



# Funding Healthcare Reform: Tax Sugar, Not Success, Part II

*"Sugar, rum, and tobacco are commodities which are nowhere necessities of life, which are become objects of almost universal consumption, and which are therefore extremely proper subjects of taxation."*

– Adam Smith, *Wealth of Nations* (1776).



No one has more eloquently stated the case for carving out the so-called "unnecessaries" from the capitalist code of taxation than Adam Smith. Yet, more than 230 years after the publication of arguably the most authoritative text in defense of capitalism, we continue to struggle with the concept of taxation as a socialist plot.

Last month, I examined the so-called "success tax." I suggested that a tax on earned income was punitive, anti-productive, and especially harmful to professionals and small-business owners. I argued that the burden of paying for healthcare reform should not be unfairly levied on the shoulders of these two groups. So, if new taxes are necessary for funding the availability of health insurance for all, what form should they take, and who should carry the burden?

Well, taxes are inherently disincentives. It would be ludicrous to think otherwise. And while the behavioral impact of taxes may vary, their psychological impact is undeniable. Why not tax unproductive behavior? For that matter, one could label the aforementioned "unnecessaries" of life as counterproductive, and even more worthy of such disincentives.

We already tax rum and tobacco. Sugary drinks seem to be the next logical target: They are empty of any nutritional value, they are over-consumed, and they have a well-documented negative impact on public health and healthcare costs.

Taxing sugary drinks may just be the perfect tax; such a tax would help fund healthcare for all Americans, while decreasing the cost of care related to obesity.

Experts from the CDC, among other authorities on obesity, estimate that every 1 cent tax per 12 ounce can would generate \$1.5 billion per year and reduce consumption by 1%. A tax of 5 cents per 12 ounce can would raise \$75 billion over 10 years. And consider this: A tax of one penny per ounce would generate a whopping \$180 billion dollars, or nearly one quarter of the esti-

mated cost of healthcare reform.

One can hardly even call this a "tax." For decades, we have been subsidizing the beverage industry with cheap high-fructose corn syrup. In essence, we have encouraged consumption through artificially low prices. I am simply arguing for removal of that incentive. In reality, a tax on sugary drinks is really just a removal of the subsidy.

Some argue that a sugar tax will unfairly target the poor. Huh? Substance abuse disproportionately affects the poor; should we make illicit drugs and alcohol cheaper so as not to discriminate? This argument is, of course, preposterous. While soda pop is hardly illicit, it serves no purpose nutritionally, and has arguably contributed to an obesity epidemic with a burden that, just so happens, disproportionately affects the poor.

It, therefore, seems logical to deduce: If new taxes are necessary to fund healthcare for all, a sugar tax makes better sense than a success tax. So, how did the sugar tax die, while the income tax flourished? Ah, the politics of money!

The American Beverage Association, Coca-Cola and Pepsico collectively spent an average of \$32 million per year on lobbying efforts in 2009 and 2010 while healthcare reform was being debated. They averaged only \$2 million to \$3 million per year over the previous two decades. Coincidence?

Hidden behind straw advocacy groups like the Center for Consumer Freedom, the food and beverage industry has successfully bought influence at the grassroots level while lobbyists have blanketed the politicians. All the while, non-profit groups like and your very own American Academy of Family Physicians accept multi-million dollar "grants" from Coca-Cola and Pepsi. Sounds more like hush money to me!

And that, my friends, is just one more reason why the burden of healthcare reform will be carried on your backs. Your wallet gets lighter, while the nation fattens-up on Big Gulps! ■

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