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# Limitations of Consumer Sovereignty

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# Overriding Questions

- Are there basic assumptions that economists make about consumers and their ability to understand all implications of their actions over time that you would question?
- How might changes in these assumptions change the demand for goods that are causes of or related to obesity?
  - Remember that a shift in demand is a change in the entire relationship between prices and quantity demanded at each price

# Limitations to Rational Decision Making

- Lack of consumer understanding
- Lack of consumer incentives
- Lack of consumer control over resources
- Producer food innovations

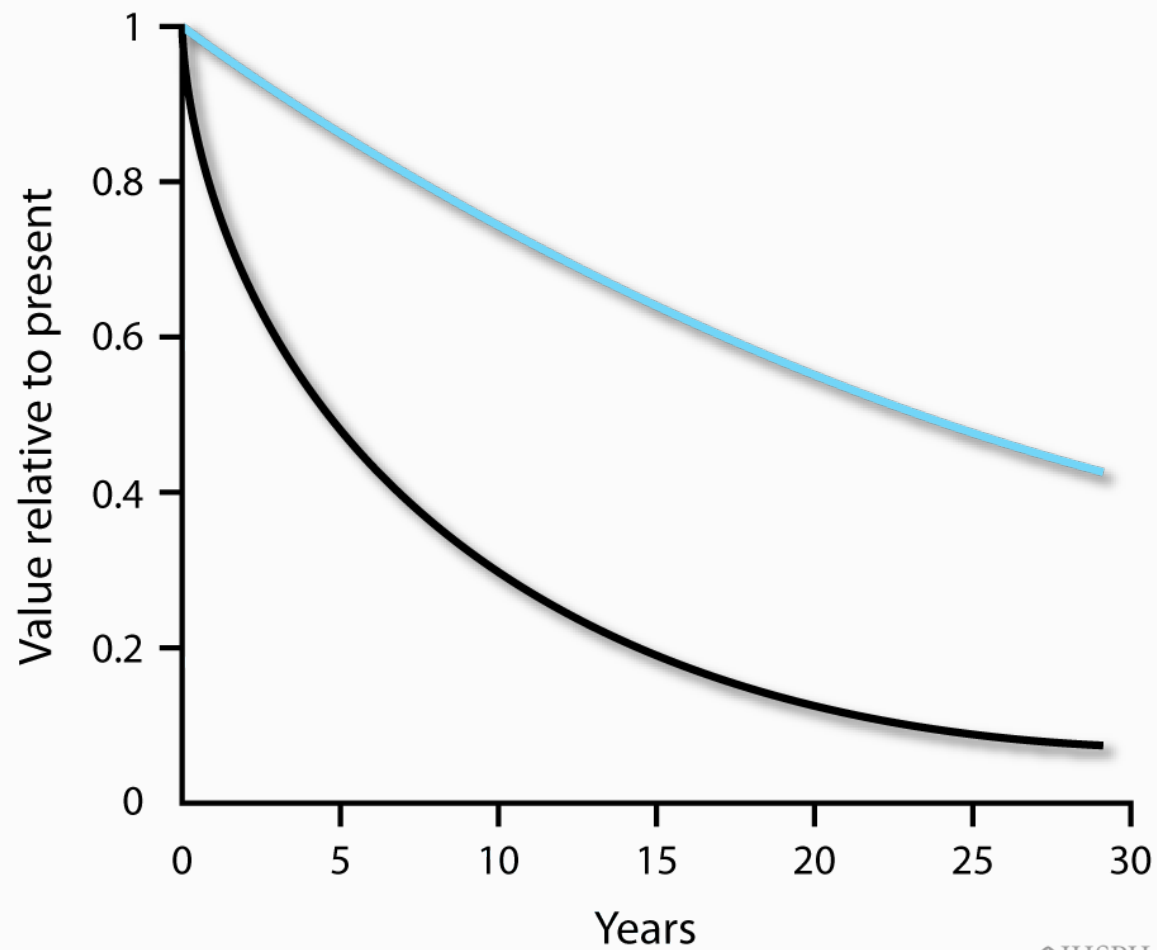
## Lack of Consumer Understanding

- How much do consumers understand, anticipate, and value future consequences?
- How much information do consumers have about health risks?
- How much information do consumers have about changes in expenditures?

# Future Consequences in General

- Do consumers understand what is likely to happen?
- Do consumers understand the probability that things will happen?
  - Problem with “numeracy”
- How do consumers value the future?

