

Prevention before profits: a levy on food and alcohol advertising

Todd A Harper and Gavin Mooney

The recent, almost unprecedented interest in health promotion and disease prevention has sparked debate on the role of the alcohol and “junk-food” industries.¹⁻⁴ Are these industries part of the problem? Should their advertising practices be curtailed to reduce the problems of obesity and harmful alcohol consumption, as many health advocates argue? Or could they be part of the solution? Could the undoubted advertising clout of these industries be harnessed to drive healthier consumption choices?

In the public debate around this issue, the emphasis has been on consumption. But, in no market is it possible to consume without there being some production. Indeed, the classical economists of the 19th century believed in what was called “Say’s law” — that supply creates its own demand.

In the market today, there are few who would argue that Say’s law does, in fact, say it all. However, there are products for which it is clear that supply does create demand — striped toothpaste is a case in point. For other products, consumer demand is the stronger driving force, and this is especially true for staples like bread and rice. Other goods lie somewhere in between, and for these it is important to recognise that consumption is not the same as demand. The level of consumption is a function of both supply and demand.

Companies supplying, producing, advertising or selling alcohol or junk food (ie, food with a high content of fat, sugar or salt) do so in the expectation of a return for the company — improved sales, profits or market share, for example. These companies are not in the business of selling health. Those marketing “low-carbohydrate” beers, “mild” cigarettes, or “high-fibre” sugary cereals may try to persuade potential consumers that their products have healthy attributes, but that is not because they want to encourage healthy eating; rather, they want to increase sales and profits.

Some may argue that the market “fails” because it contributes to poor health outcomes, including obesity or harmful alcohol consumption, but this is a mistaken view.⁵ The market is not about health maximisation; it is about profit maximisation. A challenging but potentially rewarding task for public health is to see how these two seemingly competing goals — health maximisation and profit maximisation — can be brought together.

In a competitive market, it is assumed that consumers are able to make fully informed choices about their purchases; that is, they decide on their willingness to pay for goods by comparing the costs of the purchase with the benefits received — the higher the benefit they anticipate getting, the more they will be willing to pay. Note that this allows for getting it wrong — consumers may over- or understate either or both of the private costs and benefits. If a consumer proceeds with a purchase, it can be assumed that his or her perception of the private benefits exceeds the private costs.

We would argue that this is not the case with junk food and alcohol. The advertising of these products generally carries little, if any, information on the health consequences of their consumption (or any health information provided may contain significant omissions). This means that consumers may not be fully informed of the implications of their food and alcohol choices. If consumers

ABSTRACT

- The recent interest in health promotion and disease prevention has drawn attention to the role of the alcohol and junk-food industries.
- Companies supplying, producing, advertising or selling alcohol or junk food (ie, foods with a high content of fat, sugar or salt) do so to generate profits. Even companies marketing “low-carbohydrate” beers, “mild” cigarettes, or “high-fibre” sugary cereals are not primarily concerned about population health, more so increased sales and profits.
- In a competitive market, it is assumed that consumers make fully informed choices about costs and benefits before purchasing. However, consumers are not being fully informed of the implications of their junk-food and alcohol choices, as advertising of these products carries little information on the health consequences of consumption.
- We propose that there should be a levy on advertising expenditure for junk food and alcoholic beverages to provide an incentive for industry to promote healthier products. Proceeds of the levy could be used to provide consumers with more complete and balanced information on the healthy and harmful impacts of food and alcohol choices.
- Our proposal addresses two of the greatest challenges facing Australia’s preventable disease epidemic — the imbalance between the promotion of healthier and unhealthy products, and securing funds to empower consumer choice.

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are misinformed, or inadequately informed, their consumption choices may result in harm to themselves and repercussions for society. For example, with consumption of alcohol and junk food, there are likely to be social or “external” costs, including those arising from alcohol-related violence and accidents, lost workforce productivity, and the treatment of obesity.^{6,7}

Our proposal addresses these information deficits by establishing a mechanism to better inform consumers, and thus begin to redress the situation in which society bears the costs of inadequately informed consumers. This approach builds on previous efforts to ameliorate the harms of alcohol and junk food via levies on the producers of these products.^{8,9}

With our model, a levy imposed on advertising expenditure for junk food and alcoholic beverages would create a pool of funds that could be used to provide consumers with more complete and balanced information on the healthy and harmful impacts of food and alcohol choices. The scale of the levy on advertising would be determined by the alcohol content of the beverage or the nutrient profile of the food. Thus, the levy would be higher for beverages with a high alcohol content, and foods with a high content of fat, sugar or salt. The nutrient profile of food could be assessed using Food Standards Australia New Zealand’s nutrient profile model,¹⁰ to be included in the Australia New Zealand Food Standards Code

as part of the proposed new Nutrition, Health and Related Claims standard.¹¹ This nutrient profile model was first developed by the United Kingdom Food Standards Agency to identify foods with a high fat, sugar or salt content, as UK regulations place restrictions on advertising of such foods to children.

