



## **Economics can be good for health: need for rational policy without the influence of vested interests**

**New Zealand Government's position on climate change**—New Zealand has a proud history of leading the world in social changes, including universal suffrage, social welfare, and nuclear-free policies. Unfortunately, New Zealand has recently been lagging in addressing a key global issue: climate change.<sup>1</sup> A recent government proposal to control greenhouse gas emissions<sup>2</sup> is both overdue and inadequate. In comparison, Finland introduced a carbon tax in 1990, followed by similar moves in other OECD countries.<sup>1,3</sup>

The overall logic of the proposed greenhouse gas emissions trading system appears sound. However, the Government is exempting the agricultural sector (which accounts for around half of greenhouse emissions) until the year 2013.<sup>2</sup> Even then it plans to give this sector 90% of emissions credits for free,<sup>2</sup> rather than the fairer approach of selling or auctioning them. Is this a rational policy or the expression of vested interests?

The “agriculture exemption” disregards the critical “polluter pays” principle and transfers wealth to a sector riding high on record dairy prices. New Zealand's emissions trading policies should be efficient, fair, and enacted without further delay given the threat posed by climate change to the environment and global public health. Prompt action will also help to turn the rhetoric around New Zealand's “clean green” image into a reality that can be genuinely used for promoting in-bound tourism and agricultural exports.

The systematic failure of the New Zealand Government to develop rational policy on economic policy levers to address health issues, is also evident in other areas, including: tobacco, alcohol, and food. Is it a coincidence that there are powerful vested interests in these areas?

**Price signals around tobacco**—Overwhelming scientific evidence supports tobacco taxation as one of the most effective tobacco control interventions,<sup>4,5</sup> including in New Zealand.<sup>6–8</sup> The government's current national tobacco control plan,<sup>9</sup> identifies price as a key policy intervention, but there has been no above-inflation increase in tobacco tax since the year 2000. With wage growth above inflation, and smokers switching to cheaper roll-your-own cigarettes, the price signal is being eroded.

The government's refusal to dedicate tobacco tax revenue to control activities, including helping smokers to quit, is an additional concern. This is despite the international evidence that dedicated taxes are an effective approach to ensuring sustainable funding of tobacco control activities and that such taxes are far more popular with the public and hence more politically palatable.<sup>10</sup>

**Price signals around alcohol**—As for tobacco, there is overwhelming scientific evidence that alcohol excise tax policy is an effective intervention for reducing harm from alcohol.<sup>11,12</sup> But where is the alcohol pricing policy that rationally attempts to reduce the enormous harm from alcohol in this country (a net 26,000 disability-

adjusted life years lost per year<sup>13</sup>) while still allowing moderate patterns of social consumption?

There is also no published policy work for New Zealand to explore the impact of differential alcohol excise taxes, so that those forms of alcoholic beverage that are the most hazardous are taxed at higher rates (e.g. beer versus wine for binge drinking<sup>14</sup>).

**Price signals for healthy food choices**—Market forces have led to the cheapest foods being the most obesogenic,<sup>15</sup> undermining public health efforts to address obesity. The obvious strategy to address the obesity and diabetes epidemics in New Zealand is to tax high-energy nutrient-poor foods and reduce taxation and/or subsidise healthier foods.

It is not surprising that previous suggestions along these lines have raised vociferous objections by the food industry. Could this be the reason that a Select Committee Inquiry dismissed price signals in a brief paragraph of its 49-page report?<sup>16</sup> That paragraph reflects a gross failure of policy analysis from any rational perspective.

While there are undoubtedly some complexities with taxes on unhealthy foods, such as trade-offs between high saturated fat and high salt foods,<sup>17</sup> the potential value of removing GST on, or providing vouchers for, fruit and vegetables to low income consumers would be an obvious area to start exploring.<sup>18</sup>

**What needs to be done?**—We consider that the lack of the rational use of economic instruments by the Government to protect the environment and public health is at least partly explained by the intense resistance from powerful agribusiness, processed food, tobacco, and alcohol industries. On the other hand, ineffective measures such as education campaigns are easy to support, and create the appearance of action, but have had limited impacts compared to price signals.

To help the politicians and officials to use appropriate policies we need a “system upgrade” in the current economic system and political culture:<sup>19</sup>

- Firstly, we need to find ways to communicate successfully that economic instruments (i.e. emissions trading, targeted taxes, and incentives) are legitimate and highly effective ways of achieving desirable policy objectives such as better diet, reduced tobacco use, and reduced greenhouse emissions and consumption; and as such should be welcomed.
- Secondly, we need to constrain corporate influence over the policymaking process, including covert lobbying and donations to political parties.
- Thirdly, we need to create public institutions (such as independent Trusts<sup>19</sup> and Tobacco Control Authorities<sup>20</sup>) that are free from corporate influence and political meddling, and which have real power to introduce and implement effective policy decisions<sup>19</sup> in the interests of health, the environment, and social justice.

As with many other developed countries, New Zealand already has a Reserve Bank that is designed to be free from political meddling—and operates in this way most of the time. PHARMAC has also managed to successfully constrain the growth of the national pharmaceutical budget with minimal political interference and the capacity to fight off multiple legal attacks by industry.

Such organisational arrangements and the other changes we suggest above are needed to protect public health and the environment. These should still be accompanied by

efforts to maximise (for more routine goods and services) the successful entrepreneurial aspects of market-based economies that are of proven efficiency.<sup>21</sup>

**Competing interests:** The first two authors have previously worked for NGOs and the Ministry of Health on tobacco control issues. Similarly, for nutrition issues for the first author (NW).

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