An Introduction to Selective Taxation

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Selective taxation of "sin" is one of the oldest and most persistent forms of tax collection. It was such an early component of US history that "Congress—on the recommendation of Treasury Secretary Alexander Hamilton—imposed a tax on whiskey before the ink on the U.S. Constitution was dry" (Hoffer et al. 2014, 50). In recent years, proposals to collect additional tax revenue from selective taxation have garnered broad political support, from cigarette tax increases in Alabama to new soda taxes in Philadelphia.

As explored in detail throughout this book, the motivations for increased selective taxation are manyfold. But basically, selective taxes generate two outcomes: they marginally deter consumption, and they create revenue for the government. These outcomes are very attractive for any politician searching for government revenue and, strangely enough, given sometimes conflicting goals, any individual wishing to decrease social consumption of some disfavored good or activity.

Because a minority of the population consumes any single target of selective taxation,[1] selective tax proposals muster little resistance. The result has been a steady increase of existing selective tax rates and an expansion of which items are selectively taxed. The average state cigarette tax increased from 40.8 cents to 164.9 cents (a 304 percent increase) per pack from 2000 to 2017. In addition, the nominal federal tax rate on cigarettes has increased by nearly 200 percent (34 cents to 101 cents per pack) since 2000.[2]

US federal, state, and local governments have also been creative in the development of new selective taxes. Depending on where you live, you may have to pay a selective tax—in addition to any existing sales tax—on the purchase of a deck of playing cards, fur clothing, marijuana (both legally and illegally purchased), sex-related or nude services, candy, soda, chewing gum, potato chips, pretzels, milkshakes, baked goods, ice cream, popsicles, bagel slicing, sporting or entertainment tickets, parking, a hotel room, medical devices, an electric car, health insurance, and even *not* purchasing health insurance (Hoffer et al. 2014).

Support for new and increased selective taxes has come from both sides of the political aisle. Selective tax rates have increased in every state, with support coming from the most conservative and the most liberal legislatures. In Michigan, for example, Democrats proposed sixty-nine selective state tax increases from 2001 and 2015.[3] While Republicans proposed fewer tax increases, they were responsible for introducing two-thirds of the twenty-one tax increase proposals that were eventually enacted by the state government. On average, Republicans were more supportive of the enacted selective tax increases: 68 percent of Republicans voted in favor of the twenty-one enacted tax increases, while 58 percent of Democrats voted in favor.

THE PROBLEMS WITH SELECTIVE TAXATION

Selective taxation seems to be one of the areas in which Democrats and Republicans agree. Unfortunately, selective taxes often represent inefficient, lazy public policy.

The problem with selective taxes is that they fail most of the metrics by which economists evaluate tax policy. Selective taxes disproportionately affect low-income households, they lack transparency and consistency, they promote inefficient practices by consumers and firms, and they decrease well-being more than other forms of taxation. In addition, selective taxes are among the least-effective ways to discourage "undesirable consumption," and empirical research shows that the revenue generated by selective taxes does not result in increased government expenditures on programs desired by some of the tax proponents. In other words, we can achieve more desirable outcomes at lower costs by using better policy tools than selective taxes.

Employing selective taxation to modify the social and economic outcomes is neither simple nor straightforward. The taxes certainly generate revenue, but they also generate a whole host of undesirable outcomes, detailed throughout this book. The ability (or inability, as it may be) to employ these selective taxes to improve the well-being of American citizens and solve the United States' ballooning public expenditures and debt problem serves as motivation for this volume. Specifically, this book is intended to advance the discussion of the many impacts of tax policy choices—direct and indirect, intended and unintended—so that voters and elected officials can better understand and determine what is and is not good tax policy.

ANALYZING PATERNALISM, TAXES, AND FISCAL DISCRIMINATION

Our analysis is conducted through the lens of public choice theory and institutional economics. Public choice economics insists that all individuals—consumers, producers, voters, bureaucrats, and elected officials—are guided in their decision-making by their own self-interests. Nobel Prize laureate James Buchanan (1979, 359) emphasized the quality of institutional rules in determining the desirability of both private and public outcomes:

> Modern public choice, which has only been developed within the decades since World War II, now allows us to understand more about the way governments work. This understanding in turn suggests that governments, like markets, work effectively only if they are constrained by constitutional rules, by laws and institutions that serve to keep various natural proclivities to excess within bounds or limits.

