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"SIN TAXES" AS A MEANS FOR ORIENTING CONSUMERS' BEHAVIOUR: BETWEEN HEALTH CARE POLICIES AND TAX CONCERNS

Fighting against sin has recently reached a new dimension. Worldwide, policy makers have started to evaluate potential benefits of imposing taxes on specific behaviours and goods thought to be harmful to society, in order to discourage their enacting and consumption. In the last decades the so-called "sin taxes", usually structured as excise taxes, have flourished in the European countries as well as in the US and have been chiefly designed to address socially undesirable activities. The ever-expanding list of taxable sins now includes tobacco, fatty foods, high-sugar-content foods and beverages, and many other similar products.

The rationale for levying taxes on these items relies on the concern that, in the long run, the consumption of unhealthy products could result in grave diseases for the individuals (e.g. obesity, diabetes) as well as cause negative externalities for the society, driving up the costs of health care services. Under this perspective, the power to tax becomes a useful means to (try to) influence consumers' behaviours and "save them from their own choices" (Cordato, 2006). According to the law of demand, an increase in the price caused by "behaviour-correcting" excise taxes should indeed be followed by a consistent decrease in the consumption, hence, avoiding (or, at least, reducing the likely realization of) the before mentioned health issues. Pursuing to adjust consumers' behaviour patterns and expenditure preferences, the deployment of "sin taxes" has expanded many countries' portfolio of taxes, affecting the prices of packaged products with a high sugar content (Hungary, 2011 and Mexico, 2013), of saturated fats (Denmark, 2011), of drinks with sweeteners (France, 2011), etc.

However, to date few research reports have inquired into the effectiveness of these kinds of taxes on the unhealthy products' consumption – and the few existing seem to conclude that there is no meaningful impact on individuals' choices. When deciding to introduce excise taxes on "sin" products, policy makers have indeed failed to consider the substitution and cross-price effects, as well as the cunning measures implemented by industries. On the consumers' side, economic studies showed that rather than opting for healthier products, consumers tend to choose less expensive, but equally harmful products. On the industries' side, they started to use raw materials outside the scope of "sin taxes", maintaining stability in their products' prices, but selling potentially worse products because of the poorer ingredients used. Furthermore, "sin taxes" turned out to have a severe regressive effect, falling disproportionately on low-income earners. Research suggest that this happens because low-income earners typically spend more of their income on food and beverages and, as healthier options are usually more expensive than "junk" foods, eating and drinking healthy is a mission impossible. These facts raise undeniable equity concerns and it is not possible to affirm that "sin taxes" have achieved their original goal. On the contrary, they have rather become another means to raise more revenues.

Nevertheless, instead of evaluating possible adjustments in their tax policies in order to correct these undesired effects, countries are endorsing the "tax behaviour" movement, and new "sin taxes" are looming on the horizon. Especially in the US, recent proposals still reveal the plans to introduce excise taxes on "sin" products, which have not been "properly" taxed yet (such as soda and beer), or to increase existing taxes (such as the tax on cigarettes) as well as to affect the supply side actions by establishing specific limits to the tax deductibility of costs somehow related to the production of sin outputs.

These topics involve sensitive issues – namely, individuals' health care and tax policy choices – and should be subject to an in-depth expert analysis in order to answer multiple and complex questions: Is it possible to avoid the undesired regressive effects? Are actions on the supply side, directed at limiting tax deductibility of costs, consistent with provisions in the tax codes? What should policy makers do if it is established that "sin taxes" do not improve public health outcomes?

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