



# FRIDAY, FEB. 22

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### **Should We Tax Soda? Optimal Public Policy with Behavioral Bias and Regressivity**

Taxes on sugar-sweetened beverages (SSBs) are growing in popularity and have generated an active public debate. Are they a good idea? If so, how high should they be? Are such taxes regressive? Americans and some others around the world consume a remarkable amount of SSBs, and the evidence suggests that this generates significant health costs. Building on recent work by Allcott, Lockwood, and Taubinsky (2018) and others, we review the basic economic principles for an optimal sin tax on SSBs. The optimal tax depends on (1) externalities: uninternalized costs to the health system from SSB consumption; (2) internalities: costs consumers impose on themselves by overconsuming sweetened beverages due to poor nutrition knowledge or lack of self-control; and (3) regressivity: how much the financial burden and the internality benefits from the tax fall on the poor. We then summarize the empirical evidence on the key parameters that determine how large the tax should be, which suggests that SSB taxes can be welfare enhancing. We end with seven concrete suggestions for policymakers considering an SSB tax.

## BIO

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Hunt Allcott is a Principal Researcher at Microsoft Research, an Associate Professor of Economics at New York University, a Research Associate at the National Bureau of Economic Research, and a Co-Editor of the Journal of Public Economics. He is a Scientific Director of ideas42, a think tank that applies insights from psychology and economics to business and policy design problems, an Affiliate of Poverty Action Lab, a network of researchers who use randomized evaluations to answer critical policy questions in the fight against poverty, and a Faculty Affiliate of E2e, a group of economists, engineers, and behavioral scientists focused on evaluating and improving energy efficiency policy. He was also a Contributing Author of the Intergovernmental Panel on Climate Change Fifth Assessment Report. Professor Allcott is an applied microeconomist who studies topics in behavioral economics, environmental and energy economics, industrial organization, public economics, and development microeconomics. He uses a variety of tools, including both structural and reduced form econometrics, applied theory, and randomized field experiments.

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