Public policy is not enacted in a vacuum. Instead it is developed and enacted in a specific institutional structure and by self-interested individuals. As such, a proper study of public policy must move the discussion away from an idealistic conception of optimal policy and instead focus on the process of policy making under specific laws and institutional rules, how such rules influence the outcomes of that policy making process, and the observed outcomes of such polices.

Paternalistic observers typically assume that participants in the political system are benevolent and that this benevolence leads to public policy that maximizes some murky concept of social welfare. This assumption is severely flawed.

Even if all political participants were benevolent, elected and appointed officials do not possess enough information to enact social welfare–maximizing public policy. This need not indicate that attempts will not be made to maximize social welfare; instead it indicates that information constraints—particularly among a relatively small number of so-called elites—generally prevent such outcomes from being realized. Understanding this point is crucial in order to conduct accurate assessments of public policies as they are, rather than as we might hope they would perform.

Informational constraints can also pose problems for the private sector. However, each individual error made in the private sector due to a lack of information is dispersed and impacts only a small number of individuals. Such errors in the public sector are more severe, since a whole town, county, state, or nation of people incur the costs of poor public policy decisions. In short, the limits of centralized knowledge add greatly to the difficulties facing policymakers.

Democracies are also messy and far from perfect. Given the diverse conditions, interests, perceptions, and circumstances of every individual, the preferences of individual constituents vary. A majority of the population often cannot agree on a combination of several policies. Even if a majority of the population did agree on particular policies, allowing any group of individuals—majority or minority—to make choices for others will decrease the well-being of those unable to choose for themselves.

Donald Trump was elected president of the United States in 2016. He received 46.1 percent of the popular vote.[4] He defeated Hillary Clinton, who received 48.2 percent of the popular vote. Their last-to-be-defeated primary opponents were Senators Ted Cruz (R, Texas) and Bernie Sanders (I/D, Vermont), both of whom carried significant support from voters in their respective parties. Many Americans express displeasure at President Trump's policies. However, many Americans would have expressed displeasure at the policies enacted by any of the other three finalists.

Further complicating matters in a democracy, it is quite reasonable to expect that a majority of the population will never agree to a *stable* definition of what is desirable. Kenneth Arrow's (1963) Impossibility theorem states in part that no voting rule exists for making group decisions that leads to consistent outcomes reflecting the preferences of individual voters. The theorem thus implies that the task of maximizing social welfare proves fruitless, because there is no unambiguous way to translate individual desires into a single group decision. That is, any collectively determined concept of social welfare is in constant flux, even if every individual voter's preferences remain unchanged.

Even benevolent policymakers are destined to enact suboptimal policy, since the collectively agreed-on vision of what is optimal—that which is to guide the benevolent policymaker—likely changes before a bill even makes its way out of committee.

Finally, political participants simply are not benevolent. Putting aside a few dark examples making the case for Hayek's (1944, 138–56) "Why the Worst Get on Top [in Politics]" and Matt Ridley's (2017) succinct summary, "It Takes a Government to Do an Auschwitz," we believe that most of the elected policymakers in the United States are generally well-meaning individuals who are arguably not much different from other citizens. What separates policymakers from those they govern is primarily the power granted to them to direct others through threat of coercion. For many politicians, it was the opportunity to use this power to make a positive difference that drew them to their chosen career.

However, to maintain that opportunity and maintain job security, politics must be played, and that involves tradeoffs. Given the institutional rules governing elections and appointments, granting concentrated benefits to organized special interests at the expense of dispersed costs on the many (or on a minority who engage in socially undesirable activities) is often the winning strategy in politics. This process generally involves discriminatory taxation through selective sales and excise taxes, which result in numerous undesirable outcomes. The chapters to follow in this book discuss these processes and outcomes.

OUTLINE OF THE BOOK

For Your Own Good is organized into five parts.

