Food Policy with Endogenous Preferences: Theory and Evidence

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Food Policy with Endogenous Preferences: Theory and Evidence

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Junk Food Nation: Consumer Pull or Industry Push?

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- ...but consumers care about more than just long-term health.
- Should we just let consumers choose?
Junk Food Nation: Consumer Pull or Industry Push?

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No.
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...but consumers care about more than just long-term health. 
Should we just let consumers choose?

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Both history and behavioural sciences suggest health *is* primary objective in human dietary choice.

If consumers subject to either

1. universal human psychology, or
2. imperfect information about nutritional qualities of foods (or both) then *multiple equilibria* exist.

- This implies that powerful producers can manipulate market outcomes...
- ...and that “letting consumers choose” might really mean letting the food industry choose!
Like all foraging animals, humans are genetically endowed with subjective beliefs about indicators of nutritional quality:

- sugar/salt/glutamate indicate valuable micronutrients
- bitter/sour indicate foodborne poisons/pathogens
- postingestive nausea indicates foodborne poisons/pathogens
- foods consumed by peers/parents are nutritious, safe to eat
- foods consumed in the past (without illness) are safe to eat

Children (and adults) choose foods as if they care only about health.

Today, technology has outstripped evolution: product formulation and promotion generate mismatch.
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![Image of Mellin's Food Babies advertisement](image-url)
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• **1930s**: Vitamins now quantifiable in food. Processing shown to degrade vitamins. Producers turn to fortification.
Early history of proprietary infant foods is not an anomaly. Typical pattern follows:

1. Novel food product/process widely adopted, promoted as healthier/safer than traditional food.
2. Decades pass before scientific consensus identifies dangers.
3. Industry obfuscates. Years pass before legislation/technology solve the problem.

Examples: canning, pasteurization, white flour, refined sugar, trans-fats
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Emerging issues: glycemic effects, proprietary flavour chemicals, missing microbes, GMOs, emerging micronutrients...?
Lemons Equilibrium as Strategic Objective?

- Consumers rational but information about product quality costly. Preference for quality varies across consumers.
- Sequential search, optimal stopping rule.
- High quality products can be efficiently produced by any small producer (competitive market, zero profit).
- Low quality products are most efficiently produced at scale (monopolistic).
- Market share of low quality product depends on parameters of consumer’s search problem (cost of search, perceived product qualities, etc.)
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- A: Obfuscate.
Industrialisation of U.S. food supply coincided with advent of modern public relations industry. Methods include: advertising, co-opting “opinion leaders,” media messaging, funding scientific research, “astroturf” organisations, undercover operatives...
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A contemporary example can be found in the food industry’s consistent 3-part messaging around the obesity epidemic:

1. **count calories**
   “it’s not about what you eat, it’s about how much you eat!”

2. **exercise more**
   “people get fat because they’re lazy!”

3. **let consumers choose**
   “people value taste, not health” “nanny state!” “food police!”

Left unmentioned: Products designed to stimulate appetite, little support for exercise as cause of epidemic, consumers face informational constraints (exacerbated by this very message!).
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- General principles:
  - transparency
  - fraud prevention
  - precautionary principle
  - facilitate informed consumer choice...
  - ...by providing simple yes/no decision rules