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COMPTES RENDUS DE LECTURE

ERIC A. FINKELSTEIN, LAURIE ZUCKERMAN, The fattening of America: How the economy makes us fat, if it matters, and what to do about it

Hoboken, New Jersey, Wiley & Sons, 2008, 274 p.

The incidence of overweight and obesity in the United States has been increasing steadily since the 1980s and both conditions have now reached epidemic proportions: a third of the population is currently classified as obese, and two thirds as overweight. Given the now well-established link between excess weight and a variety of chronic diseases such as type II diabetes, hypertension, strokes, cancers or arthritis, this evolution raises legitimate concerns about its health and economic consequences. Finkelstein and Zuckerman address those by, first, attempting to identify the causes of the epidemic and, second, discussing the rationale for, and potential effectiveness of, public intervention to reduce obesity. The book also discusses the challenges that obesity poses to private employers and presents an original overview of the 'ObesEconomy' that caters to the overweight by providing a wide range of goods and services, including weight loss methods, drugs, and even super-size coffins.

The first author and narrator, Eric Finkelstein, is a health economist at RTI International and visiting instructor in health economics at Duke University who has published extensively on obesity in academic journals. Unsurprisingly, then, "The fattening of America" focuses on the economic causes of obesity, arguing that the expanding waistlines of Americans are primarily the result of changing economic incentives. Normative questions are addressed within a strict neoclassical framework. Although the book is almost 300-pages long, its main thesis can be summarized in a few sentences: the rise in obesity results from the rational response of consumers to changes in the costs and benefits of consuming and expending calories. Regarding the intake of calories, innovation in agriculture and food processing has greatly reduced the time and cash costs of consuming calories, and consumers have responded by increasing food consumption. On the other side of the energy equation, the opportunity cost of expending calories has increased because, as a result of structural change in the economy and introduction of labour-saving devices in the home, household and market work has become more sedentary. It follows that individuals must now pay to exercise, either in cash for gym memberships or in terms of forgone leisure, which has led to a decrease in overall physical activity. Altogether, obesity is therefore a by-product of food and exercise choices made on quickly-changing markets that do not suffer from obvious failure, leaving little justification for government intervention on economic grounds, at least as far as adults are concerned (children are rightly considered separately in Chapter 9).

This welfare-enhancing theory of obesity supports an engaging narrative that allows the author to address a vast array of obesity-related issues in a self-consistent framework. However, an entertaining story may lack veracity, and the concept of narrative fallacy proposed by Taleb (2008), *i.e.* the creation of a story post-hoc so that an event will seem to have an identifiable cause, comes easily to mind when reading "The fattening of America". The problem does not lie with the identification of the proximate causes of obesity, with economists and public health experts largely agreeing on the main culprits (for instance, the effortless access to energy-dense foods in a modern environment). Instead, my objections

relate to the fundamental drivers of human behavior leading to obesity and the standard of evidence used to support the main hypotheses.

Regarding the first point, the thesis presented in the book is, in my opinion, largely driven by assumptions rather than evidence, the notion that people act rationally forming the starting point of the investigation, as illustrated by the following extract (p. 181): *'Let's start with a basic fact of life: employees and dependents make diet and exercise choices – and all choices for that matter – to maximize their own utility. In other words, they make the choices which they believe serve their own interests'*. It follows almost mechanically from this 'fact of life' that, for an obese individual, the costs of weight loss must exceed the benefits, as otherwise he/she would choose to loose weight in perfectly rational *homo economicus* fashion. Hence, all observed changes reflect changing incentives, and impeding free choice through government intervention, although it might reduce obesity, would inevitably decrease individual and social welfare.

This view of the obesity issue, although appealingly simple, becomes difficult to defend given the growing evidence that food, exercise, health, and many other choices are not driven solely, or even mainly, by utility maximization of rational individuals. Indeed, Thaler and Sunstein (2003) review the claim that people always make choices that are in their best interest to conclude that it is either tautological and therefore uninteresting, or, as they would prefer, testable and obviously false. Research at the frontier of economics and psychology strongly suggests that individuals fail to calculate probabilities correctly, exhibit preference reversals and use heuristics that lead them to make systematic blunders. Even more relevant to the obesity debate given the long lag between excess weight and negative health outcomes is the finding that many people are dynamically inconsistent and have self-control problems (Dodd, 2008). Hence, people overeat in spite of substantial evidence that they want to lose weight, dieters' weight tends to yo-yo, surveys consistently reveal a discrepancy between actual and desired weight, and, more generally, it is difficult to explain the existence of the multi-billion dollar diet industry without referring to self-control issues (Cutler *et al.*, 2003). Altogether, the significant and empirically-relevant departures from rationality first investigated by behavioural economists, and the related normative concept of libertarian paternalism, are now largely accepted by mainstream economists, but almost entirely ignored in the book. This gives credence to Paul Krugman's view, expressed in an entry to his *New York Times* column ironically entitled 'Free to be obese?' that:

'(...) only a blind ideologue or an economist could argue with a straight face that Americans were rationally deciding to become obese.'

