

BC Dairy Foundation 10th Annual Nutrition Forum  
*Food Taxes and Subsidies: Weighing the Options*  
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# Junk the tax?

## From research and rhetoric to recommendations



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# People respond to incentives

- When it comes to price, this is more true for firms than for consumers
- People respond to the incentives they face, not necessarily the ones policymakers intended
- Responses are more complex than simply buy less
- Consumers will seek out close substitutes




# Think LESS about consumers?? (i.e., tax inputs)

- Consumer prices will go up
- Producers, retailers pay closer attention
  - A tax on grams of sugar per ounce, rather than ounces of soda, gives producers incentive to reduce sugar content
  - Retailers observe relative changes quickly, reallocate space and stock



# Taxes are blunt tools

- Small taxes will only have small behavioral impacts
- To the extent that taxes influence those already more in tune to health concerns, taxes can increase health disparities
- If we need new taxes to pay for health care (or anything else), soft drinks and junk food are a good place to start



# Ag policies

- Not designed to hurt consumers
- Not usually designed to help consumers
- Some literature suggests low price impacts
  - but tensions are there regardless
  - non-price impacts are important – e.g., corn syrup is a reliable input



# Toward better policy

- Western governments subsidize many things that aren't healthy – why not put a “health filter” on programs?
- “Sensible” health information policies may help, but only to a point
- Taxing in the absence of market failures causes other problems
- Addressing current perverse incentives in the tax code is a (relatively) easy start!

# “HST will drive up cost of fitness, gym owners warn”

*Toronto Star*, May 19, 2010



Fitness club owners and gym members descended on Queen's Park Wednesday to protest the HST - a tax they say promotes obesity. Donuts are HST exempt but fitness memberships are not.



# Things to remember

- Think beyond price when considering environmental influences on choice
- Those who want taxes note: there may be more political support for revenue than for dietary change, but simple taxes are regressive
- Salient taxes will induce more change, but generate less revenue
- Producers, retailers are more price-responsive than consumers
- Small changes add up; they're what got us into trouble