

Sin taxes

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If sin such a terrible thing when it comes in the form a can of Coke? Well, yes it is when the planet cannot afford that waste of resources, the product is laden with anti-competitive protections and potential tax loopholes, and it happens to have contributed to substantial increases in childhood (and other) obesity. Those are sins. If sin is, as a wise priest once put it to me, missing the mark in the sense of not doing the right thing, then just making and selling Coke comes pretty high on the list of sinful things to do. And, of course, it is not the only product that is going to fall into that category.

But does that mean that a tax on Coke (and other such products) solves the problem of its production? This is the question that [Boris Johnson is apparently asking](#), as he has questioned whether or not such taxes actually work in reducing consumption and whether they are fair, because it is likely that they are regressive.

I have some sympathy with Johnosn's questions, for a change. What we know about these products, and others like tobacco and alcohol, is that they are addictive and so have a high inelasticity of demand with regard to price because people might seek to buy them, whatever the charge. If that is true then they might be good sources of revenue but they might not do much for changing behaviour. And nor does the argument that we need the revenue stack in a world where we know that modern monetary theory holds true: treatment of obesity is not dependent upon our ability to raise revenue for that treatment. It is, instead, dependent upon political willing to address the issue.

I have long argued that taxes can have the role of addressing market failure. I stand by that. That is one of my six reasons for taxation. But, whilst tax is a powerful social instrument I do not suggest its use if there is a better tool to use to achieve the goal.

In this case I fear that Johnson might be right. I suspect that taxes on sugary drinks do not change behaviour as much as is necessary. And I do suspect that they are regressive in their impact. In that case, and noting my MMT point, I hate to admit it, but he may have a point.

But please do not think I actually agree with Johnson. His argument is that the state should not intervene on such issues. He is opposed to the 'nanny state', which requires that he ignore the impact of market power in this relationship, all of which lies with the likes of Coca Cola. The product that they sell is abusive. They expend considerable sums ensuring that people do become addicted to it. And the result is significantly socially damaging, creating harm for vast numbers of people whose lives are blighted by obesity. Tax may not stop this abuse, but that is not reason to ignore the issue. Direct intervention is required instead. Sugar, salt and other harmful additives must be tackled by law, and their use be severely restricted.

Tax is a fantastic tool. All I am saying is that it is not the answer to every problem, and that this may be one of them.