The funding could also be used to provide alternatives to junk food and alcohol sponsorships, and to inform consumers about healthier food and beverage products not advertised as heavily as the alternatives — for example, fruits and vegetables, or beverages with a lower alcohol content.

Our proposal has goals similar to those of programs operating in France.¹² There are also similarities to the 1949 tobacco advertising reforms in the United States, where the Fairness Doctrine applied to tobacco advertising had far-reaching health benefits. This required the holders of broadcast licences to present controversial issues of public importance and to do so in a manner that was honest, equitable and balanced. For example, initially one “health” message was required for every three cigarette advertisements. The Fairness Doctrine is generally given credit for much of the early decline in per capita cigarette sales during the period 1968–1970.¹³

The costs to society of alcohol and obesity are significant. Studies of the social and economic costs show that families, businesses and governments also bear a significant burden. Collins and Lapsley estimated that the social costs of alcohol in Australia for the financial year 2004–05 were \$15.3 billion, which included estimates for health care costs of \$1.9 billion, productivity costs of \$3.5 billion, road accident costs of \$2.2 billion, and costs of crime related to alcohol of \$1.4 billion.⁶ Similarly, for obesity, the social and economic costs have been estimated in 2008 to be \$58.2 billion, with almost a third of this borne by individuals, 19% by families, and 12% by the rest of society.¹⁴

In an advertising market that does not fully inform consumers of the implications of their choices, and a society that bears a significant burden as a result of these choices, is it reasonable for the food and alcohol industries to reap the benefits of such advertising, but incur none of the costs borne by society and individuals as a result of uninformed choices?

Our approach would seek to redress this, first, by providing consumers with better, and more balanced, information to support their consumption choices — particularly with respect to health implications — and, second, by increasing the incentive for the food and alcohol industries to provide and promote healthier products.

The food and alcohol industries are major advertisers in Australia — in 2008, \$109 million was spent on alcohol advertisements and \$375 million on food advertisements, with confectionery, snack food and biscuits accounting for almost a third of food advertisements, while vegetables accounted for just 4%.¹⁵

If our model were based on the principle of one health-focused advertisement for every three alcohol advertisements, the alcohol industry would be required to contribute a levy equivalent to about a quarter of the \$109 million they spend on advertising. Advertising directed towards low-alcohol products would attract a lower levy. However, if required to contribute to a fund to create health information advertising, some in the alcohol and food industries may well elect to scale back advertising of high-alcohol products or junk food, as was the case with tobacco advertising under the US Fairness Doctrine, when broadcasters were required

to give air time to antismoking advertisements or, alternatively, to direct their advertising budget to healthier products to avoid paying the levy. Funds generated by the levy could be used to pay for public education programs providing health information related to food and alcohol choices.

Grading the levy on advertising, such that the greater the adverse health effects and risks associated with the products the higher the levy,¹⁶ would not only assist in addressing consumer information deficits, it would be directly health-promoting. It would discourage the advertising of junk food and alcohol, and encourage the promotion of healthier alternatives, priorities identified by the National Preventative Health Taskforce.^{3,17} The proposal may also attract significant support from the public — recent studies suggest that consumers would welcome more information on the health implications of their alcohol consumption.¹⁸

Our proposal addresses two of the greatest challenges facing Australia's preventable disease epidemic — the imbalance between the promotion of unhealthy and healthier products, and securing funds to empower consumers to make more informed choices about consumer products and health. The proposal's underlying premise is that those who profit from selling relatively unhealthy products need to be encouraged to change their ways, and that harnessing the advertising clout and creativity of the food and alcohol industries to promote healthier products would give significant impetus to moves to improve the health of society. Our strategy provides that opportunity.

Competing interests

None identified.

Author details

Todd A Harper, BEcon, PGDipHealthProm, MHealthEcon, Chief Executive Officer

Gavin Mooney, DSocSc(hc), Honorary Professor, University of Sydney Victorian Health Promotion Foundation (VicHealth), Melbourne, VIC.

Correspondence: tharper@vichealth.vic.gov.au

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