

Microeconomic IA Sample: Increasing Tax for Cigarettes and Sodas to Reduce Cancer

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Increasing Tax for Cigarettes and Sodas to Reduce Cancer

Title of the Article:

"If we want to fight cancer, we should tax the companies that cause it."

Source of the Article: <https://www.theguardian.com/commentisfree/2022/jun/21/cancer-tax-joe-biden-health-cigarettes-sugar>

Date the article was Published: June 21, 2022

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Word count: 750

Section of Syllabus to which the Commentary Relates: interventions

Commentary

The article *“If we want to fight cancer, we should tax the companies that cause it”* discusses the intervention measures by the government to reduce the number of patients diagnosed with cancer. President Biden's administration shared its plan on June 21, 2022, to introduce a Cancer Moonshot Program. The program's main objective is to reduce the number of cancer deaths over the next 25 years by 50%. The Cancer Moonshot Program targets companies that produce carcinogenic products such as sugary drinks and cigarettes to market. The program will increase the tax burden on the company. An increase in producers' tax burden will reduce the number of products a company will produce due to a decline in revenues. The government will increase the targeted companies' revenues, reducing their ability to produce more products in the market.

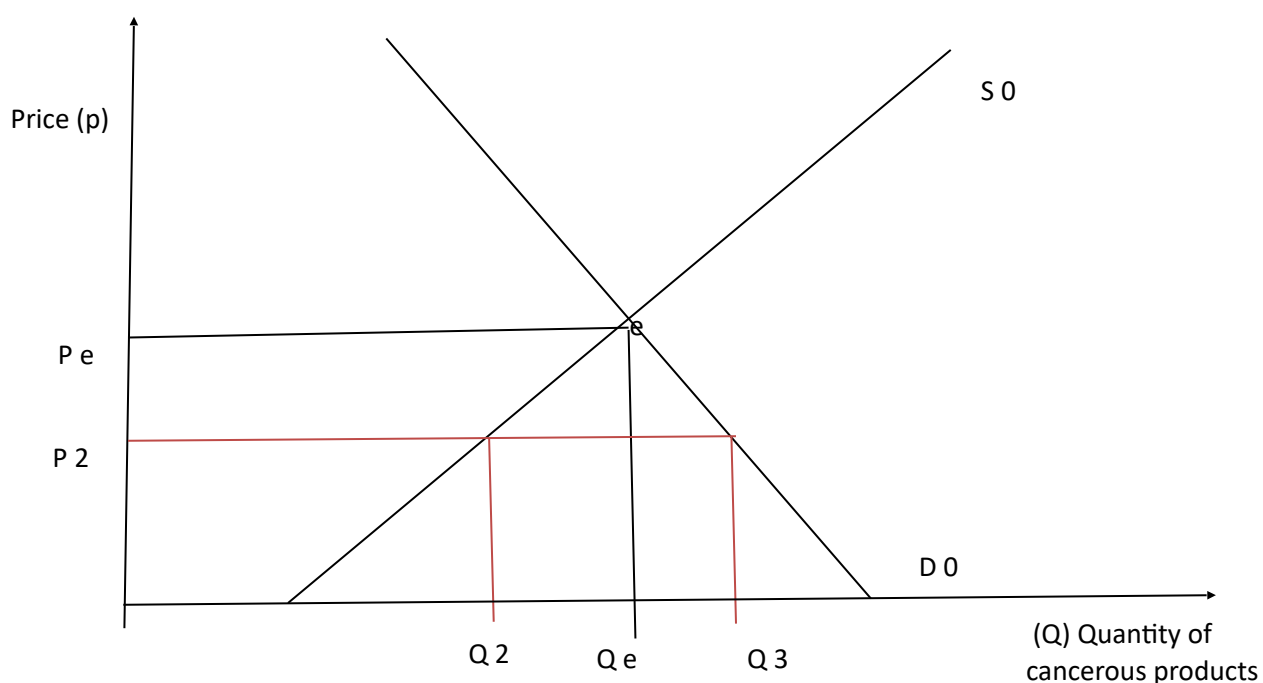


Figure 1: consumption of cancerous product before additional tax

Figure 1` represents the current consumption of cancerous products before the introduction of the tax. The price of the products before the taxes was below the equilibrium price: it was at a point (P 2). Therefore, there was excess demand for cancerous products. The consumption was higher than the quantity supplied; the quantity demanded was at point Q3 while the quantity supplied was at Q2.