Part I. Public Finance and Public Choice: Establishing the Foundation

In chapter 1, William F. Shughart II explores why selective taxation has persisted throughout US history. Four themes recur. First, Shughart explains that proposals to tax a particular good or activity almost always elicit less opposition than proposals to levy taxes on a broad base. Second, opposition to excise taxes is muted by war and other national emergencies. Third, selective tax policies create tremendous advantages for certain producers and consumers, who, in turn, levy political pressure to get such policies passed. Last but not least, selective tax proposals often are combined with appeals to a higher moral purpose, such as improving the public health.

The next two chapters examine a variety of margins on which tax policy is evaluated. In chapter 2, Justin M. Ross presents the prima facie economic case against selective taxation and in favor of uniform tax principles. Ross examines three philosophical arguments—utilitarian, beneficiarian, and contractarian—each of which favors uniform tax principles over selective taxation along the margins of efficiency and neutrality. He illustrates the arguments through three examples: the 2012 Kansas exemption of pass-through income, per unit taxation, and sales tax holidays. While individuals and groups may differ in the value placed on other evaluative margins, Ross explains that there is little demonstrative difference across the three philosophies as they relate to selective taxation. This lack of disagreement concerning the opposition to selective taxation contrasts with the realized persistence of such taxes, which may be an indication of the effectiveness of special interest groups' tactics.

In chapter 3, Adam J. Hoffer and William F. Shughart II continue the assessment of selective taxation by examining performance in relation to six common areas of interest. Many public finance scholars and practitioners have focused on the analysis of selective taxation as a revenue source. Such analysis regularly concludes that selective consumption taxation of sins is a relatively efficient tool for raising revenue, since consumers tend to be highly resistant to price changes. More recently, however, selective sales and excise taxes have been imposed not only to raise revenue but also to paternalistically encourage individuals to avoid "bad" choices, such as food high in calories.

Unfortunately, paternalists either overlook or ignore that policymakers may be subject to the same cognitive failures as consumers and that the public policy process is largely driven by the influence of special interest groups rather than by the actions of public-spirited politicians and bureaucrats. Hoffer and Shughart reevaluate selective taxes according to popular metrics used to compare different kinds of tax methods, including efficiency, neutrality, horizontal and vertical equity, unproductive consequences, and consumer information and paternalism.

In chapter 4, Richard E. Wagner closes part I with a discussion of how normative economic analysis has potentially tarnished positive (scientific) economic analysis. Economists can contribute to both strands of research; however, they cannot do so at the same time. Yet, as Wagner suggests, researchers can and do permit a confounding of scientific conclusions with various and conflicting ideological presuppositions. All these presuppositions are based on the idea that taxation reflects the acts of benevolent, well-informed leaders who use their power to tax to do good for the people they tax. However, tax policy is not crafted in such an idealistic environment.

When such ideological smokescreens are removed, the actual tax policies that are implemented arise through competition among interest groups, for whom the best tax is always one that someone else pays. Thus, the tax system resides in a political system and is not independent of or autonomous from that political system. Hence, the scope for effective (as opposed to cosmetic) tax reform is limited without reform of the political system that generates the tax system.

Part II. The Political Economy of Public Budgeting

Part II explores the political economy of public budgeting. In chapter 5, Randall G. Holcombe examines the Affordable Care Act (ACA) of 2010, more commonly referred to as Obamacare. The ACA contained a number of new taxes, providing clear illustrations of common political strategies used to minimize opposition to selective taxation. The new taxes were designed so that the burden of those taxes appeared to fall on someone other than an individual healthcare consumer and so that the taxes appeared to not be taxes at all. A Supreme Court decision (in a five-to-four vote) was needed to confirm that the health insurance mandate was actually a tax.

This disguising of the taxes to finance ACA was done in several ways. One strategy was to place taxes on groups who were a clear minority of the population, and often a minority that many people felt could afford the taxes and maybe even deserved to be taxed. Another strategy was to place taxes on the less visible and understood supply side of the market. And, as already noted, yet another strategy was to deny that the taxes were taxes. Holcombe's chapter explores the ACA taxes and the political strategy that intentionally designed the taxes to hide the policy's costs.

Another popular mechanism to generate support and reduce opposition for a new or increased selective tax is to promise to spend the newly generated tax revenue on a politically popular cause. Such promises can be informal—unofficial statements of the intended use of the future revenues but not codified in the tax code—or formally written into law. In chapter 6, George R. Crowley and Adam J. Hoffer consider the case of formal promises, generally referenced as tax earmarking.

