

newspaper. They yield \$500 million a year currently. They were introduced in the middle of World War II. Why? In order to divert resources from the consumption of such nonessential items in a period of war as jewelry, furs, cosmetics, luggage, handbags, etc., to divert resources from the production of these nonessentials to the production of more important things like guns, ships, tanks, et cetera.

Why do we have them now, when we are desperate to encourage expansion of output in all areas? Why do we have now, when we have no reason to discourage consumption of these items relative to others, the continuation of these excise taxes? It is true that during the war the rate was 20 percent; now it is 10 percent. But what justification is there for selecting these particular items for especially heavy taxation? The justification certainly cannot be found in terms of the original purpose for which these taxes were imposed. Some would justify them on the grounds that these are luxuries, but the only good definition I have ever heard of a luxury is that a luxury is something which poor people should do without but won't. Certainly a tube of lip rouge or bathpowder is not regarded by most women as a luxury. A handbag is not regarded by most women as a luxury.

If you look further at the excise tax structure you find that in an economy heavily dependent upon production and employment in the auto industry we impose a tax of 10 percent on the manufacturer's price of automobiles. We imposed that tax first in 1932 as a desperation emergency depression measure. We increased the tax in World War II in order to discourage production of automobiles and divert resources to tanks, planes, et cetera. We raised the tax from 7 to 10 percent in the Korean war for the same reason.

What sense does this tax make in those terms in 1964? It is difficult to rationalize. We have taxes on electric light bulbs. Well, why tax electric light bulbs particularly? If what you are after is taxing consumption items and items that go into business production costs generally, then the sales tax at a uniform rate might well make some sense. But these selective excises make little or no sense. What have we got? I would argue that if they make sense they make sense only in terms of a sumptuary motive. And here the \$6 billion levied through taxes on liquor and tobacco are probably sacrosanct. You are not going to get a Congress to reduce the tax on cigarettes in the face of the recent reports by the Surgeon General, the medical profession, et cetera.