

TABLE 8. *Excise Taxes and Income Elasticities for Selected Goods and Services*

Commodity	Tax revenue ^a (\$ million)	Per cent of tax revenue	Income elasticity ^b	
			1929-40	1947-54
Musical instruments and radios ..	248	12.3	2.5	1.1
Records	8	.4	2.5	1.1
Appliances	107	5.3	1.3	0.3
Cameras	15	.7	1.5	0.6
Jewelry	142	7.1	1.8	0.3
Furs	27	1.3	1.5	1.5
Toiletries	72	3.6	0.8	0.5
Luggage	51	2.5	1.1	1.3
Admissions	189	9.4	0.8	-0.4
Telephone	520	25.9	0.5	1.7
Transportation	632	31.4	1.1	1.1
Average elasticity			1.15	1.00

^a U. S. Treasury Department, *Treasury Bulletin*, March 1956. Figures are for fiscal 1955.

^b U. S. Department of Commerce, "Consumer Expenditure Patterns," *Survey of Current Business*, September 1955, pp. 23-32. These estimates are based on time series analysis and are of questionable statistical validity in view of the small number of observations and the strong trends in some of the series. But the similarity of the results for the average of the two periods offers considerable evidence that the actual value is not far removed from 1.0. It may appear puzzling that these luxuries do not have a higher elasticity; but the result can be explained by the wide range of goods and prices offered in each category.

estimate very close to 1.0, which implies an incidence of the taxes among income classes similar to the distribution of income.¹⁷

Table 9 shows the distribution of family income and the interest rates applicable to the tax saving in each class. Averaging the rates by using the income distribution as weights, gives us the

¹⁷ Rolph has put forth the view that factors of production bear the cost of excise taxes through backward shifting. Our computation is consistent with this assumption if the changes in factor payment are proportional, for this will distribute the tax saving among income classes in accordance with the distribution of income. See E. R. Rolph, "A Proposed Revision of Excise Tax Theory," *Journal of Political Economy*, April 1952, pp. 102-17.