

# **The case for a tax on sugar-sweetened beverages has not been proven**

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# Bottom Lines

- Duckett and Swerissen (2016) advocated a 40¢/100g tax on sugar in sugar-sweetened beverages, to reduce the ‘third party’ cost burden on the non-obese.
- Their distributional analysis not appropriate for assessment of economic efficiency.
- But, properly done, goes against D&S
- They did not quantify the casual mechanisms
- There may be an economic case for such a tax, but Duckett and Swerissen have not made it; nor could they cite anyone who has.

# Public Health – v - Economics

- Health #1 in lexicographical SWF
- Or, #1 is public health spending
- Market failure is not sufficient
- Efficacy is necessary but not sufficient
- Need a CBA
- Costs > admin: also consumer surplus

# Anon:

- ‘My main concern with this [submission] is that opponents of soft drink tax will use this paper to argue their case when there is clearly economic case for such a tax as is clear from evidence nationally and internationally. Recently data from actual implementation of tax has started trickling in suggesting effectiveness of such tax in reducing soft drink consumption and obesity. Thus such a paper in public domain will unnecessarily create a controversy not warranted when several governments are seriously considering imposing such a tax.’

# Grattan framework

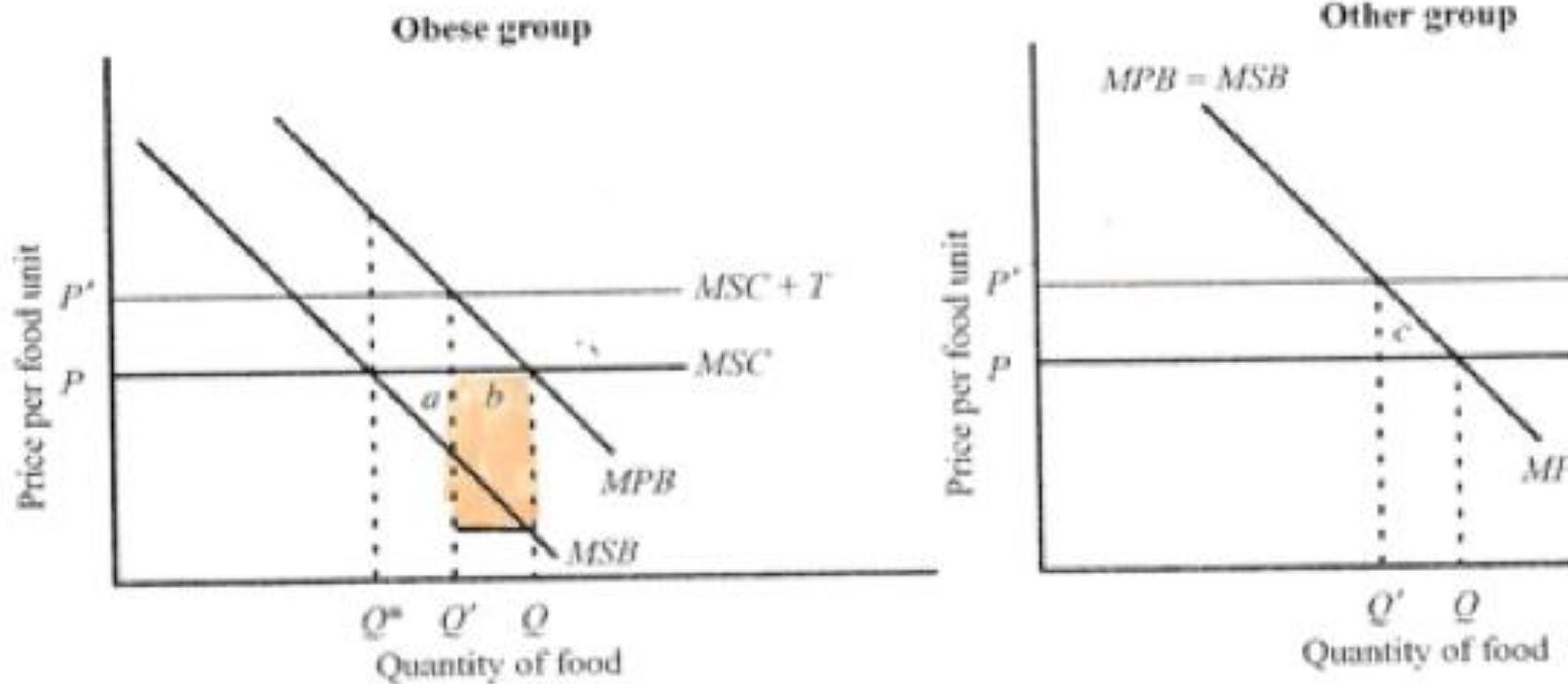
- Only interested in effects on ‘third parties’
  - Limited to some fiscal effects only
- Not compute loss of consumer surpluses
  - Cite ‘economic theory’ instead
- Non-obese ‘third parties’ net losers
  - Gain via fall in health spending
  - Pay the tax
  - Lose consumer surplus

# Causal chain: 2%

- Implicit assumption:
- 2% fall in obesity causes 2% of the effects of 100% fall in obesity
- Very unlikely to be the case for
  - Health/morbidity/mortality
  - Employment
- Wang 2016 on elasticity
- (Common to assume no medical progress in treatment)

# CBA w/- Behavioural Econ

- Attribute 100% of the private gain in health to the tax?
  - Ignorance
    - And that includes medical science!
  - ‘Defective’ time preference?
    - D Bernheim *J. Benefit Cost Anal.* 2016, 1–57



Note:  $MPB$  denotes marginal private benefits,  $MSB$  denotes marginal social benefits and  $MSC$  denote costs.