

FROM THE EDITORS' DESK

Taste Vs Health

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III Year

Ever faced the difficult decision of choosing between a MaharajaMac burger (yummy, right?) and a vegetable soup? If you choose the latter, you must possess great courage and willpower! The choice between tasty-but-calorie-rich food items on the one hand and healthy-but-distasteful dishes on the other is undeniably a difficult one and is something we face every day. Yet, more and more people are giving in to the desires of their tongue which is evident by the increasing obesity levels. According to the World Health Organisation (WHO), worldwide obesity has nearly doubled since 1980. In 2008, more than 1.4 billion adults, aged 20 and above, were overweight. Of these, over 200 million were men and nearly 300 million were women.

Obesity is defined as abnormal or excessive fat accumulation that may impair health. It is the fifth major cause for global deaths. At least 2.8 million adults die each year as a result of being overweight or obese. In addition, 44% of the diabetes burden, 23% of the ischaemic heart disease burden and between 7% and 41% of certain cancer burdens are attributable to obesity. Once considered a high-income country problem, overweight and obesity are now on the rise in low and middle-income countries, particularly in urban settings.

The fundamental cause of obesity is an energy imbalance between calories consumed and calories expended. Globally, there has been an increase in the intake of energy-dense foods that are high in fat and arise in physical inactivity due to the increasingly sedentary nature of many forms of work, changing modes of transportation, and increasing urbanization.

The consequences of obesity can be very severe leading to increased risk of cardiovascular diseases (mainly heart disease and stroke), diabetes, musculoskeletal disorders (especially osteoarthritis - a highly disabling degenerative disease of the joints), hypertension, insulin resistance and psychological effects.

We now attempt to explain the above phenomenon through the microeconomic tool of game theory. The game is played between two players: myself, and everyone else. Each player can either choose to eat tasty but unhealthy foods or unsavory but healthy dishes. We assume that there does not exist any good which satisfies the mantra of "Taste bhi health bhi", that is, all healthy foods are unsavory while all unhealthy/junk foods please the tongue. We further suppose that junk food makes you obese, while healthy food helps you stay thin.

Game 1:

In this game, we try to explain the trend of rising world obesity. This occurs because people give more weightage to instant pleasure than long-term benefits.

The payoffs of this game are as follows: If both the players eat junk food, then they obtain momentary satisfaction by enjoying a mouth-watering meal and hence the payoffs are 3, 3. If I eat junk food whereas everybody else eats healthy food, then I get a payoff of 3 whereas others get a payoff of 2. The opposite is true if I eat healthy food and everybody else eat junk food. If all of us eat healthy food, then we get displeasure by eating distasteful food, but this is slightly offset by long-term health benefits we receive. Hence, the payoffs are 2, 2.

		EVERYONE ELSE	
		Junk	Healthy
MYSELF	Junk	3,3	3,2
	Healthy	2,3	2,2

In this case the Nash equilibrium is (Junk, Junk).

Game 2:

In this game, we introduce a third factor that we call 'social consciousness.' Apart from the above mentioned benefits, now there is an additional utility from the consumption of healthy foodstuffs as they help one to stay slim. Staying fit has various advantages such as increased confidence and self-respect, ability to look good in the clothes we wear and gaining social acceptance. Others also seek our company more frequently.

The payoffs of the game also get altered accordingly. Now if both the players eat junk, then they get a payoff of 3 each, which is again due to the momentary satisfaction

gained from scrumptious food. If both eat healthy food, the payoffs are 4(=2+2), which is a sum of benefits gained from being disease-free (2) and those from staying slim (2). But now, if I eat junk and everybody else eats healthy food, then my utility of 3(acquired through the consumption of tasty dishes) gets reduced by a factor of 2, since my utility declines when I see others fit and myself obese. My net payoff, thus, is $3-2=1$. Everyone else's utility is 4, which is the utility from eating healthy food. The reverse occurs when I eat healthy food and everybody else eats junk food.

		EVERYONE ELSE	
		Junk	Healthy
MYSELF	Junk	3,3	1,4
	Healthy	4,1	4,4

So in this case, the Nash equilibrium is (Healthy, Healthy). The fact that everyone is healthy is more optimal from the society's point of view since everyone is able to enjoy the benefits of being hale and hearty.

Hence, we observe that when people give more preference to instant gratification, everybody eats more junk food which is a sub-optimal outcome for society. But if people become more conscious, then we can arrive at a situation where everyone eats healthy food and stays fit. We recognize the fact that the assumption that no healthy food is delicious may not be true in reality. Nevertheless, the model does depict the trade-off that one faces in a lot of real world situations. Hence, here we propose raising the level of social consciousness as a solution to controlling the rising world obesity levels. Even though people may be aware of the benefits of eating healthy food, yet they may often succumb willingly to the temptation. Yet if there is a strong social cost of being obese in terms of low

confidence level and social seclusion, then people will have a greater incentive to stay fit and the trade-off will align in favour of healthy food items.

References:

1. *The World Health Organisation report, 2008*

Small Scale Industries Vs Multinational Corporations

Debasmita Padhi (II Year) and Falak Arora (I Year)

The main motive of the Indian policymakers in the wake of the recent financial crisis in India has been to attract FDI (Foreign Direct Investment). This move is expected to put the Indian economy back on track. No recent debate on Indian development is ever complete without the mention of multinationals and foreign investment. It is vital to analyze then, this aspect of Indian policymaking. When domestic investment and savings doesn't meet the required rate of growth in the economy, the gap in investment is filled by the MNCs' investment. When the targeted foreign exchange is not met by the net foreign exchange derived from imports and exports together with net public debt, the gap is constituted by MNCs' net exports and capital inflow. They fill the gap between targeted government tax revenues and locally raised taxes as well as the gap of management skills, entrepreneurship and technological skills. However, there is a need for meticulous examination before

hailing these big daddies of the corporate world as the panacea for our nation's economy. MNCs provide capital and savings but they charge a higher interest on capital borrowed by the government in the host country. MNCs repatriate the profits to their home country hindering the re-investment possibility of those profits in the host country. Further, MNCs import the required intermediate goods without purchasing from domestic producers, thereby reducing the opportunity to grow for the domestic producers. Even the tax policies are liberalized for these companies.

An argument in favour of these multinationals is that they help provide competition to local small scale industries and help improve their quality. While it may be true in some cases, the fact remains that multinationals have greater power. Power in the dual sense- market power as well as political power!! The large scale campaigning for some major political parties is financed by these big-shots and these parties in turn return their favours by providing quick approvals and clearances. These companies then begin to dictate to some extent the policies adopted by their host nation. What kind of one-sided competition are we then providing to our local industries?? Aren't we furthering a monopolistic structure by wiping out our very own "kirana-shops" with these giants?? In the US, small retailers that once served the middle classes could not match Walmart's much lower prices. The Indian retail market is different. These locally owned, small retailers keep their prices low because they use only the cheapest possible casual labour and invest next to nothing in their stores. Prices cannot get any lower. In India, Walmart can compete only by offering higher prices — and better quality to attract the middle-class consumers who are able to pay. Who is willing to shop for