



Gluttony and sloth

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About me

- Career path
 - grew up in the US, quit school and worked as a waitress; moved to Europe, worked in a research firm; got bored, went back to university; got a job at IFS, got a chair at UCL, have done policy-oriented research since then
- best thing I've done
 - get job at IFS, work with great collaborators and inspiring academics (Richard Blundell, Philippe Aghion, ...)
- what was my worst mistake?
 - not studying harder when I was young
 - too much time worrying about what others thought of me
- what do I wish I had known earlier?
 - relax and enjoy it; if you're having a good time you'll do better work
 - no one else is going to make your life better for you, if you
 don't like what you're doing then change it

My work

- I work on policy-relevant research issues:
 - corporate tax
 - productivity and innovation
 - · applied industrial organisation
 - the food industry
 - health and nutrition
- Health and nutrition and the food industry
 - Some markets may deliver what consumers seem to demand
 - but nevertheless give rise to public policy concern
 - for example, food markets



What is the public policy concern?

- Increase in weight and obesity
 - around 25% UK adults obese, over 60% overweight or obese
 - excess weight leads to increased risk of cardiovascular disease, hypertension, diabetes, joint problems, certain cancers, depression
- Not only obesity, also rise in other diet-related disease
 - excessive salt, saturated fat, sugar; low fruit and vegetable intake; low consumption of wholegrains
- Obesity and poor nutrition in children
 - can lead to longer term health and developmental problems
 - and feed through into poor social and economic outcomes

Is it all gluttony? What about sloth?

 the composition of calories - sugar, fat, alcohol - might also play a role

Sloth

- Large changes in time use
- For men big shift from manual to non-manual work
 - 1975: 50% non-manual and 50% manual
 - 2009: 80% non-manual and 20% manual
 - non-manual work uses a lot fewer calories
- For women shift from housework to paid work
 - paid work uses a lot fewer calories
- More car use, less public transport, walking, cycling
- How important is reduced activity in accounting for increasing diet-related disease?
 - · may interact with diet in important ways





What role for government?

- Well functioning market yields efficient allocation of goods
 - if individuals are fully informed and rational
 - · and prices reflect costs
- Why might food markets fail?
 - are individuals fully informed about the characteristics and consequences of food consumption?
 - are individuals forward-looking when making food choices?
 - do prices fully reflect social costs?
 - are there
 - externalities from consumption
 - information or cognitive failings
 - · combined with market power by firms



Externalities?

- If consumption imposes costs on others
 - an individual has no incentive to take these costs into account
 - leads to excessive consumption from a social perspective
- What externalities are there from food consumption?
 - costs of healthcare (or insurance)
 - hospital admissions with a primary diagnosis of obesity in England tripled from 2007 to 2011 from 3,860 to 11,570
 - lost economic output due to sickness absence and lower productivity
- BUT need to be careful, some of these costs are born by the individual so not externalities
 - lower productivity = lower wages
 - what are the incremental costs of treating obesity





Externalities on your future self

- Consumers might not be fully forward looking
 - in which case the externality is on the person's "future self"
 - children the most compelling case
- Public/third sector advice might be confusing and conflicting
- Firm advertising might conflict with government advice
- Information failings
 - people may be capable of processing information, but lack the necessary information to make informed choices or
 - people may be cognitively unable or unwilling to process it, even if all the information is there
 - The policy response to these will differ





What are the policy options?

- Incentivise and encourage exercise
- Directly provide information through schools, government advertising, labelling, etc.
- Provide education to help individuals process information
- Alter incentives and choice sets through changing relative prices or incomes
 - Fiscal measures
 - Regulation
 - Cash transfers
- "Nudge" policies
 - alter the way choices are presented to individuals and the context in which they are made



Policy analysis and evaluation

- Need clarity about aims of policy intervention
 - much of the current debate dominated by the medical profession, aim is simply to achieve a reduction of the targeted unhealthy behaviour
 - we should consider the total welfare effect
- We need proper evaluation of the effect of policies
 - most analysis has been partial at best
 - important to consider what new market equilibrium will be after policy intervention
 - consumer responses AND firm responses (e.g. changing price of goods, product offering, or way products are advertised)
- many policies have not been implemented; need ability to do proper ex ante evaluation





Example: Ban on advertising junk foods

- One proposal is to restrict advertising of "junk foods"
- What are the equilibrium and welfare consequences?
- Advertising bans aim to lower consumption, but it isn't obvious what equilibrium effect on quantity:
 - depends on how advertising affects demand
 - and depends on strategic response of firms
- Impact of advertising ban on consumer <u>welfare</u> will depend on whether advertising is:
 - informative about product existence or characteristics
 - a product characteristic that is valued by consumer
 - persuasive and distorts consumer decision-making



Example: information campaigns

- Information campaigns directly target lack of information
- Need to account for potential supply-side responses, shifts in the demand curve may change optimal price for firm
 - example the '5-a-day' campaign "eat more fruit and veg"
 - do the following thought experiment
 - assume 50% of consumers already well informed, 50% not
 - assume campaign successful and increases the willingness to pay of uninformed consumers and makes them less price sensitive
 - if oligopoly suppliers this would lead firms to increase price, the informed consumers would now face a higher price, and so reduce fruit consumption (because their willingness to pay has not shifted)

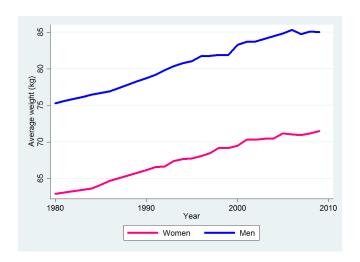


Summary

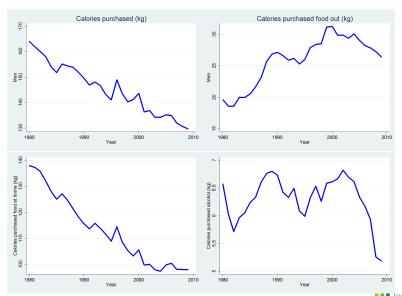
- Policy interventions should not be piecemeal
- The rationale and objectives for intervention needs to be clear
- We need to evaluate policies
- When evaluating policy we need to consider not only how consumers respond, but also how firms will respond, i.e. what new market equilibrium will be after policy intervention
- and to consider impact on total welfare, not only on the object of public health concern



Average weight



Calories



Energy burnt

