



# e-quilibrium

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## Food Tax?

It is estimated that approximately two thirds of adults and one third of children in the United States are overweight or obese, a problem that accounts for over 20% of healthcare expenditures. One of the public health initiatives aimed at combating obesity is to require that restaurants include calorie counts with food items on their menus. Studies are indicating, however, that this initiative is not having an impact on eating behavior.

In New York City, Mayor Michael Bloomberg proposed a regulation in which city restaurants would be banned from serving soft drinks larger than 16 ounces. The New York Supreme Court struck down the ban in March, but city officials are in the appeals process requesting that it be reinstated. While restricting supersized sodas is politically controversial, health and economic experts also disagree over whether such a ban would reduce the consumption of sugary drinks.

An excise tax on cigarettes is widely believed by most health experts to have substantially contributed to a reduction in smoking rates. This has led some to propose that a considerable tax be added to sugary beverages, and perhaps extended to unhealthy foods. The tax proposed is typically in the 15-20% range. Would such a tax affect eating behavior?

Investigators from several universities published a study this year in the American Journal of Preventive Medicine in which they examined the impact of a tax on unhealthy food. Their study involved the opening of a bodega (a small urban grocery) in the outpatient area of New York City's largest public

hospital. The hospital primarily serves low-income and minority individuals, a segment of the population that is disproportionately affected by obesity. For a number of days in their store they charged a 30% tax on “less healthy” items, but no tax on “healthy” items. There were also several days when there no tax on any food items, but unhealthy foods were conspicuously labeled with “less healthy” signage on the price tag. As a control condition, the store was also operated for a number of days without any tax or signage on any foods, regardless of whether the foods were healthy or less healthy.

The 30% tax resulted in a 12% increase in the purchase of healthier foods, compared to the control condition. While it had less of an impact, it is noteworthy that the signage alone led to a 6% increase in the purchase of healthier food items. It is interesting that simply labeling food as “less healthy” affected purchasing behavior while other studies have shown that providing calorie information does not seem to change behavior. Perhaps the simplicity of the message was key. Based on the data obtained in this study, a tax of greater than 16% would be necessary to affect purchasing behavior beyond the effect of the “less healthy” labels.

While scientists can provide research data, policymakers, legal officials, and/or voters will ultimately determine which public health initiatives will be implemented as our nation addresses the epidemic of obesity. While the problem is first a health matter, it has become a significant economic issue that will continue to be the subject of legislative consideration.

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