Taxing Away Sweet Drinks: Plenty of Baptists, But No Bootleggers

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Amidst all the revelry and regret concerning the Republican election-day sweep, it was easy to miss another groundbreaking victory. Voters in the city of Berkeley, California, gave roaring support for a one-cent per ounce tax on sugary drinks, the first ever in the United States.

As many as 30 previous attempts by U.S. cities and states to tax away sugar in soda have failed, including ballot efforts in San Francisco, Richmond, and El Monte, California, this year alone. What seems like a perfect opportunity for bootleggers and Baptists to perform their political magic just hasn't been working very well.

Why "bootleggers and Baptists"? Recall that both historically supported laws that shut down liquor stores on Sunday, but for entirely different reasons. Taking the moral high ground, the Baptists fervently hoped to see a decline in alcohol consumption. Just as fervently, the bootleggers longed to eliminate competition at least for one day a week. Together, they formed a powerful duo.

The combination of moral and economic interests in pursuing political goals is potent stuff. When this winning coalition goes into cahoots, the politicians smile. One group offers moral cover for actions that put cash in the hip pockets of another politically-important interest group. So how has this played out in attempts to get taxes imposed on sweet drinks?

The "Baptist" part of the story is clear cut. Long-time support for such excise taxes comes from the American Heart Association, the American Academy of Pediatrics, and the NAACP. These and other organizations see sweet drinks as a major detriment to American health and well-being that feeds our skyrocketing obesity and diabetes rates.

And, of course, there was the prominent attempt by former New York Mayor Michael Bloomberg to impose sugary drink strictures. Though he failed to limit consumption in New York City when mayor, he nonetheless passed along $600,000 of his personal wealth to support Berkeley's sugary-drink tax proposal.

But where are the bootleggers? If we probe a wee bit deeper, we may discover why there is no bootlegger/Baptist success story for taxing away sugary drink consumption. Bootleggers are generally associated with producing substitutes for the highly-taxed or regulated item. For example, U.S. producers of natural gas love it when the Environmental Protection Agency places heavy restrictions on coal-burning power plants.

But in this case, the producers of the sweet drinks are also the producers of the substitutes. For them, loss of sweet-drink sales just means more sales for fruit juices and water products, which they also produce. Put another way, there are no additional revenues or new customers waiting in the wing for regulation to enable. And to make matters worse for those who would like to tax sweet drinks, most bootleggers hate taxes. They want the competition wiped out, not taxed.

As we see it, "Baptist" proponents of taxes on sugary drinks will just have to deal with disappointment until some yet to be discovered bootlegger sees a way to make money when sweet drinks are taxed. Until that day, enjoy the sugar while it lasts.

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