

You are here: [Home](#) > [UFRGS](#) > [News and Information](#) > Using Economics to fight obesity

Using Economics to fight obesity

Researcher recommends taxation methods over caloric foods to prevent the increase of obesity in Brazil

By Yuri Correa

Larissa Cardoso, a Brazilian economist, suggests in her doctoral thesis that small economic adjustments would positively impact the fight against obesity. According to the research, obesity is the biggest challenge to public health nowadays and affects over 300 million people around the world. Furthermore, the same research shows that the way this problem has been faced by the government is inadequate: it seeks to support those who are already obese, forgetting to seek for prevention methods.

Thus, the investigation concluded for a direct relationship between the cost of high-calorie foods and the body mass index of the population (although the researcher admits that the data collected in Brazil is insufficient to prove the alleged relation), and then tried to identify the extent of this influence. How would higher or lower costs affect consumers' decision-making? Ultimately, based on the results obtained, she tried to identify the role played by food prices in the prevention of obesity in Brazil.

She explains that this method is incipient in other countries and non-existent in Brazil. In Denmark, similar taxes were adopted in 2011 and extinct a year later. A study led by the universities of Oxford and Copenhagen verified that by increasing the price of high-calorie foods their consumption got reduced by 4%. This measure was adopted in Mexico in 2013 and is still active after proving its effectiveness. Meanwhile, France, Hungary, Ireland, and the United Kingdom have been benefitted by a similar tax regime, but one under less dramatic measures.

Larissa hopes that her thesis research, in a cooperation between the Universidade Federal do Rio Grande do Sul (UFRGS) and the University of Illinois, will help to create the necessary conditions for the development of public policies intended to solve the obesity problem. Larissa says that her research has been fruitful – the essays of her thesis have been submitted and presented in both national and international congresses and are about to be published in magazines.

In one of her essays, Larissa proposes a 10% increase of taxes over sugary drinks. The results of her experiment show that the economic impact would be small, and it would be compensated by the development of other sectors. She explains that this branch has weak connections to other production lines because it does not depend on them and it is not fundamental to other sectors. In other words, it operates in its own Market niche. Its demand is focused on final consumption. Therefore, according to a simulation, a 10% increase in the taxes of such products would not affect the economy of the country and would reduce household expenses in approximately 35 billion reais, which represents a reduction by 2% in the total expenses. It would influence individual consumption of sugary drinks by causing a reduction of 6,1%.

However, this would be just one of the measures that could be adopted to prevent obesity. Larissa points out that the extra weight of the population is expensive to the government because it has to deal with health problems arising from obesity. This very same government focuses solely on the treatment of consolidated cases of obesity. She says that the government should try to avoid people from becoming obese and points out that the population of Brazil has visibly been gaining weight overtime. Amongst men, the number of obese individuals has increased from 3% in 1985 to 21,7 in 2009. Amongst women, it increased from 7,6% to 19,4% in the same period. According to the researcher, this could be associated to the decrease in the price of high-calorie foods in the first years of the 21st century. Yet, she also



Study points out that increasing the price of high-calorie foods may encourage the reduction of their consumption - Photo: Paulo Pocas (Flickr - CC BY-NC 2.0)

points out that the country lacks a culture of healthy habits, what goes against any prevention policy.

The industrialization of food production has made food increasingly less healthy. Besides, technological changes have caused people to become more sedentary by throwing technological distractions at them. Therefore, taxation would be the method to balance these new social behaviors and encourage new habits. However, Larissa admits that the data was collected in well developed countries in which hunger is not an issue. Even though her goal is to suggest an economic solution for a health problem, she recognizes that this measure alone would not be enough to reach those with higher income concentration. The measure suggested by the researcher would mainly affect those of the lower classes.

The researcher explains that presently there is a new and more advanced methodological approach being developed alongside with her tax hike measure. The new approach seeks to verify the balance and the intersectoral effects of taxation in productive and financial markets. Besides that, Larissa points out that the gaps left by her thesis can be further explored in new research projects. For instance, her essay considers only a short period of time (one year) and more data would be required in order to achieve solid results. Another point of concern is that her research takes into account the consumption of sugary drinks solely at people's homes, but not the consumption of these beverages in bars and restaurants. However, she advocates for the positive aspect of her thesis – it uses economics to solve a public health problem without neglecting the civil rights.

Thesis

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