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?

\[ W_t = W_{t-1} + \text{calories in}_t - \text{calories out}_t \]

- 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 welfare 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

Calories purchased (kg)

Calories purchased food out (kg)

Calories purchased food at home (kg)

Calories purchased abroad (kg)
Energy burnt