Item #24

Sugar tax presentation slides for Government Economics Network (GEN) Christmas Debate

Presentation slides on the merits of a sugar tax prepared for GEN Christmas Debate, presented 15 December 2016

2016 Public Finance Christmas Debate

New Zealand Needs a Sugar Tax to Protect Us from Christmas Excesses

(Views expressed do not represent those of the speaker nor advice given to the Ministry or Minister of Health)

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One small clarification…

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Kiwis consume 33 teaspoons of added sugar per day **on average**. The WHO recommends a daily maximum of 6tsp. An average can of sugary drink contains 9-10 tsp of added sugar.

In NZ, non-alcoholic, sugar sweetened beverages account for:

17% of total sugar intake of adults

28% of total sugar intake of 15-18 year olds

14% of total sugar intake of 5-14 year olds

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Proposal

Implement a significant tax (at least 40%) on food and beverage items with high sugar content to address the excessive consumption of sugar and the resulting high rate of obesity and poor dental health which disproportionately affect the poor and their children.

Libertarian paternalism is the idea that it is both possible and legitimate for private and public institutions to affect behavior while also respecting freedom of choice.

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Arguments

- Affordability and opportunity costs
- Increasing inequalities: The poor –and their children –are most likely to be affected
- Some people's ability to make rational, utility-maximising choices is impeded by cognitive biases (hyperbolic discounting, optimism bias and improper probabilistic reasoning). Clever marketing and the obesogenic environment exploit this.

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The cost of obesity

Various overseas studies suggest:

- 6% to 9% of health expenditure to obesity in countries with public health systems.
- Obese adults cost 42 percent more than adults who are a healthy weight.
- Severely or morbidly obese adults (BMI >40) cost 81 percent more than healthy weight adults.

People with diabetes have age-adjusted annual health costs that are 3 to 4 times higher than people without diabetes.

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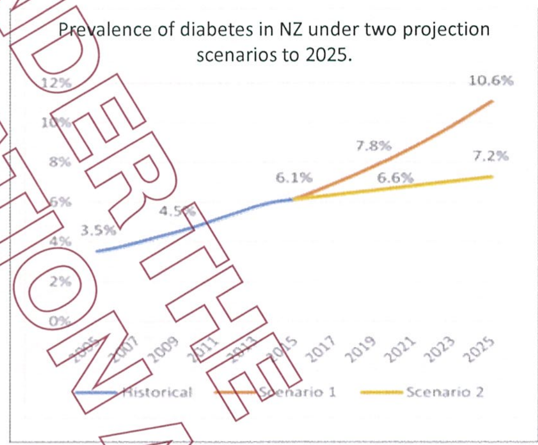

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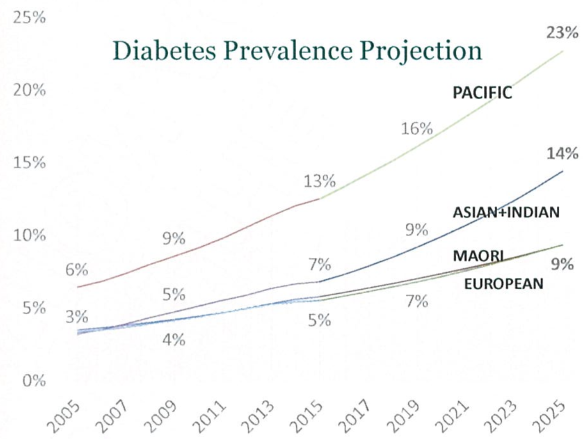

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New Zealand data suggests that those living in the most deprived areas are twice as likely to be obese and 4 times as likely to be extremely obese compared with those living in the least deprived areas, even after controlling for age, sex and ethnicity.

