower level of United States indirect taxes and the higher European levels would generally be reflected in these differences in total tax burdens. Thus, if we subtract the differences between indirect tax levels, so that European indirect taxes would be included at our level, the total tax burdens become: United States 27 percent; United Kingdom 25 percent; Italy 26 percent; Germany 29 percent; France 30 percent; Netherlands 33 percent. If we consider direct taxes alone as a percent of GNP, and thus leave out both indirect taxes and Social Security contributions, the comparisons are: United States 18 percent; United Kingdom 16 percent; Italy 17 percent; France and Germany 20 percent; and the Netherlands 24 percent.

The Europeans have high rate mass sales taxes and as a consequence are countries that impose a heavier tax burden overall on their peoples. The United States does not have sales taxes at those high rate levels, and consequently impose a lower total tax burden. It is difficult to see why United States taxpayers should urge that we emulate the Europeans.

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[3] Due, Sales Taxation (1957), 41.

[4] See the discussion by Prof. Francesco Forte on "The Feasibility of a Truly General Value-Added Tax: Some Reflections on the French Experience," 19 National Tax Journal 337 (1966).