A fat tax is a double whammy for the poor – it will do little to prevent obesity in those on lower incomes, and will hurt them financially

By 2030, it is estimated that obesity could cost the UK economy up to £2 billion. While some have suggested a 'fat tax' as a solution to the problems of obesity, **Richard Tiffin** *and* **Matthew Salois** *argues that whilst such a tax will tend to be focused on those with the worst diets – these people also tend to be the poor. In reality, it would do little to change their dietary habits, and will end up costing them financially.*

Obesity seems to be hardly ever out of the news. Recent stories, such as last week's that more than half of all UK men could be obese by 2030, will tend to focus policy-makers' attention towards those in society who have the worst dietary habits. On the surface, this is logical; the identification of individuals with the poorest diets permits the targeting of interventions to reduce obesity amongst those parts of the population where is it is most prevalent.

Despite the apparent logic of this sort of intervention, we have found that the use of fiscal interventions, such as so called obesity or 'fat taxes', do not take into account the economic, social, and health circumstances of those that the policy is aimed at helping. These policies will lead to a potential 'double whammy' for the poor who tend to have the worst diets and will therefore bear a disproportionate fiscal burden whilst achieving hardly any improvement in their health.

Differences in diet between socio-demographic groups are well known and rehearsed. For example, the Low Income Diet and Nutrition Survey finds that individuals on low incomes are less likely to consume wholemeal bread and vegetables, but are more likely to consume fat spreads and oils, non-diet soft drinks, pizza, processed meats, and table sugar. The survey also finds that low income households have higher mean intake and percentage of food energy composed of non-milk extract sugars. In our own work we have found that households with children have lower per capita consumption of fruit and vegetables.

Despite its aim, a fat tax will only produce a marginal change in consumption, meaning that diets will not change dramatically. We have simulated the impacts of a fiscal policy in which saturated fat is taxed by increasing the price of a good by 1 percentage point for every percentage point of saturated fat that the good contains; for instance, milk which contains 1.72 per cent of saturated fats will see its price increasing by 1.72 per cent. We then combined this with a subsidy on fruit and vegetables of 15 per cent to make the policy more appealing politically.

Some beneficial outcomes did result. In particular people's average consumption of fruit and vegetables moves to about the level of five-a-day, which is the government's target. However, the impacts on health are small, with the average level of risk of coronary heart disease falling from 1.78 to 1.72 times higher than it would be if everyone in the population consumed the recommended levels of saturated fat. The reason is simple: those on the very poorest diets and who bear the highest risk continue to eat badly.

Epidemiologists argue that even these small reductions in relative risk can save many lives. This is because the majority of people consume reasonably healthy diets and some of these people will die of coronary heart disease. A small reduction in risk over a very large number of people results in quite a lot of people's lives saved. This argument misses one of the fundamental tenets of welfare economics however; all people are not equal. Society is most concerned about the welfare of those who are worse off, or in our case, those who have the worst diets. A fat tax will have very little impact on these diets.

Taxes are supposed to transfer wealth from the rich to the poor. Food represents a declining proportion of household expenditure as incomes increase. As a result the burden of any tax on food falls disproportionately on the poor, who spend a much greater percentage of their household budgets on food. This is why food is VAT exempt. When the tax is increasingly targeted on foods which are unhealthy, things get worse: unhealthy food consumption is concentrated in low income households.

The situation becomes even worse when attempts are made to reduce the adverse impacts of the policy with a subsidy on fruit and vegetables: fruit and vegetable consumption is concentrated in rich households. For a final nail in the coffin, if poor diet is correlated with low income and we tax those on low incomes, we may even negate the marginal improvements in diet that are the direct consequence of the effect of the fiscal intervention on price.

There is no escaping the fact that poor dietary health, like poor health in general, is more prevalent amongst the poor. Whether this is a direct consequence of low income, or of other factors which are associated with low income such as low educational attainment, what is inescapable is that a policy intervention which makes the poor poorer is no way to address the problem.