

Article 1

Coronary Capitalism

Kenneth Rogoff

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FRANKFURT – A systematic and broad failure of regulation is the elephant in the room when it comes to reforming today’s Western capitalism. Yes, much has been said about the unhealthy political-regulatory-financial dynamic that led to the global economy’s heart attack in 2008 (initiating what Carmen Reinhart and I call “The Second Great Contraction”). But is the problem unique to the financial industry, or does it exemplify a deeper flaw in Western capitalism?

Consider the food industry, particularly its sometimes-malign influence on nutrition and health. Obesity rates are soaring around the entire world, though, among large countries, the problem is perhaps most severe in the United States. According the US Centers for Disease Control and Prevention, roughly one-third of US adults are obese (indicated by a body mass index above 30). Even more shockingly, more than one in six children and adolescents are obese, a rate that has tripled since 1980. (Full disclosure: my spouse produces a television and Web show, called kickinkitchen.tv, aimed at combating childhood obesity.)

Of course, the problems of the food industry have been vigorously highlighted by experts on nutrition and health, including [Michael Pollan](#) and [David Katz](#), and certainly by many economists as well. And there are numerous other examples, across a wide variety of goods and services, where one could find similar issues. Here, though, I want

to focus on the food industry's link to broader problems with contemporary capitalism (which has certainly facilitated the worldwide obesity explosion), and on why the US political system has devoted remarkably little attention to the issue (though First Lady Michelle Obama has made important efforts to raise awareness).

Obesity affects life expectancy in numerous ways, ranging from cardiovascular disease to some types of cancer. Moreover, obesity – certainly in its morbid manifestations – can affect quality of life. The costs are borne not only by the individual, but also by society – directly, through the health-care system, and indirectly, through lost productivity, for example, and higher transport costs (more jet fuel, larger seats, etc.).

But the obesity epidemic hardly looks like a growth killer. Highly processed corn-based food products, with lots of chemical additives, are well known to be a major driver of weight gain, but, from a conventional growth-accounting perspective, they are great stuff. Big agriculture gets paid for growing the corn (often subsidized by the government), and the food processors get paid for adding tons of chemicals to create a habit-forming – and thus irresistible – product. Along the way, scientists get paid for finding just the right mix of salt, sugar, and chemicals to make the latest instant food maximally addictive; advertisers get paid for peddling it; and, in the end, the health-care industry makes a fortune treating the disease that inevitably results.

Coronary capitalism is fantastic for the stock market, which includes companies in all of these industries. Highly processed food is also good for jobs, including high-end employment in research, advertising, and health care.

So, who could complain? Certainly not politicians, who get re-elected when jobs are plentiful and stock prices are up – and get donations from all of the industries that participate in the production of processed food. Indeed, in the US, politicians who dared to talk about the health, environmental, or sustainability implications of processed food would in many cases find themselves starved of campaign funds.

True, market forces have spurred innovation, which has continually driven down the price of processed food, even as the price of plain old fruits and vegetables has gone up. That is a fair point, but it overlooks the huge market failure here.

Consumers are provided with precious little information through schools, libraries, or health campaigns; instead, they are swamped with disinformation through advertising.

Conditions for children are particularly alarming. With few resources for high-quality public television in most countries, children are co-opted by channels paid for by advertisements, including by food industry.

Beyond disinformation, producers have few incentives to internalize the costs of the environmental damage that they cause. Likewise, consumers have little incentive to internalize the health-care costs of their food choices.

If our only problems were the food industry causing physical heart attacks and the financial industry facilitating their economic equivalent, that would be bad enough. But the pathological regulatory-political-economic dynamic that characterizes these industries is far broader. We need to develop new and much better institutions to protect society's long-run interests.

Of course, the balance between consumer sovereignty and paternalism is always delicate. But we could certainly begin to strike a healthier balance than the one we have by giving the public far better information across a range of platforms, so that people could begin to make more informed consumption choices and political decisions.

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Article 2

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The Diet Debacle

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SAN FRANCISCO – Two seemingly benign nutritional maxims are at the root of all dietary evil: *A calorie is a calorie*, and *You are what you eat*. Both ideas are now so entrenched in public consciousness that they have become virtually unassailable. As a result, the food industry, aided and abetted by ostensibly well-meaning scientists and politicians, has afflicted humankind with the plague of chronic metabolic disease, which threatens to bankrupt health care worldwide.

The United States currently spends \$147 billion on obesity-related health care annually. Previously, one could have argued that these were affluent countries' diseases, but the United Nations announced last year that chronic metabolic disease (including diabetes, heart disease, cancer, and dementia) is a bigger threat to the developing world than is infectious disease, including HIV.

These two nutritional maxims give credence to the food industry's self-serving corollaries: If a calorie is a calorie, then *any food can be part of a balanced diet*; and, if we are what we eat, then *everyone chooses what they eat*. Again, both are misleading.

