Essay on obesity tax

Health & Medicine, Obesity

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Obesity tax is a tax levied on fattening beverages or foods by tax authorities with the objective of discouraging unhealthy diets and internalizing the externalities and economic costs associated with obesity. Experts in public health are apprehensive about the obesity prevalence and are promoting obesity taxes on sugar-sweetened beverages and fattening foods as a feasible public health solution to the obesity epidemic. This paper evaluates the economic reliability of imposing obesity taxes on sugar-sweetened beverages and sugary foods in the United States as a measure to curb obesity.

Several researches by medical experts indicate that there is a positive correlation between consumption of sugar-sweetened beverages and foods and weight gain among children and adults alike. This is because they are nutrient-poor and calorie dense. A tax on sugar-sweetened beverages and sugary foods will reduce consumption of these beverages and foods through the pigovian effect like any other pigovian tax. In the existence of negative externalities, pigovian taxes are levied with the objective of correcting market outcome by covering social costs that are not included in the price of a product. Without government intervention, the product may be over consumed to the society’s detriment. In this case, a tax on sugar-sweetened beverages and foods will reduce their consumption to socially optimal levels.

A research by Brownwell, et al., indicates that a 1 cent tax per ounce of any beverage will increase the cost of 20 ounce soft drink by 20%. The researcher estimated the impact on demand through price elasticity. From the research findings, the price elasticity of demand for soft drinks in the US range from 0. 8 to 1. 0. He found out that the price effect is even greater in sugar sweetened beverages as consumers will substitutes these beverages with diet beverages that are cheaper. This will translate into reduction of 10 percent in calorie consumption from sugar sweetened beverages. Another study on sugar-sweetened beverages taxes by researchers from the US Department of Agriculture in 2010 indicate that a tax of 20 percent on soda could reduce the average daily calorie consumed by adults by a conservative estimate of 37 calories and 43 calories by children. These will translate into a weight loss of between 3. 8 and 4. 5 pounds over a year.

Secondly, obesity tax revenue can be used to internalize the negative externalities of sugar sweetened beverages and sugary foods. Revenues from obesity taxes can be used to finance subsidies for healthier foods, fund advertising and campaigns aimed at promoting healthy lifestyles and finance purchasing of exercising equipment. This obesity taxes also forms part of the of the revenue tax base of local and central governments. In 2008, David Paterson, the governor of New York proposed a 15 percent obesity tax to cover the state’s budget deficit of $ 13. 3 billion. Lastly, obesity taxes are fair since contribution is voluntary. Obesity tax is taxed on consumption; hence, it is an indirect tax. Consumers have an option of paying these taxes by consuming the product or avoid it by substituting foods and beverages that are subject to obesity tax with those that are not taxed.

There are some costs associated with an obesity tax. First, an obesity tax may be regressive since poor households spend a higher proportion of their aggregate income on food. However, obesity tax will be less regressive to the poor to the extend it reduces their medical expenses. There is a higher prevalence of diet-related ailments among poor households as compared to the general population. To reduce the tax burden on poor households, proponents of obesity tax propose that revenues from obesity taxes can be used to finance subsidies for healthier foods.

Another cost associated with is the potential to fuel inflation. However, the contribution of obesity taxes on consumer price index may not be significant. This is because only certain foods and beverages are targets. Besides, if the revenues from obesity taxes can be used to finance subsidies for healthier foods, the potential inflationary impact will cancel out. The other cost may be reduction in employment. An increase in price of sugar sweetened beverages and sugary foods due obesity taxes will reduce demand of these beverages and foods. Producers will be forced to reduce production and consequently lay off some workers.

In conclusion, although obesity taxes have some cost the benefits far outweigh the associated cost. Obesity tax will definitely go a long in solving the obesity epidemic in the Unites States by forcing people to live healthier lifestyles. This would in turn improve productivity and reduce the government medical expenditure on diet-related ailments.

References

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