The publically stated argument for an earmarked tax is to increase spending on the politically popular program. However, Crowley and Hoffer suggest that because tax revenues can be perfectly substituted for one another, there is no reason to expect an earmarked dollar to have any more of an impact on expenditures than a general fund, undedicated dollar. In the extreme case, policymakers can use an additional earmarked dollar in place of a previously used general fund dollar, freeing that general fund dollar to be used elsewhere and so resulting in no spending change in the targeted expenditure category. Given the complexity of the public budget, voters generally are unaware of such fund reallocations and continue to support future similar earmarked tax proposals.

In chapter 7, Todd Nesbit examines the potential for selective taxation to lead to quality substitution and explains why such substitution matters. Quantity substitution is commonly recognized and is often the intended outcome of a tax: a tax is imposed on a good to increase its price and thus cause consumers to substitute away from the product, reducing the quantity consumed. This substitution in quantity will occur whether the tax is imposed on a per unit or ad valorem (percentage of the price) basis. However, when the taxed good varies in quality level, the per unit taxes can also lead to substitution across quality grades in the product itself, whereas ad valorem taxes do not. That is, per unit taxes can lead consumers who continue to purchase the taxed item to substitute higher quality and more potent versions of the good.

Quality substitution can matter for two reasons. First, it is an unintended consequence of taxation that is often mistakenly ignored. For instance, if per unit taxes lead to the consumption of fewer total units of a good deemed unhealthy but also to an increase in the average potency—a measure of quality—of the good, it is possible that the policy worsens the health of some consumers. Second, the potential for quality substitution may help explain why per unit taxation of sin goods is more common than ad valorem taxation. While no firm actively seeks to be taxed, large established producers of higher quality versions of a good will prefer per unit taxes to minimize the damage to their profits, often at the expense of smaller, upstart firms in the industry.

In chapter 8, Bruce Benson and Brian Meehan examine the evolution of drug policy in the United States from a predatory revenue-seeking perspective. As William Niskanen (1971) first theorized and many other public choice researchers have since expounded on, bureaus can best be described as pursuing a goal of budget maximization. Benson and Meehan's account of the evolution of drug policy—from the imposition of sin taxes and prohibition to the various state policies in effect today—indicates that drug enforcement bureaus are no exception to the pursuit of budget maximization.

With the prohibition of narcotics and marijuana, drug enforcement bureaus acquire revenues through two primary sources: (1) interbureaucratic competition for funds arising from direct taxation and (2) asset seizures. The stiff competition for budgets led to much budgetary entrepreneurship; relevant to this case is state and federal policy to permit civil asset forfeiture and expand its use to both the guilty and the innocent. These asset seizures serve as implicit earmarked taxes for the enforcement bureaus in which the tax rate and base is determined by the bureau itself. Given the independence of this revenue source from the traditional budgetary process, civil asset forfeiture presents a unique case to contrast with the standard earmarks discussed by Crowley and Hoffer in chapter 6.

Robert Lawson concludes part II with a look at gross receipts taxes in chapter 9. Specifically, the chapter distinguishes between the effects of a gross receipts tax and a conventional sales or excise tax. The impact of a tax is not dependent on the statutory (legal) incidence; instead, it is the economic incidence that matters. Lawson shows that, after tax shifting, the gross receipts tax is no different from a sales tax. Recent political support for newly imposed or expanded gross receipts taxes is yet another example of manipulating voter perception—good politics but poor policy. Pitting citizens against one another—households versus corporations, for instance—is not only questionable on moral grounds, but it also leads to poor policy choices.

When considering any tax proposal, the public needs to understand that taxes are ultimately paid by people and that those who pay may not be obvious due to tax shifting. An honest public discussion of these ideas is needed when considering any tax proposal. Lawson illustrates this by detailing a legal challenge to Ohio's commercial activity tax (CAT) on the grounds that it violates the state constitution's ban on sales taxation of food. Given that the CAT and a sales tax impose the same economic incidence on individuals, Lawson suggests that the CAT is an illegal tax under the state's constitution, an argument that the Ohio Supreme Court did not share in 2009.

