Executive Summary

An obesity epidemic exists in the United States that is putting financial and social stress on the healthcare system. Obesity rates are rising, with the latest count at 31% of adult Americans (Rauch). Obesity is “correlated with increased risks of heart disease, diabetes, some forms of cancer, and other chronic conditions,” which in turn deplete valuable healthcare resources because of the demands treating these conditions puts on the system (Hall).

Most of these cases are preventable, so the costs are almost needlessly burdening taxpayers. However, with tax cuts and rising government deficits, funds to supplement healthcare costs or to introduce prevention campaigns are dwindling. As a result some people have proposed initiating a tax on fatty foods, similar to taxes on cigarettes and alcohol, which the “offender” essentially pays for. It is an interesting topic that is being widely debated in the US and has been enflamed by emotions on both sides.

The tax has many pros and cons. Most people say it is discriminatory on people who are overweight, and that unhealthy foods are difficult to define anyway. So how can it be implemented without public outcry? However, treatment of obesity related diseases is expensive and many activists say it is not fair for society to bear the burden. In addition, if prices go up many people say consumption of these foods will go down, thus obesity rates will follow.
Causes of Obesity

The population of overweight adults in the US has risen over the past four decades from 45% to 61%. The obese portion of this population has more than doubled in this period to 30% of the total population today (see Exhibit 1). The largest increases in both categories came in the 1980s and 1990s, times of great economic prosperity in the US. A number of societal and industrial changes have caused Americans to eat more during the course of the day, which has been the prime factor in the increase.

The statistics support this position. A research report by David Cutler et al from Harvard University, argues that Americans are more obese than ever due to increased caloric consumption, which can be attributed to technological innovations in prepared food (Cutler 4, 5). The article states, “Americans are not just eating more; they are spreading their consumption out over the day.” As a result, Americans are eating more snacks and more than 4 meals a day on average. So not only are they taking in more calories, they are spreading out their meals and changing their bodies’ metabolisms.

Today large amounts of the food eaten in the US is mass prepared due to technological advances such as vacuum packaging, improved preservations, deep freezing, artificial flavors, and microwaves. Packaged foods in grocery stores, vending machines and fast food restaurants are inexpensive and readily available to consumers (Cutler 1, 2, 9). Marion Nestle, professor of nutrition and food studies at New York University, supports this argument by stating that there is tremendous market pressure to encourage people to eat more at all times in order to sell more product (Ladine).

In addition to having more disposable income, these industry changes have led to reduced costs in food. Economists argue that lower prices (either in dollars or time costs)
benefit society and lead to increased welfare. However, lower costs can contribute to obesity when people have problems with self-control. The $30 - $50 billion spent each year on diets indicates that self-control is a problem for many Americans (Cutler 3).

Other factors leading to an increase in obesity are not supported by the Cutler et al. article, but could also contribute to this phenomenon. For example, portion sizes at restaurants are at an all time high. At some restaurant chains, one meal is equivalent to the serving size for four people. This trend is especially prevalent in fast food chains with many offering “super sized” items. Some also argue that as more women have entered the workforce, more meals are consumed outside of the home. Also, food consumed outside of the home tends to be unhealthier. Finally, some people attribute rises in obesity to more time spent in front of the television. This is particularly true with children and adolescents, who can be portrayed playing video or computer games instead of playing outside expending calories.

So essentially the American population is eating more food more frequently, but at the same time is faced with pressures from industry to buy in greater volumes when they do buy. In addition, sedentary lifestyles are rising, which eliminate the opportunities Americans have to counteract their increased consumption. On a macro level it is easy to see why obesity would rise.

**Effects on Healthcare System**

When one-third of your population is obese, the effects on the healthcare system are not small. “Recent reports estimate that obesity prevalence costs Americans over $238 billion in healthcare” (Hall). As mentioned earlier, overweight or obese individuals
are more at risk for a wide variety of illnesses such as heart disease, diabetes, some forms of cancer, and other chronic conditions. One report notes, “Poor diet and physical inactivity in the United Stated are estimated to cause about 310,000 to 580,000 deaths annually due to cancer, cardiovascular diseases, and diabetes” (Brownell).