If one's weight really is a matter of personal responsibility, how can we explain toddler obesity? Indeed, the US has an obesity epidemic in six-month-olds. They don't diet or exercise. Conversely, up to 40% of normal-weight people have chronic metabolic disease. Something else is going on.

Consider the following diets: Atkins (all fat and no carbohydrates); traditional Japanese (all carbohydrates and little fat); and Ornish (even less fat and carbohydrates with lots of fiber). All three help to maintain, and in some cases even improve, metabolic health, because the liver has to deal with only one energy source at a time.

That is how human bodies are designed to metabolize food. Our hunter ancestors ate fat, which was transported to the liver and broken down by the *lipolytic* pathway to deliver fatty acids to the mitochondria (the subcellular structures that burn food to create energy). On the occasion of a big kill, any excess dietary fatty acids were packaged into low-density lipoproteins and transported out of the liver to be stored in peripheral fat tissue. As a result, our forebears' livers stayed healthy.

Meanwhile, our gatherer ancestors ate carbohydrates (polymers of glucose), which was also transported to the liver, via the *glycolytic* pathway, and broken down for energy. Any excess glucose stimulated the pancreas to release insulin, which transported glucose into peripheral fat tissue, and which also caused the liver to store glucose as glycogen (liver starch). So their livers also stayed healthy.

And nature did its part by supplying all naturally occurring foodstuffs with either fat or carbohydrate as the energy source, not both. Even fatty fruits – coconut, olives, avocados – are low in carbohydrate.

Our metabolisms started to malfunction when humans began consuming fat and carbohydrates at the same meal. The liver mitochondria could not keep up with the energy onslaught, and had no choice but to employ a little-used escape valve called “*de novo* lipogenesis” (new fat-making) to turn excess energy substrate into liver fat.

Liver fat mucks up the workings of the liver. It is the root cause of the phenomenon known as “insulin resistance” and the primary process that drives chronic metabolic disease. In other words, neither fat nor carbohydrates are problematic – until they are combined. The food industry does precisely that, mixing more of both into the Western

diet for palatability and shelf life, thereby intensifying insulin resistance and chronic metabolic disease.

But there is one exception to this formulation: sugar. Sucrose and high-fructose corn syrup are comprised of one molecule of glucose (not especially sweet) and one molecule of fructose (very sweet). While glucose is metabolized by the glycolytic pathway, fructose is metabolized by the lipolytic pathway, and is not insulin-regulated. Thus, when sugar is ingested in excess, the liver mitochondria are so overwhelmed that they have no choice but to build liver fat. Today, 33% of Americans have a fatty liver, which causes chronic metabolic disease.

Prior to 1900, Americans consumed less than 30 grams of sugar per day, or about 6% of total calories. In 1977, it was 75 grams/day, and in 1994, up to 110 grams/day. Currently, adolescents average 150 grams/day (roughly 30% of total calories) – a five-fold increase in one century, and a two-fold increase in a generation. In the past 50 years, consumption of sugar has also doubled worldwide. Worse yet, other than the ephemeral pleasure that it provides, there is not a single biochemical process that requires dietary fructose; it is a vestigial nutrient, left over from the evolutionary differentiation between plants and animals.

It is therefore clear that *a calorie is not a calorie*. Fats, carbohydrates, fructose, and glucose are all metabolized differently in the body. Furthermore, *you are what you do with what you eat*. Combining fat and carbohydrate places high demands on the metabolic process. And adding sugar is particularly egregious.

Indeed, while food companies would have you believe that sugar can be part of a balanced diet, the bottom line is that they have created an unbalanced one. Of the 600,000 food items available in the US, 80% are laced with added sugar. People cannot be held responsible for what they put in their mouths when their choices have been co-opted.

And this brings us back to those obese toddlers. The fructose content of a soft drink is 5.3%. Of course, many parents might refuse to give soft drinks to their children, but the fructose content of soy formula is 5.1%, and 6% for juice.

We have a long way to go to debunk dangerous nutritional dogmas. Until we do, we will make little headway in reversing an imminent medical and economic disaster.

Questions

Article 1

1. What is the “coronary capitalism”?
2. On page 2, the author says
“True, market forces have spurred innovation, which has continually driven down the price of processed food, even as the price of plain old fruits and vegetables has gone up. That is a fair point, but it overlooks the huge market failure here”
Explain what “the huge market failure” is and why market does not realize it ?
3. On page 3, the author says, “balance between consumer sovereignty and paternalism is always delicate.” In the case of coronary capitalism, what is your balance?

Article 2

1. Using the maxims that calorie is calorie and you are what you eat, what does the author address about the obesity problem of the U.S. ?
2. Give your ideas about why it is difficult to “debunk dangerous nutritional dogmas.”