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## NANNY STATE TAXES DRIVING PERVERSE OUTCOMES

“Nanny State behavioural taxes on consumer goods are having unintended consequences, and are not achieving their policy goals,” said Aaron Lane, Research Fellow at the Institute of Public Affairs, a free market think tank.

Mr Lane’s comments follow the release today of a new paper, *A taxing approach to choice: How behavioural taxes deliver perverse outcomes*.

“The motivation behind behavioural taxes is fundamentally illiberal. It interferes with the rights and freedoms of individuals to make their own choices about their own consumption,” said Mr Lane.

“This paper shows that Nanny State taxes can change people’s behaviour, but not always for the better. For alcohol, additional taxes tend to change the behaviour of the average drinker while it does little or nothing to change the behaviour of the heavy drinker.

“This paper outlines that the experience with ‘fat taxes’ is no better. The short-lived Danish fat tax did little to change consumer behaviour and cut waistlines, but did distort consumer behaviour by importing products to get around the pointless tax. The same issues are also reported to be occurring with tobacco, including counterfeit products.

“The research shows that taxes are ineffective at changing the behaviour of young people. The Rudd government’s failed alcopops tax led consumers to switch from ready-to-drink alcoholic beverages to mixing their own spirits-based drinks at potentially higher alcohol content and pre-loading on alcoholic drinks before going to venues.

“Alarmingly, research shows that high behavioural taxes can even lead some consumers to consider switching from legal alcoholic products to illicit drugs.

“The irony is that taxes are being used to cut consumption of alcohol when the 40-year trend has been a strong decline in consumption. Behavioural taxes are often justified with absurd assumed calculations of social costs that bare little relation to reality.

“Finally, the report shows that behavioural taxes are regressive, hitting lower income earners the hardest. Nanny State behavioural taxes should be abandoned. Without raising any extra revenue, alcohol should be taxed consistently across the board,” said Mr Lane.

*A copy of ‘a taxing approach to choice: How behavioural taxes deliver perverse outcomes’ can be found at:*

[http://www.ipa.org.au/portal/uploads/IPA\\_Paper-A\\_taxing\\_approach\\_to\\_choice-Feb\\_2014.pdf](http://www.ipa.org.au/portal/uploads/IPA_Paper-A_taxing_approach_to_choice-Feb_2014.pdf)

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