



## A New Diet Plan

Require fat-food companies to help kids slim down.

BY STEPHEN D. SUGARMAN

**T**he United States has a serious obesity problem, and a big part of that problem concerns children. Not only are far too many young people enormously overweight (twice as many today as 30 years ago), but more of them are diabetic and show early signs of cardiovascular disease (especially low-income and minority children).

We know that childhood obesity is basically caused by a combination of poor eating habits and inadequate physical exercise. The trick is to find an effective public policy that will improve kids' eating habits and prod them to exercise more.

Some blame childhood obesity on undisciplined youth and their indulgent parents, just as they are apt to blame children and their parents for teen drug use, drinking, pregnancy, and the like. But, from the public health perspective, shaking one's head over family failure is not enough when there are measures that can effectively address the problem. That would be like opposing putting fluoride in drinking water on the ground that it would be unnecessary if parents only taught their children to brush their teeth properly.

Many public health advocates have called for banning business practices that seem especially egregious—selling high-sugar soft drinks in schools, advertising high-fat and high-sugar products to children on TV, and enticing children to buy super-

sized fast-food meals. These measures focus on food-and-beverage companies because those enterprises are clearly responsible for the obesity problem in the sense that their products contain the calories that cause it. Moreover, the industry is certainly aware that the obesity explosion is one outcome of its profit-making efforts.

But there is another way to improve children's health that calls for community action, but does not rely upon traditional "command and control" regulations in which government tells the business community exactly what it may (or must) do.

### CARROTS AND (CELERY) STICKS

Imagine that, instead of the government writing a complex set of rules, it was left to the food-and-beverage industry to determine how to lick childhood obesity.

The problem with government adopting specific bans to fight obesity is the same one that bedevils efforts to reduce pollution by having the government require the precise sort of emission controls that all power companies must put on their plants' smokestacks. First, because of the rapid pace of technological development, government commands regarding particular details can quickly become outdated. Second, industry can comply with the rules and still not solve the underlying problem because companies, with an eye on the bottom line, may take other evasive, albeit legal, actions that undermine the public policy goal.

We can see how this might work with respect to childhood obesity. Suppose that soft drinks are banned from school vending machines. If the vending company replaces the soft drinks with other similarly sweet, high-calorie drinks (such as fruit punch), the goal of the soft drink ban will not be achieved.

Or consider the mandates resulting from the state lawsuits against big tobacco. Although the states now enjoy a new and substantial stream of revenue (a result that could have been achieved much more simply by raising tobacco taxes), the public health benefits are far from clear. What has the Master Settlement Agreement (MSA) really done to reduce tobacco-related disease?

The most important anti-smoking impact of the MSA appears to be the higher price of cigarettes (because the tobacco companies basically pass along to smokers the cost of their payouts in the form of a per-pack "tax"). This higher price has prompted some smokers to quit, others not to relapse, and still others not to increase their use from occasional to daily. Moreover, some people are dissuaded from starting to smoke in the first place.

Most of the other measures in the MSA, however, are command-and-control rules, which, so far, appear to be predictably ineffective. For example, although tobacco billboards no longer line our highways, all sorts of new advertising materials have popped up both inside and outside retail outlets. Tobacco companies sponsor more night-life events, send more direct mail and e-mail to smokers, and so on. In short, cutting off some traditional promotional venues has largely diverted tobacco advertising money to alternative areas, where new strategies are likely to be nearly as successful from the perspective of the cigarette companies.

This is not to say that command-and-control methods, achieved by statute or settlement, can never work or never have any positive public health effects. Rather, it is to suggest that our efforts against power-plant pollution provide models for fighting childhood obesity that might prove more effective than government dictates. Industry can be made to take responsibility through market mechanisms that put the burden on business to figure out how to achieve society's objective.

We can place this responsibility on the food-and-beverage industry by imposing costs in a way that makes the industry financially better off if fewer children are obese and financially worse off if the level of childhood obesity does not decline. Put simply, food and beverage companies can be assigned childhood obesity reduction targets. When these are achieved, successful enterprises would be praised. But if the reduction goals were not met, then failing companies would face substantial fines that would sharply undercut their profits.

