Sin Taxes: An Economist’s Perspective

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“Alcohol…has been taxed selectively since colonial days and, Congress – on the recommendation of Treasury Secretary Alexander Hamilton – imposed a tax on whiskey before the ink on the U.S. Constitution was dry.” – William F. Shughart II.
Claimed Benefits of Sin Taxes

- Decrease Consumption
- Tax Revenue (benefit?)
Decrease Consumption

- How much?
- Relatively Little
Tax Revenue

- Benefit or a Cost?
- User Fees
Costs

- Direct
  - Tax Revenue

- Less Clear
  - Disproportionate Impact
  - Unproductive Political Entrepreneurship
Regressive Taxes
Cola As a Percentage of Income

![Graph showing cola expenditures as a percentage of income]

- **inc_cola**
- 95% CI
- Fitted values

- x-axis: Income
- y-axis: Cola Expenditures as a Percentage of Income

The graph illustrates the distribution of cola expenditures as a percentage of income across different income levels.
The User Fee Tradeoff

- Third-party effects via government programs

Hypothetical:
- Mike is poor
- Mike drinks soda
- Mike is obese
- Mike’s obesity translates into greater Medicaid expenditures

Solution: Tax soda? Tax Mike? Tax the poor?
Rise of the Sindrome

- Directly Unproductive Profit-Seeking (DUP) Activities
- Unproductive Political Entrepreneurship
Rise of the Sindustry

- Soft Drink Industry Lobbying
- Fast Food Lobbying ($0.10)
- Total Lobbying All Industries ($100)
- US GDP ($1,000,000)
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