

Commentary

A Wealth Of Trouble

Robert F. Graboyes 10.18.06, 12:00 PM ET
RICHMOND, VA. -



Obesity is as much an economic phenomenon as a medical one. Great girth, for example, was long considered a sign of great wealth. There was a reason high-powered executives were once called "fat cats." To fight the battle of the wealth-induced bulge, a proper weight loss regimen may need an economic solution: The Financially Leveraged Asset for Bariatric Incentives. It's something I like to call, FLABI.

A Problem of Incentives

A few decades back, Americans became wealthy enough to overeat and too busy earning their wealth to burn off the extra calories. Food (fattening foods especially) became cheaper relative to income and available on instant impulse. The result was physiques that crowd aisles, alleys and airplanes.

Vanity used to keep us thin; now it makes us fat. The old vanity said, "Work eight hours a day; but walk to the park for your tuna sandwich and apple, work out at the gym and take time to cook a healthy dinner." Weekends, you displayed your abs and pecs in front of the beach bungalow you rented. The new vanity says, "Work twelve hours a day, eat burgers and fries at your desk, and glance into the gym window as you begin the long drive home to your prestigious suburb." Weekends, you display your Maserati in front of the award-winning beach house you built. (You're inside answering office e-mails, however.)

Obesity causes expensive medical problems, but insurers and taxpayers, not you, will pay the bill. Hence, nacho time. Good fortune blew us up like balloons. Now, we spend fortunes on often futile attempts to deflate ourselves.

Governments and employers seem to have a hunch that economics is involved. They've taken some steps to act on the hunch, but their actions may be too feeble to make a difference. Legislators propose taxing grams of fat or allowing higher insurance premiums for the obese. Employers provide low-calorie lunches, subsidize gym memberships, offer on-site weight control seminars and distribute wellness brochures. But while the brochures say, "Go to the gym," the salary and promotion structures say, "Eat in your cubicle." The problem is that all of these proposals mete out rewards or punishments totaling a few thousand dollars a year at most. For many or most overweight people, this is not enough.

The Greenback Diet: Putting Your Money Where Your Mouth Is

The FLABI is a homemade financial derivative that ramps up the incentives, turning your own greed, frugality and vanity into a fat-burning machine. Here's how it could work.

Set a goal: Lose 26 pounds in 26 weeks. Take a check for \$6,000 to your attorney and have him or her place it in an escrow account with carefully specified payout provisions. At the end of 26 weeks, go for a legally binding weigh-in. The attorney pays you \$200 for each of the first 25 pounds you've lost and \$1,000 for losing pound 26. Lose 26 pounds, and you get the entire \$6,000 back. Lose 25 pounds, and you get only \$5,000. At 24 pounds, it's \$4,800. If you lose no weight (or gain weight), you forfeit the entire \$6,000. The big drop at pound 26 discourages you from slacking off near the end; you'll probably lose a couple extra pounds just to be sure.

What happens to the funds you forfeit? You could specify in the escrow agreement that these funds go to the Society for the Prevention of Cruelty to Animals or your alma mater. The problem with this, though, is that if you fail at the diet, you'll still feel good about contributing to a worthy organization.

For a more potent incentive, specify instead that the leftover funds go to a recipient whom you loathe. If you're conservative, have the funds go in your name to MoveOn.org, People for the Ethical Treatment of Animals or NARAL. Liberals can try the National Rifle Association, Focus on the Family or the George W. Bush Presidential Library. Make sure your donation will show up on a bronze plaque and on a publicly accessible Web site. Every time someone Googles your name, your generous donation will top the screen.

Tailor the FLABI to your individual requirements. A \$2,000 fund might work for a teacher, store clerk or aspiring artist. An NFL linebacker, movie star or CEO might have to risk \$200,000 before the incentive is sufficient. For a back-of-the-envelope guess, maybe 1% to 3% of your annual income would do the job. The problem with existing incentives (the employee gym, the fat tax, etc.) is that similar dollar amounts apply to everyone--from the janitor to Bill Gates.

A mark-to-market provision would help keep your regimen on course. Have the attorney write in mandatory weekly or biweekly weigh-ins, and each time, she can provide a written estimate of end-of-period losses. "At week ten, you have lost 5 pounds of your 10-pound goal. At this rate, you will lose 13 pounds in 26 weeks. If so, \$3,400 of your escrow account will go, in your name, to the Saddam Hussein Legal Defense Fund."

As the legally enforced deadline approaches, you won't see potato chips and candy in the vending machine. You'll see Al Sharpton or Pat Robertson behind the glass, with hand extended and palm upturned. At the drive-through window, the face asking you to supersize the fries will be that of Howard Dean, Karl Rove or Lyndon LaRouche

Notice that there's no mention of *how* you lose the weight. If the gym works for you, fine. Medication? Ask your doctor. Cut out carbs? Whatever. Economists assume that, with proper incentives, you'll seek information that yields the cheapest, easiest, most efficient path to your goal. A substantial proportion of overweight people already know exactly how to lose weight; they simply lack the incentive to do so.

"It is not from the benevolence of the butcher, the brewer or the baker that we expect our dinner," Adam Smith famously wrote, "but from their regard to their own interest." Today, the interests of butchers, brewers, and bakers are benefiting all too well from our work schedules. Smith's message was that incentives matter. If you really want to, you and your attorney can realign the incentives by raising the cost of weight gain beyond your threshold of pain. (Somewhere on Wall Street, some firm could make a mint by creating a standardized FLABI with a toll-free telephone phone number.)

A confession: This article is a thought experiment and not necessarily a serious proposal. There may be legal obstacles to a FLABI contract. A poorly specified FLABI could even induce risky behavior; a person who has failed to lose weight midway through the program might attempt dangerously rapid weight loss to salvage his money. No major weight loss regimen should be undertaken without consulting a physician.

But the idea behind the FLABI illustrates a crucial point in understanding and combating obesity. Suing McDonald's and taxing trans-fatty doughnuts is unlikely to thin us down. Exercise and a proper diet require time, and in an age of unprecedented wealth, time has become terribly valuable. In designing anti-obesity policies, employers and governments need to recognize that different people need different incentives. Ultimately, halting obesity may depend on individuals creating their own economic incentives--the FLABI being just one such idea.

Dr. Graboyes teaches health economics at the University of Richmond, Virginia Commonwealth University and the University of Virginia. He also chaired the Health Economics Roundtable of the National Association for Business Economics.