

How to Save With a Consumption Tax

Leonard Greene

American industry, once the engine of innovation and productivity, is being stalled by excessive taxes and government regulation. This burden has raised the cost of labor, swollen the bureaucracy, and fostered dependency. All these effects add to the cost of American goods and impair our ability to compete with nations which do not impose like burdens on their industry.

There is a way to restore competitiveness: free industry from excessive taxes and regulations and transform the income tax into a Consumption Tax. The Consumption Tax is based on the amount of income that is spent. The taxable portion of income is arrived at by subtracting savings plus charitable gifts from earnings. This computation could be made annually.

The overall effect of these reforms should reduce the market price of our products by as much as 20 to 30 percent. These lower prices will be available to both foreign and domestic buyers. No longer must products made in America cost more than products made elsewhere.

The Consumption Tax will be a strong incentive to increase personal savings. Currently, the United States is the only industrial nation with a negative balance of saving. We have become a population of spendthrifts living on credit card margins. Instead, the Consumption Tax will make this a country where it pays to save.

The Consumption Tax will have a graduated rate, with a tax rebate for all citizens. Returning revenues to the people as a National Tax Rebate will slash the tax impact on middle-class Americans while lifting low-income workers above the poverty line. Even a very low-wage worker could accumulate significant retirement savings over 45 years.

In combination, these initiatives will reduce bureaucracy, promote national saving, and provide all Americans with money back each year to use as they see fit. The resulting lower costs and increased efficiency will deliver savings equal to between 20 and 25 percent of every dollar currently spent by the federal government and provide a huge stimulus for economic growth.

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