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**Sin Taxes**

A sin tax is a tax applied to products or services that society considers as bad. Paternalists would say, government should tax those sinners for their own good. The intention behind a sin tax is to discourage individuals from partaking in such activities that could harm themselves as well as others, while at the same time providing a good source of government revenue. In other words, a sin tax is a win-win policy for politics and that is why Hoffer said sin taxes are politically attractive. Sin taxes used to apply only to alcohol, tobacco, and gambling, but the boundary has been expanded to tires, sugary soft drink, fast food, candy, and trans fats, etc. The question here is to what extent does the paternalistic government expand the sin tax boundary? What are the consequences of this action and who bears the cost? Adam J. Hoffer, in his presentation, provides a number of reasons as to why the tax on sinners would not pass the cost-benefit analysis.

Lobbying would be a major cost accompanying sin taxes as pointed by Hoffer. The fast food industry and other sin industries spend a large amount of money on lobbying to prevent the government from imposing or raising sin tax on their products because taxing would hurt their business. This is one of the major cost and inefficiency regarding sin tax because it encourages those industries to do more of lobbying instead of investing their money on something productive. As a result they give money to the lobbyists each year to prevent government from raising or imposing the tax. For example as Hoffer mentioned, the fast food industry spend from 0.6 percent to 20.7 percent on lobbying in 1998 to 2010. The campaign contributions by the fast food industry was $12 million in 2008 and $17.3 million from the soft drink and beverage industry. This clearly is a form of inefficiency in the market.

Who bears the burden? To see who bears the burden, we need to look at the demand elasticity of those sinners. Hoffer’s research showed that sinners’ demand elasticity are inelastic. This means that the impact on quantity demanded for sin products is very small when the price changes. This makes sense because bad habits are hard to change. Whenever the government decides to increase sin tax, the burden falls most heavily on the sinners, especially the sinners in the low-income group, because they have inelastic demand for those sin products. The impact of sin tax on the sinners in the low-income households doesn’t stop there. Due to the sin tax, they now have less money to spend on other items because no matter how high the sin tax imposed, they still consume those sin products though at a slightly lesser amount.

One of the important factors that Hoffer stressed was the inefficiency regarding tax revenue. The government is really inefficient in term of allocating its revenue. He argues that sin tax might be not so bad and reasonable if the government spends those tax revenue to address the external cost caused by the consumers of sin products, but in reality the money generating from sin tax doesn’t get used for its intended purpose; it was used on something else.

In theory the job of an efficient government is to find out the externality cost and charge the consumers of sin products at that exact amount of its externality cost to compensate for the cost or harm that they have done. This is easier said than done because to determine the exact external cost is difficult. But according to Hoffer, the government doesn’t even try to do that. The sin tax is simply charged based on the whim of the politicians for their own benefit. Government intervention to help the sinners, if done right, could actually help the sinners, but in reality, politicians who support sin tax, in no way, have the intention to help the sinners because there’s no incentive for them to do so because sinners are the minority group in the society which is the downside of democracy. To sum it up, sin taxes simply encourage rent seeking activity while the burden fall heavily on low-income households. For these reasons, I think the sin tax policy is really inefficient.