**Fat Tax**

Now for the big debate, should we tax people who eat a lot for stressing the healthcare system? The basic structure of the proposals is “reminiscent of those successfully employed against the tobacco industry.” In fact they are beginning to step up legislative efforts, and initiate lawsuits against “major restaurant chains in a campaign to reduce obesity” (Ladine). Unhealthy foods add unnecessary calories to the diet and can replace nutritious foods that offer a wide variety of nutrients. The basic premise uses an economic argument, a tax on unhealthy food would reduce consumption of these foods and could then be used for prevention campaigns against obesity (Brownell). Early efforts have been unsuccessful, however their effects have already had some impact on the system.

**Legislative Efforts**

Today it is not unusual to see soda and vending machines across many junior high and high school campuses. In fact, some schools may also have fast food chains located within their schools for students during lunchtime. The fact is that education spending has been cut across the board in the US and many public schools now receive vital funding from such junk food companies in return for exclusive sale of their products, or advertising at the school. For instance, a football stadium scoreboard may have a brand
name across the top, or some company might distribute book covers to students with their logo. This blatant marketing and distribution of unhealthy foods to children through public, government funded educational institutions may have serious consequences on the future of the US healthcare system. To address this problem, “two large states, California and Texas, have enacted restrictions on the types of food available to children in some schools” (Ladine). On the prevention side, senators in Connecticut, Tennessee, and New Mexico plan to introduce legislation aimed at boosting federal funding for nutrition and physical fitness campaigns (Ladine). What is interesting to note is that Coca-Cola, the subject of much of this litigation, has already changed the way it markets to children, replacing many soda machines with juice machines in schools and no longer requesting exclusivity.

Nineteen states and cities already impose small taxes on soft drinks, candy, chewing gum, or snack foods. However, “of the nineteen states of municipalities that taxed soft drinks and snack foods, none had earmarked those funds for any purpose related to nutrition education. In fact, fourteen used the money for ‘General Funds’ and other uses included highway litter control, violence prevention, and drug enforcement” (Kava). This clearly demonstrates that the funds are not being used properly to reduce consumption.

**Legal Efforts**

However, large food companies spend millions each year lobbying legislators and hold significant power in most capitals. Due to a lack of political support for this initiative, this debate is now presenting itself in the legal system. One proponent states, “If we can’t legislate, we’ll litigate” (Ladine). Lawyers are following the same path as
those who sued large tobacco companies for distributing an unhealthy product and intentionally marketing to children or pressuring scientists involved in health studies (Ladine). Studies show that junk foods are regularly advertised during Saturday morning cartoons aimed at children and as mentioned earlier in schools. Even Ronald McDonald is under attack for attracting children to unhealthy food choices.

As media attention grows around this topic, many food companies are taking action on their own to avoid potential lawsuits. For example, many companies such as Kraft Foods and McDonalds have introduced some advertising campaigns drawing attention to the healthier food options that they offer. In fact, almost all of the packaged foods companies have agreed in the past year to stop using trans-fat acids in their foods, which increase the risks of heart disease and alternatively diabetes. Also, McDonald’s and Yum! Brands, the two largest fast food chains in the US, have focused their product development efforts on healthier foods to give consumers a choice. Their argument in the past has always been that tobacco is not a good analogy to the debate because there is no healthier alternative to cigarettes but consumers can always go to another restaurant. They are now bringing that argument into their own restaurants to say that even there consumers have a choice and it is up to them. It is also difficult to prove that food inherently has addictive qualities, like tobacco.

**Advantages of Tax**

A fat tax could generate funds to help promote healthier eating and lifestyle choices to Americans. Today, educational campaigns are minimal. For example, the National Cancer Institute spends only $1 million on advertising each year to promote
consumption of fruits and vegetables. However, the soft drink industry alone spends more than 600 times that on advertising per year, and the restaurant industry spends more than $3 billion per year on advertising. “Even small taxes on widely consumed foods can raise substantial revenues. Nationally, special taxes on soft drinks, candy, and snacks generate about $1 billion per year” (Brownell).

