

## **FOOD, BEHAVIORAL ECONOMICS AND FOOD POLICY**

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Findings from behavioral and psychological studies indicate that people regularly and predictably behave in ways that contradict some standard assumptions of economic analysis. In particular, individuals make decisions that systematically prevent them from reaching their intended goals. Clearly such failures play a large role with respect to food decisions, and weight control. Several characteristics of food decisions and our innate mechanisms for coping with complicated decisions combine to make food decisions particularly prone to repeated and systematic errors in judgment (Just, 2006). Food serves both to provide the nutrients our bodies need (utilitarian), and to provide sensory pleasure (hedonic) (see, e.g. Shiv and Fedorkhin, 1999; Dhar and Wertenbroch, 2000). Decisions requiring individuals to trade off utilitarian and hedonic qualities of food create a tension between the actions we would take if carefully considering our long term welfare, and those we take when considering only short term impacts (Laibson, 2004; Lowenstein, 2004) . Additionally, we make food decisions when distracted, pressed for time, when complete nutritional information is either inconvenient or unavailable. Under such circumstances, rules of thumb, heuristics, and other extra-rational behavior are expected to play a larger role in decisions.

I document several such heuristics and the resulting behavior. Given that many food decisions are made with little cognitive involvement, food policies designed to appeal to highly cognitive thought (e.g., fat taxes, or detailed information labels) are likely to have little impact – and dramatically less impact on those at risk.

Moreover, we must recognize that food decisions are not the result of a single decision-maker at the point of consumption. Rather, consumption results from strategic decisions made by several decision-makers with diverse motives, capacities and information. Food marketers control food content, packaging, placement and level of difficulty in preparation with a motive of increasing profits. A food purchaser may purchase food for themselves with a motivation to satisfy their own hedonic or utilitarian desires, or to satisfy their desires for others' consumption. Hence, food decision behavior is the result of a game between several individuals. If individuals had perfect information regarding health and nutrition consequences and perfect self control, this would not necessarily impact individuals negatively. Given the limited ability of individuals to retain and use accurate health information, and varying level of self control, the profit motivation of marketers can become predatory – though not necessarily malicious (Just, 2006).

Several alternative policy options are outlined to enable consumers to make better decisions. I emphasize policies that do not restrict choices and that may be less regressive than current proposals. Recognizing that consumption choices are determined by factors other than prices, income, and information illuminates a broad array of strategies to influence consumers' food choices. These strategies expand the list of possible ideas for improving the diet quality and health. Further, some options allow the motivation of marketers to align with the long term well being of the individual (Just, Mancino and Wansink, 2007). One example might be allowing marketers to charge varying prices to customers with varying wealth or health status for food items packaged in such a way as to improve one's ability to limit consumption. Such a policy

necessarily improves profits for marketers, while increasing the number of those in the target population that purchase the item.

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