

Imposition of the pigouvin taxes

[Literature](#), [Russian Literature](#)



Project The question on imposing taxes on goods and services whose prices do not reflect the actual cost of their consumption has been a debate in most countries. These goods include junk food, alcohols and cigarettes. However, many economists wonder whether taxing of junk food will make sense to the government. In the United States, the support for a tax on junk food is now spreading and as a result, the Congress are considering to tax sugary drinks in order to help pay for planned expansion of health-care coverage¹. It is not clear whether a tax on junk food will make sense because most people have junk food as part of a well-balanced diet as well as active lifestyle. Therefore, it may not be fair for people to pay more for the treat. Conversely, these people will pay more and more money to the government for a problem that they did not cause. According to the Urban Institute in Washington, DC, 10% of tax on junk food was proposed to discourage people from eating unhealthy foods. But the government is still worried whether imposing the tax on junk food will affect the behavior of people since studies have shown that there is a relationship between the price of junk food and body weight. Taxes levied on goods and services whose prices do not reflect the true cost of their consumption are known as Pigouvin. For instance, the environmental taxes are some of the obvious examples; these include cigarettes, gambling as well as alcohol. Today, research shows that many people are today suffering from mental disorders as a result of tobacco and alcohol addiction. This has caused mental health professionals to express their concern in regards to drug addiction in order to develop a prevention plan such as the government increasing the prices of these goods². Drug addiction in families contributes to an extensive list of serious mental illness. For instance,

smoking increases the risks of cancer especially to those people who are in the vicinity of the smoker. Cigarettes, alcohol and gambling are the three habits that lead to higher medical costs. Because of these, governments can make up these costs with a tax that will help in adjusting the prices people pay to punt. Taxing of these goods is significant because it will encourage the consumers to live healthier lives and being free from diseases such as obesity in children. Tax on fattening food may seem to be logic to some situations. This is because, people who just sit around all day eating unhealthy foods and doing absolutely nothing can get overweight. However, if they consume the same amount of junk food, but have an active lifestyle, then they will be perfectly healthy. Studies reveal that about one-third of Americans are obese because they eat a lot of unhealthy foods as well as fail to do enough exercises which can burn the fats³. It is evident that fat people are more prone to diseases such as diabetes, cancer as well as, bone disorders. This has cost them to use a lot of money for their medications rising to more than \$ 700 greater than those who eat healthy foods. However, some economists are against the idea of junk food being the main cause of obesity. For example, they strongly believe that fat tax on junk food may not affect the behavior of people. Fast food has on the other hand become relatively cheaper hence people can afford buying them and as a result, most people who consume this kind of food tend to be fat and fatter. Conversely, there are some people who can eat junk food but with no seeming effect compared to those who can eat healthy but still be a bigger build. Therefore, many people eat junk food on a regular basis but are quite healthy because they keep a good, active lifestyle⁴. Consequently, the idea

of handling the issue of obesity through the tax system has on the other hand had some serious flaws. For instance, the big question is how much should be taxed from these foods? And secondly, when tax is imposed, what will be the reaction of low-income earners? Presently, many people are struggling with the payment of mortgages and are not ready to spend their money on cheap readily available food. The introduction of tax will bring disparities between the high and low-income earners. Basically, if the Government of United States imposes a tax on food that is junk, then healthy foods will indicate a warning signal of lack⁵. In conclusion, It is my believe that the governments should not enforce a tax on junk food, this is mainly due to the fact the people who are not will be discriminated against and the impacts will be felt heavily by the low-income earners. A complementary study of data from America's Health and Retirement Survey reveals that the biggest consumers of fatty foods may prove similarly resilient to the increase in prices, so a tax on fat may do very little to enhance the health of people currently addicted to junk-foods. Bibliography Brownell, Kelly D., and Katherine Battle Horgen. Food fight the inside story of the food industry, America's obesity crisis, and what we can do about it. New York: McGraw-Hill, 2004. Perl, Lila. Junk food, fast food, health food: what America eats and why. New York: Houghton Mifflin/Clarion Books, 2003. Schlosser, Eric, and Charles Wilson. Chew on this: everything you don't want to know about fast food. London: Houghton Mifflin Co., 2006.