In addition a tax places the burden on consumers for their own choices, because those that eat more bad food will pay more. This is an established tax system that has been implemented on goods like gasoline, alcohol and tobacco, and has even been implemented on snack foods in a few key states. So it is a workable taxation system.

**Disadvantages of Tax**

One major complication with the fat tax proposal is the controversy about what is considered a healthy diet. In fact, some argue that intake of carbohydrates are more to blame for obesity than fat (Ladine). Walter Willett, chairman of the nutrition department at the Harvard School of Public Health says, “People were told to load up on Wonder Bread, baked potatoes, and pastas, and now there are metabolic problems” (Ladine). The fact is, nutritionists and doctors do not fully know how the body works, so how can we tax certain items that may be good and others that may not be, when we do not know for certain. As an example, take the low carbohydrate diets. It is impossible to say that people are not losing weight with the diet, which is a good thing, but what are the future implications of predominantly consuming protein? Nobody knows, but here is an example where eating red me at could be good for you…but are you going to tax it?
Another problem with a fat tax is an implementation problem. It will be extremely difficult to define what foods are considered fatty foods worthy of a tax, and those that are not since some fats are an essential part of a healthy diet. For example, “are drinks that contain 40% fruit juice ‘soft drinks’? Is a 4-oz package of crackers a ‘snack’?” (Brownell). With so many different ways to argue that a food is unhealthy, it will take a major effort to define what is good and what is bad. In the past when it has been implemented, it was only on the clear offenders like potato chips and candy bars. Expanding it to cover all bad foods will be very difficult to achieve.

Will the tax be used to solve the obesity problem? “It seems rather unlikely that in these times of deficit growth, local or state legislators are likely to restrict their use of tax funds to nutrition purposes.” In fact, over 90% of the funds received from the Master Settlement Agreement with the tobacco industry is used for purposes other than prevention or programs to help people quit smoking (Kava). In fact, why not start legislative efforts to shift funding that direction without the tax? They may not succeed, but as the economy improves in the US and states begin to reduce their deficits, the efforts will be well positioned. It has not happened though because activists tend to want to punish the offenders. Not to mention the large settlement potential from such lawsuits.

Will taxes on fatty foods discourage people from eating such foods? In order for people to stop eating fatty foods, the proposed tax would have to be extremely high, and a tax of this magnitude is unlikely to generate approval. One example is the deposits on soda cans. In the US most states charge an additional 5 to 10 cents for a can of soda, which is redeemable if you return the can. Soda companies said the efforts would hurt their sales, but instead what happened is that consumption increased as usual. The
across-the-board price increase was not substantial enough and was included on all relative goods, so consumers felt no difference. A few cents will not discourage consumers from purchasing unhealthy products. In fact, the small taxes on soft drinks and snack foods have not slowed consumption in the least. Again, with the existing tax revenue raised in most cases not even funding programs to reduce the healthcare burden of obesity, it can be argued that this tax will not serve its intended purpose to help fight the obesity epidemic in the United States (Brownell).

Large companies are the target of this tax effort. However, the size of these companies and the amount of revenue that they generate give them large amounts of bargaining power. Many of these companies have successfully been able to reduce or eliminate snack taxes in recent years. For example, “in response to a Coca-Cola offer to build a bottling facility in Louisiana, legislators passed a law in 1993 that halved the soft drink tax beginning in 1995 and repealed the tax entirely contingent upon a bottler contracting to build a bottling facility worth $50 million or more.” Similarly, in Maryland, Frito-Lay threatened not to build a manufacturing center in the state to encourage the repeal of its snack tax (Brownell).

**Conclusion**

The tax has wide ranging implications that go above and beyond how consumers have been taxed in the past. However, the obesity problem in the US goes beyond an individual problem and needs to be addressed. Public advertising and media exposure have not been effective. Radical solutions need to be at least explored, and the fat tax is one of them.
Bibliography