Part III. Fiscal Federalism and Selective Taxation

Part III takes a closer look at the role of selective taxation in a system where multiple levels of government—federal, state, and local—each have the power to implement tax and expenditure policy. In chapter 10, Peter T. Calcagno and Frank Hefner begin the section with an examination of the effects of using targeted tax incentives as an economic development tool. Targeted tax incentives—various tax credits, tax abatements, infrastructure financing, and grants and loans of public funds—have become a fixture of modern economic development policy. They are often offered to attract or retain private companies to a local community with the promise of increasing economic growth and local jobs.

Calcagno and Hefner assess the consequences of targeted tax incentives on state and local economic development. Specifically, the authors examine whether targeted tax incentives actually deliver on their promise to create jobs and economic growth and to what extent such policies create economic distortions and unintended consequences. After summarizing the efficacy of targeted tax incentives as described by academic research findings, the authors explore specific cases in South Carolina, in which targeted tax incentives were employed. They discuss how the resulting perverse incentives led to various unintended consequences and, ultimately, ineffective policy.

While not the only recipients of targeted tax incentives and subsidies, professional sports franchises receive significant incentives to relocate or stay in their host cities. Like other recipients of targeted incentives, proponents of public financing for professional sports facilities regularly promise regional job growth, economic growth, and increased tax revenue as a result of the stadium and events that take place there. Despite the lack of support for such claims in the academic literature, as discussed by Dennis Coates and Craig A. Depken II in chapter 11, public financing of professional sports facilities remains undeterred, with substantial subsidies in many cases. These subsidies must be funded, and Coates and Depken highlight the range and prevalence of various taxes—typically selective excise taxes—employed to finance stadium and arena construction. The authors offer some insight as to who ultimately pays these taxes, suggesting that more of the tax burden remains with the local community than is generally promised.

In chapter 12, Thad Calabrese examines the financing options for the growing pension shortfall. The primary form of retirement benefit for public employees is a defined benefit pension system, in which all employer and employee contributions are aggregated and deposited into a pension fund for investing purposes. Unfortunately, states have been dramatically underfunding their pension obligations. As of 2013, state pensions were underfunded by more than $1.1 trillion. Calabrese notes that it would currently require devoting nearly 35 percent of total annual state and local government spending to return these pensions to full funding.

State governments recognize the pending fiscal disaster and are experimenting with options to mitigate the problem. Pension benefits are extraordinarily difficult to decrease; therefore, a more common approach has been to increase revenue to close the pension gap. Calabrese details many of the selective taxes that states have implemented to increase revenue, providing case studies from Pennsylvania and Illinois to illustrate some common approaches and their respective impacts.

Part III concludes in chapter 13 with a radical proposal by J. R. Clark and Dwight R. Lee to change the tax system. The largest single source of tax revenue in the United States is the federal income tax. No matter in which state an individual resides, they pay taxes according to the same federal income tax schedule. This model of taxation leaves little room for tax policy experimentation and greatly limits the incentive for voters to "vote with their feet," because no matter where they move, the federal income tax follows them.

Clark and Lee examine what would happen if the federal income tax and all other current federal taxes were abolished and replaced with a system that limited the federal government to collecting a percentage of the total tax collected by each state. The result may better encourage the benefits of a federal system of government.

While it would be presumptuous to claim to completely forecast the results of such a large shift, Clark and Lee point out the resultant significant changes to political and constituent incentives. Different tax regimes would dramatically increase the rewards to individuals voting with their feet. State and local governments would have an incentive to reduce expenditures, reduce taxation, and improve efficiency. But perhaps most importantly, competition and experimentation among state governments would thrive, promoting the development of new and better ideas. Their radical proposal is intriguing and offers much potential. While it may or may not be politically feasible, it offers considerable insight into continued tax reform.

