Sugarnomics

Keith Rankin, 12 March 2015

I watched TVNZ's Sunday item (8 March) about Rob Beaglehole's campaign to tax sugar drinks (One man's mission to get rid of our sweet tooth).

It's interesting to juxtapose this issue against Tuesday's (10 March) 'terrorist' story about possible poisoning of infant formula with 1080 powder (Federated Farmers Press Conference on the 1080 Threat, *Scoop* 11 March).

In the sugar-drink case we have a product that is known to be the most serious ingestible threat to children's health, and is 100% certain to be there in these products because it's regarded as a feature rather than a contaminant. In the 1080 case we have a product that's extremely harmful even in small doses, but is almost certainly not present in any of our children's foods.

For parents concerned about their children's health, which product is the bigger danger: milk powder or fizzy orange? Beaglehole's story emphasises the problem of two-year olds having to have all their teeth removed under general anaesthetic.

The story of fizzy orange (my code name for sugary drinks) is not unlike that of opium 150 to 250 years ago. British traders needed to sell something to China, so they could pay for the tea that the British people craved. The Chinese, with a somewhat miserly Confucian pedigree, did not want anything legitimate that the British offered for sale. So the British, noting a propensity for opium addiction in China, created an industrial-scale opium trade.

In a trade as ignominious as the earlier slave trade, British traders sold cotton goods to India (undermining India's indigenous clothing industry), purchased opium in India, and sold that opium in China in return for tea. When the Chinese authorities banned the importation of opium, the Pearl River estuary was invaded (in 1840) by the British (The Opium Wars). The British, with superior naval technology prevailed, forcing China to accept British opium sales. (An important result of this trade was Hong Kong.) This was done in the name of trade freedom. China's government, the British argued, had been acting to impede free trade.

Sugar is the west's opium. The British sweet tooth became the British no teeth.

So why do people, who love their children, 'knowingly' feed them this poison? The argument in favour of the continued cheap trade in fizzy orange is that people are free to make their own informed choices about what they buy. The problem however is that buyers receive conflicting messages, and that cognitive conflict is created mostly by the capitalist hard-sell marketing industry. The other problem is that the unsubsidised healthy alternatives are more expensive. It only takes some messages in favour of the cheaper option to persuade financially-stressed people to choose that option. And once the children are addicted, it may be too late to switch them to sugar-free alternative drinks.

While there are many good things about free trade, the use of hard-sell marketing to distort the information environment is not one of those good things.

On Tuesday I wrote about the difference between 'popular economics' and 'actual economics', citing Kim Campbell's Q+A interview on 8 March as a good example of popular business economics in action ('Competitiveness' is not an Economic Concept).

The trouble with 'actual economics' is that it makes unrealistic assumptions about real-world capitalist market economies. Hence popular economics fills the realism void; call it 'real-economik'.

In the real world, and in most phases of capitalist history including our present phase, market forces are too weak to sustain industrial capitalism. (On Monday I discussed Social Credit. See Northland, Vernon Cracknell, Social Credit. Social Creditors have come to the same conclusion, but largely through a conceptual misunderstanding of interest. Further the period from 1945 to 1975 was not largely one of those phases of history in which market forces were too weak to sustain industrial capitalism.)

What this means is that – a few exceptions such as Auckland housing notwithstanding – competition between sellers is much more intense than competition between buyers. Thus the period since the 1980s in particular has become the modern capitalist era of hard-sell marketing, and hard-sell finance.

The big industrial powers and superpowers – such as the manufacturers of fizzy orange – build and maintain their business empires by actively persuading people to make bad choices. To be successful you have to be 'competitive', and the cutting or transferring of costs only represents a part of being competitive. The other part of being competitive is in the spending of large amounts of money on advertising services, on financial services that facilitate consumer debt, and on keeping politicians and public regulators sweet.

This is sugarnomics. And sugarnomics will prevail so long as the capitalist market forces of demand remain weaker than those of supply. That's why my concept of 'public equity' is so important. (See Green positioning and Public Equity, Extending Obamanomics to Public Dividends, Everybody Owns Water and Child Poverty, Public Equity and Labour's Income Tax Policy.)

Public Equity offers us a way to allow people on low incomes to make better consumption choices, and to become much less reliant on debt. It's a way to facilitate the displacement of business real-economik with the actual economics of balanced competition; and with its possibilities of people increasingly choosing more healthy and more relaxed styles of life.