# Future Valuation

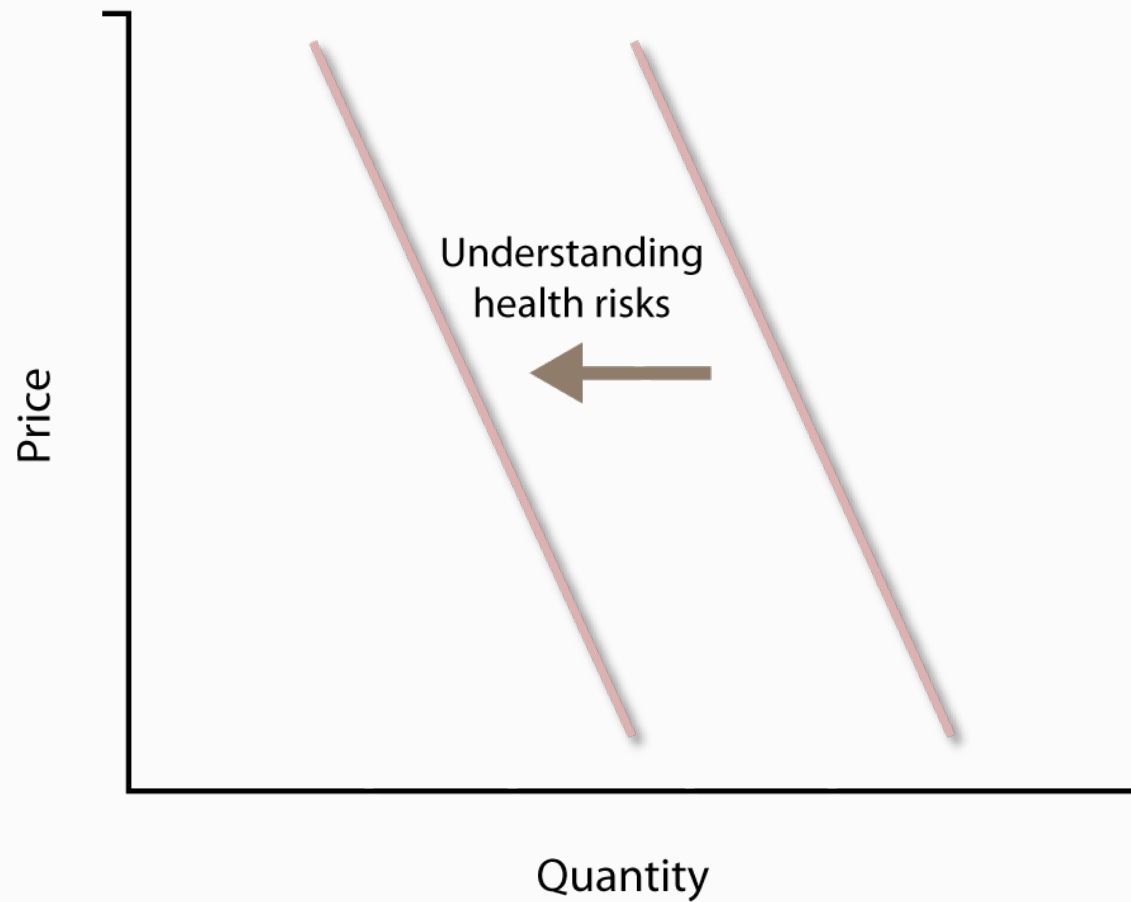


# Health Risks

- How do we know what consumers understand about health risks?
  - Assumption about health literacy
- If consumers don't understand health risks then how can we expect them to incorporate that into their decision making?
- If it is not incorporated into the decision making, how will that affect demand?
  - Health risk understanding will decrease demand



# Health Risks and Demand



# Lack of Consumer Incentives

- How much do consumers face the consequences of their own choices?
  - Private insurance
  - Public insurance

# Consumer Control Over Resources

- If consumers are used to a way of life, can they change?
- If consumers are stuck in fixed contracts, they can't get out of those
- Do consumers really have control over how much time they spend at work?
- Do consumers really have control over how much time they spend commuting?

# Food Innovations

- Kessler suggests that food producers have found ways to process foods that increase the desirability and demand
  - Is this consumer manipulation?
  - If consumers don't understand this, how will it affect demand?

# Food Innovation

