Lesson 5 Money in Our Lives

Unusual Taxes in History

Oliver Wendell Holmes Jr., an American legal scholar, said, "Taxes are the price we pay for a civilized society." Tax revenues are essential to finance government activities, including public works and services as well as social welfare. Throughout history, there have been some unusual taxes. Let's take a look at some of those taxes and their impacts.

The Salt Tax

In 1259, a tax on salt, called the gabelle, was first instituted in France. At first, the tax was 1.66% of the sale price of salt and was charged uniformly in all provinces. Varying by region later, however, the tax was 20 times as high as the price of salt in certain provinces. The tax was also notorious because the purchase of salt was compulsory. Households had to buy minimum quantities of salt that were much higher than each household's average needs. In addition, this salt could be used only for cooking. The fisher who wished to salt his catch or the farmer who needed to salt his pork was forced to buy extra salt for these purposes.

What made the tax even worse was that people who lived close to salt production centers paid very little, while those who lived farther away had to pay much higher taxes, which sometimes amounted to a month's wages for the average family. Moreover, the privileged classes, such as the nobility, the clergy, and chief officials, did not have to pay the tax at all. Such an unfair tax system fueled eagerness for reform. The French Revolution (1789~1799) had many different causes, but the salt tax must have been a large contributing factor. This was shown by the fact that about 3,000 citizens were imprisoned or put to death for crimes against the salt tax each year at the time. During the French Revolution, one of the major reforms undertaken was the abolition of the salt tax. This illustrates that imposing excessive and unfair taxes on necessities can lead to public discontent and protests.

The Window Tax

The window tax was a property tax imposed on the number of windows in a building. It was introduced in 1696 in England and later expanded to other regions. The tax was considered easy to administer and difficult to avoid as windows could be counted from outside the building. The legislators at the time invented this tax because they thought it would make the rich pay more since they usually lived in large houses with numerous windows. However, people with large rural houses that had a lot of windows but a low property value had to pay more taxes than people with urban houses that had a higher property value but fewer windows. Moreover, the tax was low at first, starting with a flat rate of two shillings per house with up to nine windows, but over the years, it went up. Many people responded to the increased tax by bricking up some of their windows. When Prime Minister William Pitt increased the tax by three times in 1797, thousands of windows were bricked or boarded up almost overnight. There was even an apartment building in Edinburgh that had an entire floor of windowless bedrooms.

The most serious impact of the window tax was on human health, which was caused largely by the lack of light and fresh air. The poor were especially deprived of light and air as the property owners blocked up windows, and the tax was referred to as “daylight robbery.” The window tax was abolished in 1851 after the health of many people deteriorated. It is now considered an example of a poorly designed tax that had unintended side effects.

The Beard Tax

When introduced in 1698 by Peter the Great, the beard tax was part of a series of reforms aimed at modernizing Russia based on the European countries Peter had been to early in his life. The Czar thought Russia was behind Europe and tried to adopt several European customs, such as the practice of shaving beards. People, however, refused to shave their beards, believing that beards were given from heaven. As the resistance grew, Peter the Great decided to introduce a beard tax to encourage men to shave. A tax on beards was imposed through a beard token. Any man who wished to keep his beard was required to purchase and carry the token. The amount of the tax varied based on social status and the length of the beard. For nobility and merchants, the tax could be as high as 100 rubles annually; for common people, it was much lower — as little as 1 kopeck. In addition, Peter the Great empowered the police to forcibly and publicly shave those who refused to pay the tax.

The beard tax shows an interesting example of the corrective role of taxation, where taxes are used not to raise revenue but to change behavior. Seven years after the introduction of the beard tax, men with beards disappeared in Russia except for the clergy, who were excluded from the tax. The beard tax resulted in the transformation of traditions and beliefs.

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The Diderot Effect

Wow!

This elegant dressing gown and that old desk don't match.

I'm going to buy a new clock tomorrow.

I now need to buy something to go with my new clock.

Everything is new. What else should I buy?

One day, the French philosopher Denis Diderot received a beautiful red dressing gown as a gift. He soon noticed that the rest of his possessions seemed worn out compared to the new gown. This prompted him to gradually replace his belongings with new items to match his new possessions, but the reactive purchases made him poor. This later became known as the Diderot effect. It is the phenomenon that occurs when acquiring a new possession leads to a spiral of consumption. Many of us might have experienced this. The effect is rooted in our instinct to develop an emotional bond with our possessions as we consider them part of our identity. Acquiring a new item, we believe that our old possessions do not match our new self and are tempted to continue buying more new things.

The Diderot effect can be an effective marketing strategy to persuade customers to make additional purchases. For instance, in the case of consumer electronics, complementary products and accessories are presented as bundled packages to stimulate consumers' hidden desire to buy more. Customers are more likely to feel the need to acquire the entire set to avoid a sense of incompleteness. Online stores also utilize the Diderot effect by tracking customers' interests and behaviors. A customer who purchased a coat is consistently exposed to advertisements for shoes or scarves matching the coat and unknowingly encouraged to make further purchases. In the middle of this flood of marketing strategies that use the Diderot effect, understanding its power and consequences can help individuals make wiser buying decisions.