**FACTSHEET - DEBATE 1: Solving the problem of merit goods through the NHS. Is it working in reducing obesity?**

**Background to the debate**

Today nearly a third of children aged 2 to 15 are overweight or obese and younger generations are becoming obese at earlier ages and staying obese for longer. Reducing obesity levels will save lives as obesity doubles the risk of dying prematurely. Obese adults are seven times more likely to become a type 2 diabetic than adults of a healthy weight which may cause blindness or limb amputation. And not only are obese people more likely to get physical health conditions like heart disease, they are also more likely to be living with conditions like depression.

The economic costs are great, too. We spend more each year on the treatment of obesity and diabetes than we do on the police, fire service and judicial system combined It was estimated that the NHS in England spent £5.1 billion on overweight and obesity-related ill-health in 2014/15.

The burden is falling hardest on those children from low-income backgrounds. Obesity rates are highest for children from the most deprived areas and this is getting worse. Children aged 5 and from the poorest income groups are twice as likely to be obese compared to their most well off counterparts and by age 11 they are three times as likely.

Obesity is a complex problem with many drivers, including our behaviour, environment, genetics and culture. However, at its root obesity is caused by an energy imbalance: taking in more energy through food than we use through activity. Physical activity is associated with numerous health benefits for children, such as muscle and bone strength, health and fitness, improved quality of sleep and maintenance of a healthy weight. There is also evidence that physical activity and participating in organised sports and after school clubs is linked to improved academic performance.

The numbers living with the disease has risen by 60 per cent in just 10 years. According to figures released by the charity Diabetes UK, more than 3.3 million people have the condition in some form, an increase of one million in a decade.

It is estimated that today’s obesity epidemic costs the global economy about $2tn (£1.6tn) or some 3% of GDP. For individuals, deciding what to eat is a jealously guarded privilege, but for economists obesity is not really about people exercising free-market choice. Instead it is a market failure. Obesity affects poor households far more than their richer neighbours – and the cost of eating healthily is a very practical reason why.

If the market is failing to provide enough healthcare, then the Government must step in by subsidizing healthcare or providing healthcare ‘free at the point of use’. This means that consumers do not have to pay for the consumption of healthcare. In 1948, the UK launched the NHS (National Health Service). Health care spending in the UK has increased dramatically in real terms (adjusted for inflation) since 1948. In the post war period, we have also seen a sharp rise in public health care spending as a % of GDP (from 3% in 1960 to 7.8% in 2010). This matches a global rise in health care spending. However, despite the long-term rise in real spending, in recent years, the UK has seen a fall in health care spending as a % of GDP – and this trend is forecast to continue until 2020.

**General arguments about Government Provision from the Text Book**

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| **Advantages of Subsidies** | **Disadvantages of Subsidies** |
| + Increased consumption of goods with external benefits + Should also reduce the amount of external costs of substitute goods and help solve the market failure + Uses the market to solve the market failure by internalising the external benefits into decision making + Improvement in equality as those on low incomes can now afford good with external benefits due to the lower price, as well as supporting employment in certain industries.  | - Opportunity cost of subsidy & possible impacts on taxation or national debt.- Firms may become inefficient if they rely on the subsidy rather than cutting their own costs.- Are the substitutes good enough for people to switch to? Will demand for the goods with external cost have inelastic PED? - Very hard to identify the external benefit exactly and therefore subsidy may be at the wrong level. - Other costs of administration, as well as regulating the provision of the subsidy.  |

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| **Advantages of Government Provision** | **Disadvantages of Government Provision** |
| + Government directly controls provision+ Everyone can consume the good if necessary (increased fairness)+ Trusted supplier with common standards, who is less likely to exploit imperfect information and monopoly power.  | - Needs tax revenue to fund & opportunity cost of funding direct provision - May be inefficient as no incentive to cut costs & difficult to maintain consistent standards- Will the Government be able to manage the system effectively given imperfect information and the scale of production needed. Could be an example of **government failure.**  |

**Sources to Access (the bare minimum you should be looking at):**

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| Watch these videos(10): Obesity Effects on the NHS (You Tube) - <https://www.youtube.com/watch?v=KWFIO0lSq3s> (25): ITV Tonight – XXL Britain - <https://www.youtube.com/watch?v=C8P0HJo-_fg>  | Read these articles(1) BBC News: NHS Approach ‘extremely patchy’: <http://www.bbc.co.uk/news/health-20876530> (2) Child Obesity rates on the rise - <http://www.bbc.co.uk/news/health-37859484> (3) Obesity could bankrupt the NHS - <https://www.theguardian.com/society/2014/sep/17/obesity-bankrupt-nhs-warning>  |

**EVALUATING THIS GOVERNMENT INTERVENTION: Is the NHS succeeding in the fight against obesity?**

Use the resources above and other internet research to put down some arguments on both sides.

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| Advantages (Government Intervention is a Success) | Disadvantages (Government Intervention is a Failure |
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| CONCLUSION |