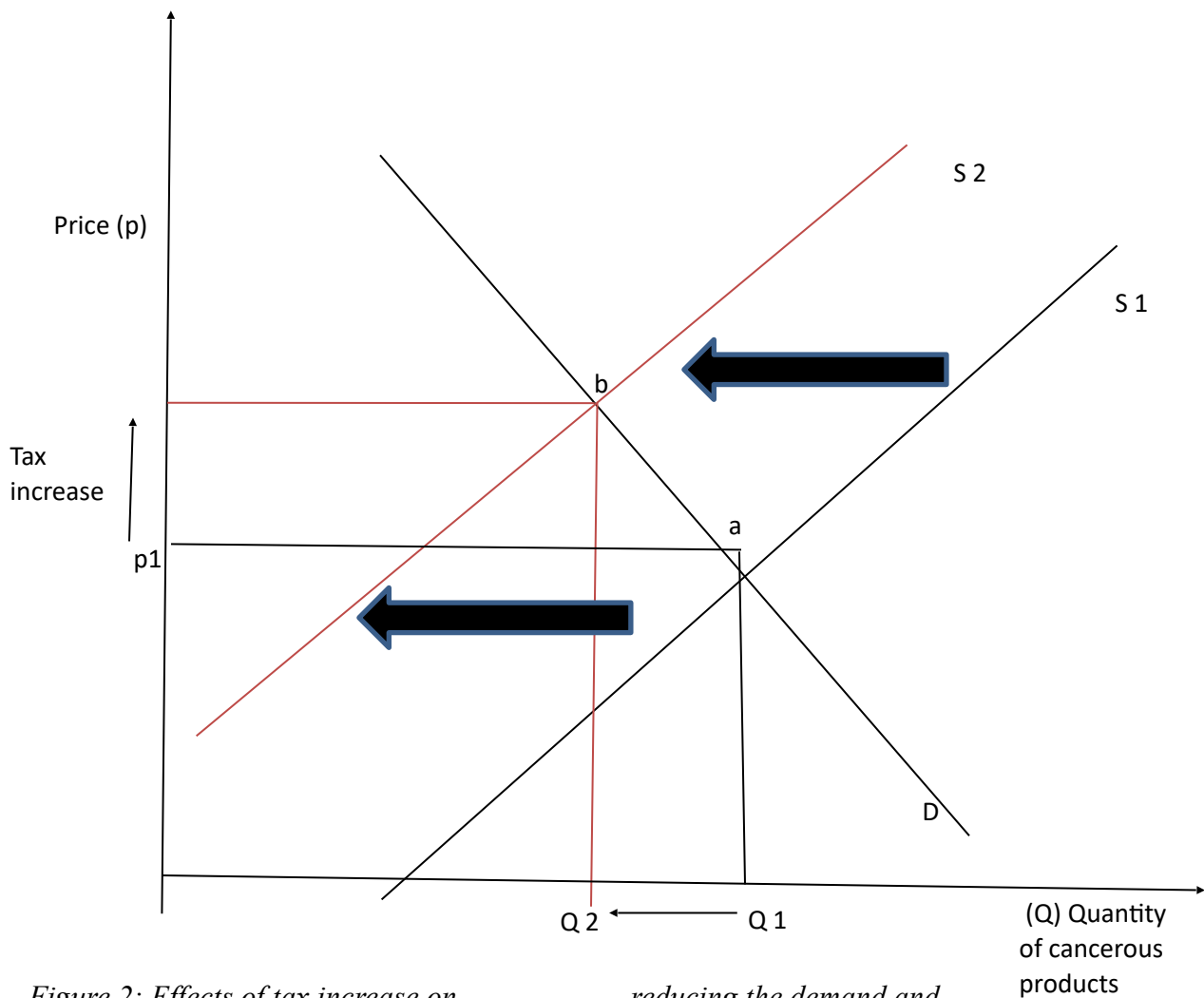


Figure 2: Effects of tax increase on reducing the demand and supply of cancerous products.

Figure 2 represents the effects of tax increases on the demand and supply of cancerous products. The impact reduces the demand and supply of cancerous products in the market. Tax is used as an intervention measure against the consumption of unwanted products. An increase in taxes on the targeted products will decrease their supply in the market. The supply of the products causing cancer will shift to the left, from $S1$ to $S2$. The rationale is so because, after the increase in taxes, the price of the targeted good will increase from $P1$ to $P2$. Companies will increase the price of their products to cover the producer's burden and maintain productivity. The new supply will be equal to $S1 +$ the added tax. An increase in taxes on goods will increase the price of the products in the market.

The impact of the increase of tax on cancerous products consecutively will lead to the low consumption of the targeted products. An increase in the tax will increase the price from $P1$ to $P2$. This will consecutively reduce the quantity consumed. The consumed quantity will reduce from $Q1$ to $Q2$. The rationale is so because several consumers will be willing to consume the cancerous products after an additional price. The intervention will increase the consumer's burden on the targeted products. Therefore, the consumption of the targeted products will be less since consumers will not be willing to pay an extra amount for the same products.

An increase in tax on a product increases the price of the targeted product. High prices will place a burden on consumers, where consumers will be required to pay the same price for the same quantity of products. Therefore, consumers will not be willing to consume cancerous products. This will lead to a reduction in the rate of cancer prevalence. From the article, government to reduce the number of cancer diagnoses by 50% over the next 50 years. The US government introduced Cancer Moonshot Program, which aims at increasing tax on companies

producing unhealthy products such as cigarettes. The initiative will reduce the number of people who consumes the targeted product since it will increase its prices.

The Cancer Moonshot Program offers a significant and attainable solution to reduce cancer cases in society. The program insists on increasing tax on harmful product that leads to an increase in cancer. An increase in the tax will discourage people from consuming products such as cigarettes. Besides, the intervention aims at funding cancer prevention programs. The existing vaping taxes neglects cancer prevention initiatives. Treatment of the victims gets about 97% of the funds, while 3% goes to prevention measures. Therefore, the Cancer Moonshot Program will promote preventive measures instead of treatment measures by overtaxing companies that produce carcinogen products in the market. The extra tax will increase the price of the targeted products hence discouraging consumption.

References

Whelan, J., & Zissu, A. (2022, June 21). *If we want to fight cancer, we should tax the companies that cause it* | Jon Whelan and Alexandra Zissu. The Guardian. <https://www.theguardian.com/commentisfree/2022/jun/21/cancer-tax-joe-biden-health-cigarettes-sugar>