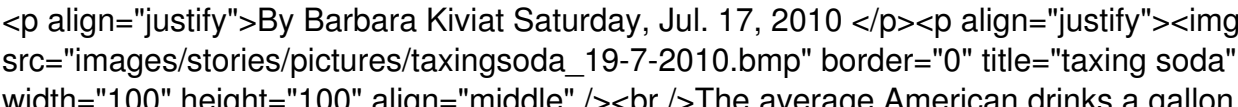


By Barbara Kiviat Saturday, Jul. 17, 2010



The average American drinks a gallon of soda a week, which delivers roughly 1,000 calories and no nutrition. The average American is also overweight or obese. Could changing one of those things help change the other?

A growing number of elected officials think so, which accounts for a spate of proposed new taxes on soda as a way to discourage consumption while at the same time raising money to fund other obesity-fighting initiatives. Some 20 states and cities, from New Mexico to Baltimore, contemplated soda taxes this spring. (See the top 10 bad beverage ideas.)

The reaction against them has been swift and fierce. In March, scores of soda-company employees sporting Pepsi, Coke and 7-Up gear swarmed the Kansas state senate to fight a proposal that would have added a penny in tax for each teaspoon of sugar in a nonjuice drink. That would have increased the price of a 12-oz. soda by about 10¢ and generated some \$90 million in revenue a year. "I thought we might kill two birds with one stone," says state senator John Vratil, who, like counterparts across the country, has been struggling to address both a recession-induced budget gap and rising public-health costs stemming from obesity. Instead, he got an earful about how a soda tax would kill jobs, burden the poor and constitute an unwelcome government intrusion into the American diet.

Government involvement in what Americans eat is nothing new — consider the corn-industry subsidies that keep sweetener cheap in the first place. But why tax soda and not, say, ice cream, pizza or Oreos — or, for that matter, the video games that discourage kids from going outside to run around?

Washington city-council member Mary Cheh says it's because soda is where scientists have observed the clearest link to excess pounds. When Cheh set out to fund her Healthy Schools Act, which would raise food and physical-education standards at schools in D.C. — where about 40% of kids are overweight or obese — she didn't know she'd wind up going after soda. But the data overwhelmed her: The amount of soda the typical American drinks has grown by roughly 500% over the past 60 years, and of the 250 to 300 calories a day Americans have, on average, added to their diets since the late 1970s, nearly half have come from sugared drinks. "I don't want to prescribe taxes for all sorts of dietary choices," says Cheh, "but if we were going to only target one thing to make a material difference, soda would be it." (See pictures of what makes you eat more food.)

And while taxing drinks isn't perfectly clear-cut — Should sweetened tea be included? What about diet soda, which doesn't have the calories but may affect appetite control? — a soda tax is still a lot easier to implement than a snack-food sales tax, which a number of states and cities have tried over the years. In 2001, D.C. repealed its sales tax on soda, junk food and candy, partly because it was too difficult for merchants to determine which items to tax at the register. In Cheh's proposal, soda wholesalers would be charged a penny per ounce of sugared drink. That cost, amounting to 68¢ for a two-liter bottle, would be included in the price tag on the shelf.

The tougher question is whether increasing the price of soda would, in fact, reduce the number of calories people consume. Some research indicates the answer is yes. Last year, in the New England Journal of Medicine, the directors of the Centers for Disease Control and Prevention and Yale University's Rudd Center for Food Policy and Obesity wrote that a penny-per-ounce tax on soda could be expected to reduce consumption 13%, eliminating about 8,000 calories annually from the typical American's diet. That translates to 2.3 fewer pounds a year.

Other research leaves room for doubt. While various studies show that a 10% increase in the price of

soda leads people to purchase about 10% less of it, that doesn't necessarily mean folks aren't making up for those calories elsewhere. A recent study by researchers at Yale, Emory University and Bates College found that taxes on soda do reduce the amount that children and adolescents drink. But kids then tend to increase their consumption of other caloric drinks like whole milk and fruit juice. Switching out a 140-calorie can of soda for a 225-calorie glass of milk may still be desirable ♦ milk is nutritious; soda isn't ♦ but the substitution illustrates the risk of assuming that reducing soda consumption necessarily reduces weight.

Health concerns aside, part of the reason taxing soda is becoming so popular is that recession-racked states and cities are desperate for cash. In April, Washington State passed a tax of 2¢ for each 12 oz. of soda. The motivation was less about addressing obesity than closing a \$2.8 billion budget gap. In addition to soda, the legislature added or increased taxes on beer, candy, bottled water and cigarettes. (See 10 things to buy during the recession.)

But either way, the soda industry is out to stop the trend in its tracks. In the first three months of this year, the American Beverage Association spent \$5.4 million on lobbying, compared with just \$140,000 in the same period last year. When the governor of New York floated the idea of a soda tax, Pepsi responded by saying it might move its headquarters out of the state. In Philadelphia, a 2¢-per-ounce proposal prompted a local bottler to offer the city \$10 million to help it out of its fiscal straits. (Philly said no, thanks.)

And in Washington State, the soda industry's main lobbying group is spending \$1.5 million to drum up the 240,000 signatures necessary to force a statewide vote on the just-passed tax. Legislators were worried this might happen. Two years ago, after Maine added a tax on soda, beer and wine to pay for a program that helps people buy health insurance, the beverage-backed group Fed Up with Taxes spent some \$5 million collecting signatures to force a referendum and purchasing TV and newspaper ads to convince voters to repeal the tax ♦ which they did.

How do people feel about soda taxes when they're not being bombarded with a multimillion-dollar ad campaign? The answer is not clear. In April, the Quinnipiac University Polling Institute asked residents of New York State if they supported or opposed a "fat tax" on nondiet sugared soda. Thirty-one percent were in favor, and 66% were opposed. Yet when asked if they would support such a tax if the money raised were used to fund health care, people changed their opinions dramatically, with 48% in favor and just 49% opposed.

Elected officials are far from unanimously convinced that taxing soda is the best solution. Of the 20-odd proposals on the table this year, most went nowhere. In Washington, the city council wasn't ready to impose a penny-per-ounce tax, though it did remove soda's exemption from the district's 6% sales tax. Council member Harry Thomas Jr. was against the larger per-ounce tax for a litany of reasons, including the fact that soda companies sponsor a lot of events with the city's department of parks and recreation. "It's easy to make this group of people a villain," he says, "but they've helped in many ways."

Back in the Kansas state senate, Vratil's soda-tax proposal didn't even make it out of committee. But he's not too down about it. "I figured it wouldn't pass in the first year," he says. "It normally takes two or three years to educate legislators." In Washington, Cheh is already gearing up to reintroduce her original measure. "You don't win right away," she says, "but one day we'll look back and say, What took us so long?" Soda taxes may not have passed en masse this year, but there's plenty of reason to think they'll bubble up again.

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