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Louis D. Johnston

College of Saint Benedict/Saint John's University, ljohnston@csbsju.edu

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MINNPOST

Economic theory gives us two 'weapons' to combat gun violence

By [Louis D. Johnston](#) | 12/20/12



REUTERS/Joshua Lott

Treating gun violence as an externality assumes that weapons markets are legitimate and that we must live with the consequences.

In the coming weeks, I'll use whatever power this office holds to engage my fellow citizens, from law enforcement, to mental health professionals, to parents and educators, in an effort aimed at preventing more tragedies like this, because what choice do we have? We can't accept events like this as routine.

—[President Obama](#), [prayer vigil](#) in Newtown, Conn., Dec. 16

When I heard President Obama's remarks on Sunday evening, I asked myself, "Is there anything the field of economics can contribute to this effort?" After all, in these situations we generally turn to sociologists, psychologists, ministers and law enforcement professionals before consulting economists.

Two ideas come to mind.

'Externalities' and gun violence



In economic terms, "externalities" are activities that impose costs on or generate benefits for people not directly involved in those activities. In plain language, externalities are the side effects of producing and consuming goods.

Second-hand smoke, for example, is a negative externality. When someone lights up, this affects both the smoker and everyone around him. This is why we've banned smoking in most public places.

Firearms and ammunition create negative externalities in the form of injuries and death to innocent people. Gun manufacturers don't take these costs into account

in making their production decision; guns are therefore cheaper, and more are purchased than if prices were higher.

Economics addresses this problem by using the tax system to affect the externality; in other words, taxes raise prices and thus customers bear more of the cost of the product. These types of taxes, known as compensatory taxes, are charges imposed on markets that have externalities.

They are levied for two reasons. First, the tax raises the price of the item and thus reduces the amount bought and sold, thereby reducing the side effects. Second, the tax revenue can provide funds to compensate those unfairly affected by the externality.

Excessive alcohol consumption, for instance, creates a variety of spillover effects, such as drunk driving. One justification for alcohol taxes is to make drinking more expensive, thereby decreasing alcohol consumption and reducing the amount of drunk driving. The tax revenues can be used to pay for increased highway patrols and drunk-driving prevention programs.

Compensating taxes on guns and ammunition would have similar effects. First, fewer guns would be sold, and the spillovers of injury and death caused by violent gun use would be reduced. Second, taxes could be imposed in such a way as to minimize the effects on hunters and sport shooters and maximize the effects on those who purchase guns to harm others.

Taxes on ammunition could vary with the size of clips so that small clips would be cheaper on a per-bullet basis than larger clips; higher taxes per weapon could be levied on assault rifles than on sport rifles. Third, the taxes collected could be used to compensate the victims of gun violence and to pay for additional law enforcement and mental health resources.

Noxious markets

Treating gun violence as an externality assumes that weapons markets are legitimate and that we

must live with the consequences. However, certain aspects of this market may not be legitimate. Markets do not exist in a vacuum. They are created and designed by people, and societies can decide to modify or restrict markets depending on its values and goals.

Debra Satz, a professor of philosophy at Stanford University, addresses this in her book “Why Some Things Should Not Be for Sale: The Limits of Markets.” At **the heart of her analysis** is the concept of noxious markets, i.e. “markets that people find especially objectionable” and which should be curtailed or eliminated.

One important reason why societies deem some markets as noxious is that trade in these goods causes extreme harm to individuals and/or society. Markets in assault rifles, large-capacity ammunition magazines and related items could be thought of this way. The damage caused by guns used to commit crimes is so great that we must regulate them and, in some cases, eliminate them.

At the heart of much debate over gun control is this very question: Are markets for assault weapons, large-capacity magazines and similar items noxious? Obviously there is no consensus on the issue at this moment in our political history.

At the prayer vigil, President Obama said, “If there’s even one step we can take to save another child or another parent or another town from the grief that’s visited Tucson and Aurora and Oak Creek and Newtown and communities from Columbine to Blacksburg before that, then surely we have an obligation to try.”

Compensatory taxes on guns and ammunition can help, and we should impose them as a step towards reducing gun violence. In the longer term, we need to face the fact that there are some things that should not be for sale in a civilized society.

Susan E. Riley contributed to this article.

ABOUT THE AUTHOR:



Louis D. Johnston

Louis Johnston writes Macro, Micro, Minnesota for MinnPost, reporting on economic developments in the news and what those developments mean to Minnesota. He is Joseph P. Farry professor in the Eugene J. McCarthy Center for Public Policy and Civic Engagement at Saint John’s University. He is also a professor of economics at the university.

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