Part IV. The Economics of the Failing Nanny State

Part IV focuses on the failed attempts to employ selective taxation as a means to eliminate or even discourage the consumption of disfavored products and services. This section addresses the failed nanny state with respect to obesity, cigarettes, gambling, and plastic shopping bags. Paternalists argue that the lessons from behavioral economics justify extending government intervention to correct individual failure rather than limiting it to cases of clear market failure. They argue that policymakers can exploit individuals' departures from rationality in ways that correct what paternalists see as irrational individual mistakes. The paternalists aim to fix individual failure by introducing "nudges" (soft paternalism) or "shoves" (hard paternalism) devised by better-informed, benevolent policymakers.

Michael Marlow and Sherzod Abdukadirov argue in chapter 14 that the growing use of paternalism to justify government intervention is often misguided and that policies are too easily justified by assuming that government officials are better informed than the individuals they seek to guide. The benefits of (need for) paternalism are systematically overestimated, while the costs of such actions are consistently underestimated. An examination of the obesity issue demonstrates that government intervention is often ineffective in remedying individual failures and that, in some cases, its actions are counterproductive.

The publicly announced goal of sin taxes, such as the soda tax discussed by Marlow and Abdukadirov, is to reduce consumption of the taxed item by increasing its price. In chapter 15, Michael LaFaive coins the phrase "prohibition by price" to describe the implications of such tax policy. Proponents of paternalistic taxation point to reduced legal sales as a sign of success. However, legal sales and consumption are not one and the same. While consumption likely does decline at least modestly as a result of the tax, there is also a shift at the margin from purchases made in the legal sector to those made in the underground economy.

The larger the sin tax is, the stronger the similarities become between the impacts of the sin tax and prohibition. At modest levels of taxation, much of the consumer response is tax avoidance as consumers reduce consumption and, for those located near a lower-taxing jurisdiction, engage in cross-border shopping (casual smuggling). However, as taxes rise to prohibitive levels, the incentive to engage in arbitrage—buying in bulk in low-taxing states and illegally reselling in high-taxing states (commercial smuggling)—also grows. These are essentially the same criminal operations as those brought about by prohibition, and they bring with them the same negative consequences: violence against person and property, turf wars, public corruption, and distrust between citizens and enforcement officers, among others. LaFaive provides estimates of the size of casual and commercial smuggling of cigarettes in US states and details many of the related unintended consequences due to the taxation of cigarettes.

In chapter 16, E. Frank Stephenson reviews the impacts of public policy targeting plastic shopping bags. Like other paternalist policies, proponents of taxes and bans on disposable, single-use shopping bags overestimate the net benefits of their policies by not properly assessing the costs and benefits and by not anticipating changing consumer behavior in response to their prescriptions. Many of the policies intended to reduce the usage of disposable, single-use plastic shopping bags and thereby mitigate the resulting environmental damage are, like the anti-obesity policies discussed by Marlow and Abdukadirov, shown to be counterproductive. Furthermore, to the extent that local attempts to encourage reusable bags, such as the modestly popular burlap bags, have been successful, they have also led to increased health risks related to salmonella and *E. coli* outbreaks. Stephenson explains that plastic bag taxes and bans better represent symbolic attempts to reduce environmental damage than they do effective or sound public policy.

Part IV concludes in chapter 17 with Doug Walker and Collin D. Hodges's discussion of the evolution of policy related to legal gambling in the United States. In most states, gambling is specifically banned either through the state constitution or long-standing legislation. Requiring a state act to permit the industry to function creates an environment rife with rent-seeking, in which the state extracts large sums from the industry. Despite substantial controversy, nearly all states have legalized lotteries and many have legalized brick-and-mortar gambling. Authorization of these industries often comes with large take-out rates for the state, and this revenue is often earmarked for politically correct causes, such as public education and college scholarships. The evolution of gambling policy thus serves as an excellent case study that applies many of the concepts discussed in earlier chapters.

Part V. Evaluating and Prescribing Better Tax Policy

Part V, the final section of this book, is dedicated to evaluating and prescribing better tax policy. The section starts with a first-of-its-kind paternalism index presented by Russell S. Sobel and Joshua C. Hall in chapter 18. Sobel and Hall measure the extent to which each state tries to replace the judgment of individuals with those preferred by, and enacted through, the state political processes. The paternalism index is constructed using a similar methodology to the Economic Freedom of the World Index (Gwartney et al. 2016).

