Fat taxes won?t prevent people getting fat, fatheads [1]

Written by **Whig** [2] | Wednesday 9 November 2011

Research released last week [3] suggested that people in Wales, Northern Ireland and Scotland should follow an ?English? diet to reduce levels of obesity. Fair enough, but unfortunately they also recommended imposing this diet by taxing fatty foods.

Fatty food has an inelastic demand curve i.e. price has little impact on demand. What will happen is people will redistribute their income away from other areas of consumption ? clothing, housing etc and towards the, now more costly, fatty foods that they enjoy or they may simply spend less on food which means they'll cut out any healthier elements of their diets. But they'll still eat fatty foods so they'll be poorer, but still fat. Just like those smokers who still smoke.

The state would also be sending out mutually contradictory signals. On the one hand it would be attempting to increase the private cost of consuming fatty foods by raising their price. On the other hand it is effectively encouraging consumption of fatty foods by socialising the health costs of doing so via the NHS. A healthcare system free at the point of delivery is a very poor mechanism for incentivising healthy diets. An insurance-based system would be far more effective in this regard as it could incentivise healthy eating and weight-loss via reduced insurance costs.

The other problem here is that the researchers have failed to ask themselves why the English diet (I can see plenty of English people shovelling fat into their mouths, but still, on average) is healthier than elsewhere in the UK? Clearly this is not because we have taxes on fatty foods but because we are wealthier.

Within England, diets tend to be better in the wealthy South East than the poorer North East. There is a ?robust? correlation between absolute levels of wealth and health outcomes. Making people poorer by taxing them more is not going to make them wealthy and thus is it likely to reduce their overall health outcomes as well as having little or no direct impact. I can?t even see ?Spiritlevel? types supporting this kind of action; such taxes would fall more heavily on the poorest thereby increasing inequality.

Of course the root of the problem is that these regions of the UK have Soviet (actually higher than Soviet) levels of state intervention which is impoverishing them. The way to deal with obesity here is not to make them poorer by increasing tax rates and further intervention, but to make them richer by decreasing rates of tax and decreasing intervention i.e. completely the opposite to what the very sinister-sounding 'Health Promotion Research Group' propose.

?Sin? taxes do not merely fail in their objectives, they have serious unintended downsides as the trade in

smuggled alcohol and tobacco demonstrates. I look forward in trepidation to the day that there is a serious outbreak of food poisoning because someone has smuggled a lorry-load of dodgy frozen burgers into the country in order to avoid the ?fat tax?.

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