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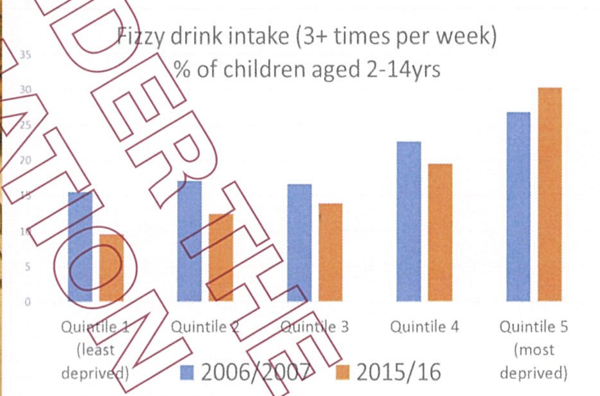

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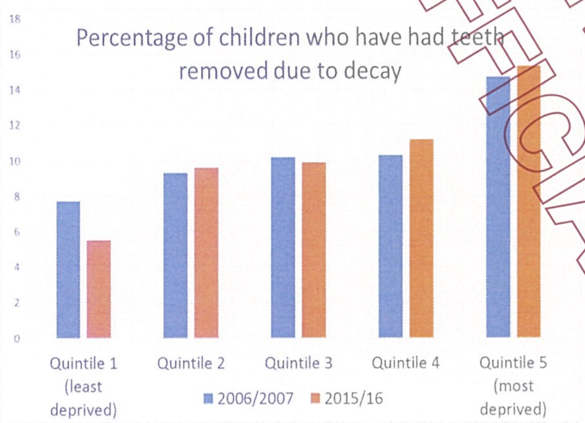

All I Want for Christmas Is My Two Front Teeth

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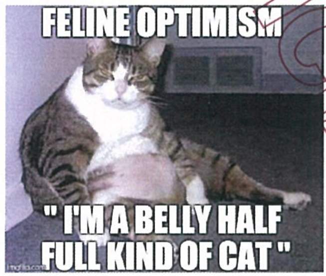
Cognitive Bias

A systematic error in thinking which results in behaviours that do not reflect a person's motivation but instead stem from errors in information processing.

Optimism Bias
(a.k.a. "Yeah, nah. She'll be right.")

The tendency to underestimate the likelihood of experiencing adverse events.



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Improper Probabilistic Reasoning

People are generally not very good at understanding probabilities and making decisions based on them.

Poor people appear particularly bad at this.

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Hyperbolic discounting

Research shows that some people give time inconsistent responses when identical monetary rewards were offered at different times in the future.

They never choose the longer term reward even they fully intend to.

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Jerry Seinfeld's description of hyperbolic discounting

[redacted]

https://www.youtube.com/watch?v=W-Cz-LK16g4

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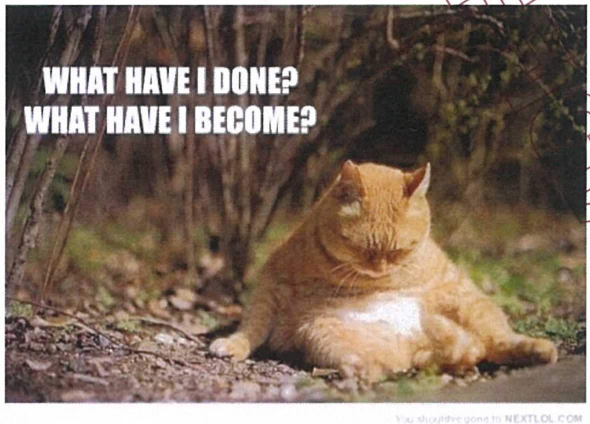

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Evidence of Sugar Tax Impact?

Various sugar taxes in place around the world.

The UK two-tiered levy on manufacturers is the most promising – yet to be implemented.

Research on price elasticities suggests small impacts.

Other policies will need to be implemented too:

- Public awareness
- Labelling of taxed items to improve signalling
- Minimum pricing to prevent drowning out
- Increased availability of water in schools and public places

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A Regressive Tax?

A tax on sugary foods and beverages can be made revenue neutral through reduced income taxes to the lower income groups who would be more affected.

→Preserve the freedom to choose, protect the household budget, change the incentives.

Called for by those who need it.

- Maori Dental Health Association
- Maori party
- Pacific communities

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Not comfortable with paternalism?

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[redacted]

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