Economic and Health Effects of Taxing Sugary Foods

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Sugar Consumption and Public Health

Sugar is a common nutrient in foods. It is always in the form of glucose. The human body needs sugar for its cells to survive. Otherwise, the cells will die. However, according to health scientists, more sugar in the body can lead to diseases. The diseases can be obesity, type 2 diabetes, heart disease and dental decay. Most of the foods and drinks produced today have high sugar concentrations. The normal sugar consumption per day for a female should be 9, while a male should have six teaspoons. Although these foods and drinks have higher sugar concentrations, it doesn't mean that a government tax on sugar in the foods can reduce health risks by a big margin; rather, it can lead to a financial crisis.

Economic Concerns About Sugar Taxation

Tax has and will never be a way of attracting investments in a given country. Businesses hate paying taxes. However, it is a law and must be followed. When a tax policy is implemented against a certain substance used by an organization, there can be problems. The main purpose of one setting a business is because of profits. The higher the profit margin, the better the business. Taxes are ways of reducing the profits. A small percentage of the tax policy leads to a lot of losses in a business.

Effects on Private Investment and Trade

As indicated above, taxes discourage trade. Most of the people who invest in the food and beverage industries are private investors. Less than 10% of these companies are public corporations. When the government has such policies, such companies will tend to operate at a lower margin profit or at a loss. If the operation cost is higher than the profit, the companies will abandon the product and go to other countries where there are no taxes on sugar foods. (World Health Organization, 2016) Therefore, when such investors run away, the government at first won't even get the taxes. Secondly, there were other taxes that the government reaped from the companies, but they will be no longer. Private investors provide a very big margin contribution to a country like Australia. The country will suffer from losses, which will lead to borrowing money and a full financial crisis in the region.

Community Revenue and Employment Consequences

Private investors don't help the organization only, the community also reaps benefits. The taxes that were being produced by the companies were to be used in country developments like infrastructure and other services like public utilities. When the companies close, the taxes will be no more, and the infrastructures and public utilities won't be developed further. The community need these services. These services help the citizens in their day-to-day businesses. If the citizen's business is destroyed, there can be less income in the country, leading to low per capita income. The economy can be bankrupt, leading to a financial crisis. Private investors offer employment to people in the community. For example, if a soft drinks company is closed, the thousands of employees in such a company can be left jobless. The action will increase the unemployment rate. The unemployment rate brings along many disadvantages. The economic growth will be reduced by covering the financial crisis.

Consumer Preferences and Product Demand

People consume some products because of their concentration of sugar. Some products, like beverages, are not consumed because of health issues, but they are consumed because of taste. If the taste is removed, then there can be no consumption. If the tax policy is implemented, then the amount of sugar concentration in beverages and foods would reduce the number of sales due to low consumption. Companies can suffer high margin losses and lose interest in the business, leading to closure and, hence, low economic growth, as explained above. (Teng et al., 2019)

Multiple Causes of Obesity and Disease

The diseases associated with the sugar concentrations cannot just be caused by the high sugar concentration. A disease like obesity can be caused by many factors, such as lack of good exercise. All these diseases are associated with other causes. The amount of consumption by an individual taking beverages per day can be excessive on most occasions. A higher percentage take one to two bottles per day. The best way of reducing the rate of consumption cannot be through taxes; people need to be advised on the dangers of high sugar concentration. People won't stop consuming drinks, but they consume and at the same time engage in health activities that can reduce the amount of sugar concentration in the body. The food and soft drinks industries should also try to look at other ways of increasing sugar content using natural ingredients like fruits in drinks.

Conclusion on Education Instead of Taxation

In conclusion, high sugar concentration can be harmful to the human body, but tax policy is not the best way to solve the issue. Tax on sugar content would discourage investors, leading to the financial crisis. People should be taught about sugar consumption and how to reduce it. Food and drink companies should find better natural ways to increase their taste.

References

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