The second problem with the welfare-enhancing technological-change theory of obesity is that it generates few testable hypotheses (admittedly a property shared with many other economic models, see Heiner, 1983). One particular issue lies with the extended notion of cost that the authors use to present their thesis, because it is so broad as to potentially encompass any barrier to the adoption of a given behaviour, the result being that the analysis sometimes borders on the tautological (if something is not done, it must be costly). In a similar vein, the difficulties involved in measuring technical-change and innovation raise questions about the empirical relevance of those concepts, which are correlated with all the other broad trends accompanying economic growth. Finkelstein and Zuckerman therefore focus on indirect and often anecdotal evidence supporting the theory, but the result is ultimately unconvincing.

This can be illustrated with reference to the question, at the heart of the theory, of whether cheaper food causes obesity. The authors rightly point out that real food prices have decreased in the US, and then move on to demonstrate that the declining prices of French-fried potatoes and carbonated beverages, together with their greater availability, have induced growth in consumption of both products. However, there is no guarantee that this type of relationship observed on specific food products with numerous substitutes also applies to total caloric intake (*i.e.* all foods), because there are no substitutes for food. Further, it seems slightly inconsistent to claim, as the authors do, that cheap food represents the main cause of the rise in obesity, while at the same time raising doubts about the effectiveness of fat taxes to reduce obesity (the only study mentioned on p. 149 to answer the question 'would a sin tax actually reduce obesity levels?' finds that a 100 percent tax on unhealthy foods would reduce average BMI by only one percent). The lack of evidence supporting the narrative is also found in another part of the book, in which the authors suggest, albeit with some caveats, that subsidies to corn and soybean production in the US may be responsible for some of the observed rise in obesity. While this fits nicely with the general leaning of the book against government intervention, it is not the conclusion reached by those who have analysed the issue more rigorously (Beghin and Jensen, 2008; Alston *et al.*, 2006).

Given that many of the assumptions on which the theory relies are unrealistic, and that its explanatory power is questionable, I find its normative implications (strong support for *laissez-faire*) rather unsatisfactory. Indeed, it seems that while the rest of the world unashamedly searches for ways to tackle obesity, many economists make themselves largely irrelevant to that pursuit by failing to move beyond the question of whether obesity might be a public health issue at all, based on untested assumptions of perfect rationality and stable, exogenous preferences (see Philipson and Posner, 2008, for a recent example). Clearly, economics has a contribution to make to the obesity debate and it is healthy to scrutinize the rationale for any intervention while remaining suspicious of paternalistic motives so common among public health professionals. However, I would argue that an alternative approach that does not insulate itself from other disciplines, builds on broad scientific knowledge and examines the validity of its assumptions represents a potentially much more fruitful method of inquiry than that followed in the book. For instance, in departure from the revealed preferences framework of neoclassical economics, the tools of happiness research have recently been used by economists to demonstrate that obesity decreases the well-being of individuals who report limited self-control (Stutzer, 2006) and that an obesity-induced condition, hypertension, reduces happiness across nations (Blanchflower and Oswald, 2008). Smith *et al.* (2007) also develop an economic theory of obesity consistent with observations in behavioural biology, human evolutionary history, and psychology that links obesity to economic insecurity, hence explaining the apparent paradox of high rates of obesity among those with a relatively low opportunity cost of time (*i.e.*, the poor and unemployed). Needless to say, those studies build a much stronger case for government intervention to tackle obesity than that presented in the book.

In spite of my criticisms, "The fattening of America" has merits as it presents an impressive collection of facts and evidence about obesity, summarizing a large volume of research in a simple, non-technical manner. Hence, some common misconceptions are put to rest – for example, contrary to the frequent alarmist headlines conveyed by the media, the authors explain that it has never been safer to be obese due to improvements in the medical treatment

of the most common chronic diseases. The book is also very accessible with a style that sometimes borders on the casual, as exemplified by the numerous references to Finkelstein's colorful family members (e.g. cash-rich but time-poor Uncle Al, and short-of-cash Cousin Carl). While the more serious-minded may find that aspect of the book irritating, I can only applaud the authors for presenting the economics of an important problem in an engaging style that should appeal to a broad audience. Further, the numerous end notes provide clear references to the underlying research, and, whether one agrees with its main thesis or not, the book provides a good entry point to this large and fast-expanding literature.

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