The index contains four separate categories in addition to the aggregate paternalism ranking. States are ranked according to (1) relative use of selective taxes, (2) extensive use of "sin" taxes, (3) use of "saint" subsidies, and (4) miscellaneous bans and restrictions. Overall, Wyoming is identified as the most free from paternalism, while New York was the least free in 2013. Broader regional differences are also apparent, with the Northeast and the West Coast being the least free from paternalism. This index should be useful for future empirical studies explaining how paternalistic policy impacts local economies and social outcomes and why some states are more paternalistic than others.

In chapter 19, Matthew Mitchell suggests that the complex and often counterproductive, unjust, and inefficient tax code observed at the state and federal levels is not accidental. Each provision, imposition, and complexity was purposefully enacted largely at the behest of special interests. Mitchell offers the following eight common explanations for the development and stability of such policy: (1) rent-seeking; (2) concentrated benefits and diffused costs; (3) increasing returns to political activity; (4) logrolling; (5) bootleggers and Baptists; (6) agenda control; (7) rational ignorance and rational irrationality; and (8) the transitional gains trap.

But as Mitchell notes, special interests do not always win, and from such circumstances we can learn important lessons concerning how we might overcome special interests for the development of future public policy. While the detail of each lesson is left to Mitchell to describe in his chapter, we list them here: (1) ideas matter, especially in the long run; (2) institutions matter, too; (3) go for the "grand bargain"; (4) reform requires good leaders; (5) sometimes it takes a special interest to beat a special interest; (6) never let a crisis go to waste; and (7) embrace permissionless innovation. Of course, voters must remain diligent, as each of these lessons can just as easily be used to benefit special interests as they can be to hold them at bay.

In the final chapter of this book, we attempt to summarize the common themes and major policy prescriptions offered throughout the book, as identified by the editors, Adam J. Hoffer and Todd Nesbit. Every chapter of this book discusses one, if not both, of the following themes: (1) selective taxation is discriminatory, and (2) selective taxation fails as a society-improving tool. We then present a range of policy guidelines, ranging from first-best solutions involving constitutional constraints to other marginal improvements that may be less than ideal policy but offer the benefit of being more politically palatable. As should be expected of any concise summary, we most certainly do not capture all policy prescriptions suggested by the contributors, and an omission should not be interpreted as indicative of the worthiness of the author's contribution.

CONCLUSION

We hope to provide readers of this book with analyses on multiple dimensions of selective taxation. Too often, we believe, selective taxes are advertised as easy and politically palatable solutions to societal problems. The high costs of these taxes are rarely considered and thus are hidden from public view. This book highlights the often-hidden costs of these policies.

We also hope to highlight the fact that selective taxes and the revenue they generate fall under the control of politicians, not benevolent social planners. Those politicians are individuals who respond to incentives and harbor their own personal objectives. To become law, taxes pass through a political process plagued by imperfect information and unchecked self-interest. As a result, the realized impact of a given public policy is generally far from its idealized and promised impact. It is important to evaluate, as we do in this book, public policy outcomes as they are rather than as proponents might wish them to be.

Americans deserve better public policy. This book provides the thorough analysis of selective taxation needed to motivate better policy.

NOTES

1. For example, only 15.1 percent of US adults smoked cigarettes in 2015, according to the Centers for Disease Control. https://www.cdc.gov/tobacco/data_statistics/fact_sheets/adult_data/cig_smoking/index.htm.
2. Orzechowski and Walker (2015), https://www.tobaccofreekids.org/research/factsheets/pdf/0275.pdf.
3. This excludes income tax proposals. The full data can be downloaded from michiganvotes.org. The targets of the tax increases introduced in the Michigan legislature during the 2001–2015 fiscal years include airplane fuel, alcohol, bottled water, businesses, casinos, couriers, dentures, fast food, gas, gross receipts, liquor, luxury homes, pornography, sales, services, severance payments, soft drinks, tobacco, transfer payments, televisions, use (tax on personal property and purchases, usually purchased out of state, on which the state sales tax was not paid), and vapes.
4. The Electoral College votes determine presidential election outcomes, enabling a participant with less than a majority of the popular vote to become president. This was the fourth time that the winner of the Electoral College lost the popular vote (1876, 1888, 2000, and 2016).

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