### WHO IS OBLIGATED?

The first step in establishing such a regime is to determine the extent of the industry's obligation to lower childhood obesity. Suppose it were agreed that obesity rates should be reduced by 10 percent a year for five years and then kept at least that low, so that a successful program would return the childhood obesity rate roughly to where it was in the 1970s.

The next, and admittedly more difficult, step is to assign shares of this obligation to individual enterprises.

Such an assignment was not hard with power plants because we can measure how much of a pollutant is escaping a particular smokestack. Reducing youth smoking would also not be too great a problem in this respect. We know, with reasonable accuracy, what share of the teen smoking market is held by each brand, and hence each tobacco company. Therefore, each company could be presented with a proportionate financial incentive to reduce the consumption of its brands by children.

By contrast, basing responsibility for childhood obesity simply on total food consumption by children and then assigning each food-and-beverage maker a share of the obligation proportionate to their market share would not be the right approach. Instead, the strategy should be to focus on those products that are recognized as key contributors to obesity, such as high-sugar drinks, empty-calorie snack foods, and foods containing excess fats.

Creating the right list and assigning responsibilities to the right enterprises should almost certainly be the job of an expert administrative agency—possibly the Food and Drug Administration or the Institute of Medicine.

Companies would have to be carefully identified so as to avoid inappropriate double counting. For example, manufacturers of soft drinks, cookies, and potato chips would likely be assigned responsibilities, rather than the retailers that actually sell those products to the public. Yet fast-food restaurants might well be assigned obligations connected to the burgers and fries they sell, even as their sales of sodas were counted against the soft-drink makers.

### THE BEST MEANS

Consider how such a system might apply to the Coca-Cola Co., for example. Assume for the moment that Coke has been assigned a certain childhood obesity reduction target. To do its part responsibly



and to avoid financial penalties for failure, Coke might take direct action such as reducing the size of its standard soda can, changing its ads to make them less appealing to minors, or encouraging minors to drink Diet Coke rather than the calorie-laden variety.

Yet Coke may discover that establishing more bike paths, subsidizing physical education classes in schools, providing grants for school obesity-reduction programs, or helping parents create diet plans for their children would more effectively reduce childhood obesity. Under a system that focuses on ends rather than means, Coke would be free to explore different options.

Even though all the responsible companies would have individually set obligations to reduce childhood obesity, some of them would be better able to effect change than others. Indeed, there might be enterprises outside the food-and-beverage industry that could tackle the problem most effectively.

So the next step would be to create a market for the obesity obligations so that those companies best-positioned to reduce childhood obesity in a cost-efficient way would undertake the effort. This system would be based on the system of tradable permits that has been developed to deal with power plant pollution.

For instance, if some private group ran a program that helped children lose weight, it could cut a deal with Coke to take over the company's obligation, for which Coke would pay the group at a rate that made both parties better off. Under a market-based system, Coke's anti-obesity dollars would flow to the point where the money would be most effective.

This, broadly, is how markets in pollution control work. Companies are assigned a certain amount of pollutant reduction. They can achieve that not only by changing practices in their own plants, but also by making deals with others who can reduce pollution elsewhere less expensively.

An obvious problem, of course, is how to give Coke and other companies credit for their obesity reduction successes when the achievements may well not be visible in easily measured ways, such as lower sales of high-calorie Coke to children.

One way to give each business credit for its accomplishments is to break the problem down by geographic areas. The supervising government agency—say, the FDA—could assign various enterprises specific regions based on their obligation share.

Imagine, for example, that Coke was given the responsibility of reducing childhood obesity in the state of Georgia. Coke would have an incentive to pursue multiple means of attacking the problem with multiple partners. And if childhood obesity declined in the state, the company would receive commensurate credit.

Creating a workable market in obesity reduction will not be easy, and achieving a perfect market is unlikely. But this strategy has sufficient promise to suggest that if we put economists, policy analysts, and nutrition experts together to work on it, we might well be able to create a practicable scheme that would allow us to move from command-and-control toward performance-based regulation for this pressing public health problem.

Given the enormity of the childhood obesity problem, we should be thinking creatively to see whether even an imperfect market might not achieve a lot more than conventional regulatory strategies.

After all, if taking Coke out of school vending machines and replacing it with milk really matters, then Coke should have an incentive to do so.

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