

Gluttony and sloth

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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

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

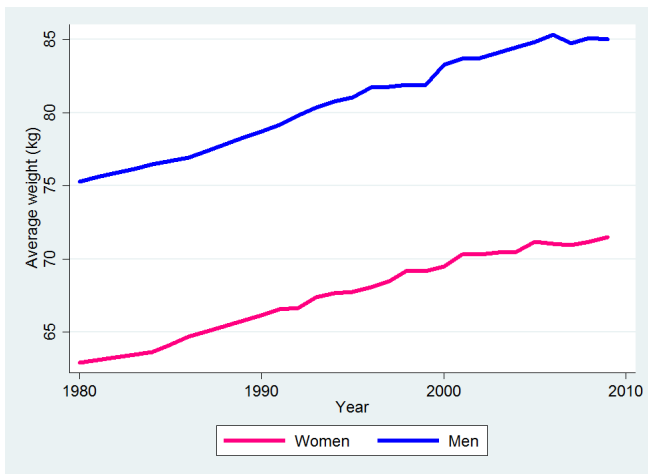
Policy analysis and evaluation

- 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

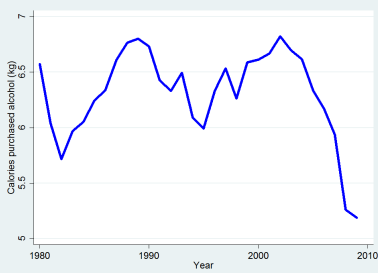
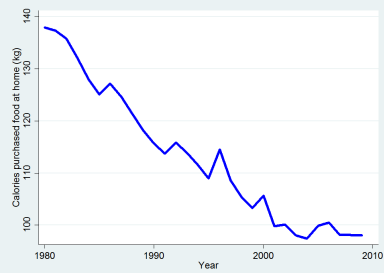
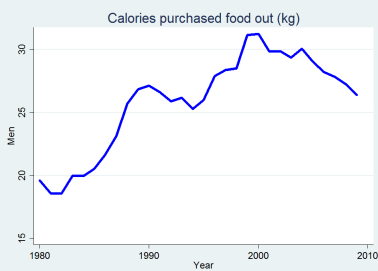
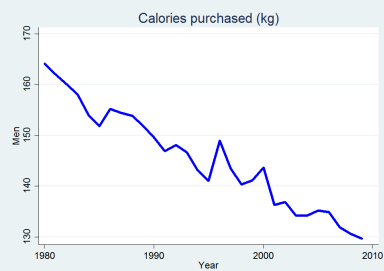
Summary

- 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

