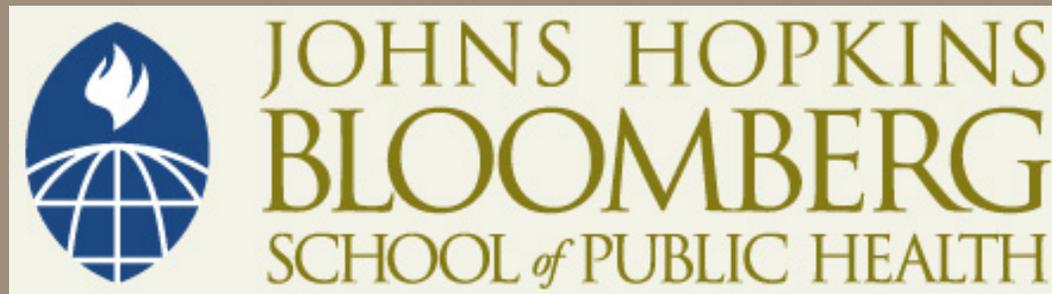


This work is licensed under a [Creative Commons Attribution-NonCommercial-ShareAlike License](https://creativecommons.org/licenses/by-nc-sa/4.0/). Your use of this material constitutes acceptance of that license and the conditions of use of materials on this site.



Copyright 2011, The Johns Hopkins University and Kevin Frick. All rights reserved. Use of these materials permitted only in accordance with license rights granted. Materials provided "AS IS"; no representations or warranties provided. User assumes all responsibility for use, and all liability related thereto, and must independently review all materials for accuracy and efficacy. May contain materials owned by others. User is responsible for obtaining permissions for use from third parties as needed.



JOHNS HOPKINS
BLOOMBERG
SCHOOL *of* PUBLIC HEALTH

Role of Government and Potential Policies

Kevin Frick, PhD

Johns Hopkins University



JOHNS HOPKINS
BLOOMBERG
SCHOOL *of* PUBLIC HEALTH

Section A

Motivation for Government Policy

Acknowledgement

- Many of the principles outlined in this lecture are derived from the work of Eric A. Finkelstein and Laurie Zuckerman, authors of *The Fattening of America*.

Why Have Prices of Less Healthy Foods Gone Down?

- Why have relative prices of less healthy foods gone down?
 - Government funded research
 - Innovations in food processing, preservation, and cooking
 - Foods more dependent on technology often have highest amounts of added fat and sugar
 - Food innovations not only make the foods cheaper but also make them take less time to prepare
 - ▶ Less money and less time

Overriding Questions

- What has gone on in the market?
- What has government done?
- What is the rationale for government action?

Farm Subsidies

- The federal government has subsidized production of goods like corn and soybeans
 - Farmers produce more of these and less of other agricultural products
 - ▶ Makes corn and soy (and all byproducts) cheaper and makes other goods more expensive

Rationale for Government Role—Equity

- Is there an income-based equity issue?
 - In other words, we could argue about food availability differences by income status that would prompt public policy
- However, the need for some type of intervention to avoid obesity is common at all income levels
 - This does not mean that it may not be important to intervene— simply that a lack of equity is not a reason to intervene

Rationale for Government Role—Irrationality

- Psychology and advertising play a role
- The question is whether that should matter when adults have (and are expected to make) choices
 - There are advertisements for all sorts of goods and services that are not highly regulated
- Difficult to argue for irrationality of decisions by adults
 - Again, we can start to think about David Kessler's work and just how well people understand what is in their food and how it influences their behavior

Rationale for Government Role—Public Need

- Need is defined by health professionals
- Consumers have demand
 - Does not always match need
- Need-based intervention rather than a demand-based intervention is unlikely to work
- Have to define the need—what is needed and why?

Role of Government

- Externalities
 - Side effects of a market that spill over into society at large
 - ▶ Pollution and infectious disease prevention

- Market power

- Public goods

- Imperfect information

Externalities

- Airline seats
 - Can be solved in private market by requiring an obese person to purchase two tickets

- Difficulty of dealing with an obese patient
 - Can be solved in private market by increasing wages of health care workers to compensate

- Obesity in pregnancy
 - No easy way to compensate the unborn child

- Given our health care financing system we could argue there is a financial externality

Market Power

- Market power generally leads to higher prices
- Food prices have been decreasing
- Therefore, there is no evidence that this is an issue in the markets that determine the prevalence of obesity

Public Goods

- Non-excludable and non-rival
 - **Non-excludable:** no one can be prevented from using it once it is made available, even if an individual is not willing to pay
 - **Non-rival:** if one person uses it others can still use it—like a lighthouse

- Often underprovided by private markets

- Food itself is certainly not a public good

- Governments already provide a lot of public goods and information related to obesity
 - Is there a need for more public goods related to health and nutrition?

Asymmetric Information

- If sellers have more information than buyers, that can disadvantage the buyers
 - Many sellers of foods provide information
 - Many consumers do not seem to use information
 - Even without legislation against trans-fats many producers were phasing them out
 - Again, we can bring David Kessler's work in and think about how much food scientists have figured out ways to produce foods that bring about responses that are neither anticipated nor understood by consumers

Is There a Role for Government?

- With respect to kids who are not making their choices on their own
 - Key question is whether this is a governmental role or a parental role