

# Professors weigh effectiveness of tax on soda and other sweetened drinks

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Several states and cities have and continue to propose a tax on soft drinks in an effort to curb obesity. In November, voters in Berkeley, California, were the first to approve such a tax. But Iowa State University researchers question whether it will have the desired effect.

John Beghin and Helen Jensen, both professors of economics, say it depends on how the tax changes consumer behavior. Consumers will look for alternatives, such as diet soda or water, to avoid paying the tax. But if the sugar content of some alternatives, such as an energy drink, is

similar to soda, the health benefit will be minimal, they said.

In a 2011 study, published in the journal *Contemporary Economic Policy*, Jensen and Beghin examined the effectiveness of taxing sweeteners added to [food](#) and beverages as compared to taxing the end product. Their research concluded that taxing food processors for sugar or other sweeteners added to food has a greater impact to reduce consumption of [caloric sweeteners](#).

Instead of targeting just one type of retail product, taxing added sweeteners would encourage processors to reduce the amount of sugar or find alternatives. It would increase input costs and the price for consumers, but Beghin says it would be less than charging consumers at the store. It would also have the desired health impact of lessening the amount of sweetener in all food products, not just soft drinks.

"Targeting only soft drinks seems a little bit excessive. You could also target the candy section, or many other sections of the store, in which the food is pretty unhealthy," Beghin said. "If you tax the inputs, you would have a fairly strong response from food processors to abate the caloric sweeteners in their products."

## **Warning labels similar to cigarettes**

In addition to taxes, a New York state lawmaker has proposed adding warning labels to sodas to remind consumers of the [negative health consequences](#) of added sugar. Ruth Litchfield, an associate professor of food science and human nutrition, is unsure if a label would be a deterrent. She says with other public health policies, including a cigarette tax and seatbelt fines, the real deterrent came when there was a financial cost.

Litchfield, Beghin and Jensen all agree that soda is not the only beverage

contributing to the obesity problem. Iowans consume more than 134 million gallons of sugar-sweetened beverages, according to estimates from the Rudd Center for Food Policy and Obesity. Litchfield shares this statistic with students to highlight how much sugar is in energy drinks, bottled teas and coffees as well as some flavored milks.

"We can't just point our finger at [soft drinks](#). We've also got fast food, convenience food and a decrease in physical activity – it's not just one thing," Litchfield said. "I just feel like we keep looking for the magic bullet to address the obesity epidemic. It's going to take more than just a sugar tax."

## **Identifying the problem to design better policy**

Iowa State researchers say it will take a comprehensive approach to the obesity issue before we see significant changes. For example, policies to align food assistance programs with dietary guidelines and to restrict vending machines and competitive foods in schools are also part of the solution. Advertising of sugar-sweetened foods and beverages directed at children must be addressed, they said. Encouraging a less sedentary lifestyle is also instrumental to reduce obesity.

Should policymakers consider a tax on added sweeteners, it's important to understand how food processors will respond to make sure the law is specific and comprehensive, Jensen and Beghin said. If the goal is to reduce calories consumed, simply targeting sugar or high fructose corn syrup ignores other sweeteners, such as apple juice, or fat substitutes that processors may add to the product.

"You see this with some drinks that say no high fructose corn sweetener and then you look at the ingredients and sugar is in the product," Jensen said. "We're concerned with carefully identifying the problem. If the problem is too many calories, both from [sugar](#) and fat, you want to look

at how easy it will be to switch to fattier substitutes or other unhealthy substitutes if you start taxing sweeteners. As a result, you may not have as much of an effect on calories."

**More information:** "Taxing sweets: sweetener input tax or final consumption tax?" *Contemporary Economic Policy* Volume 30, Issue 3, pages 344–361, July 2012 DOI: 10.1111/j.1465-7287.2011.00278.x

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