

- 1 (a) Discuss the extent to which the UK obesity problem can be seen as market failure in the food industry.

(8)

Market failure is the misallocation of resources, and occurs when social costs exceed social benefits. It is clear that obesity is market failure, as it currently costs the NHS £6 billion to treat obesity related illnesses. This money could be spent elsewhere, for example the government could ~~sp~~ buy new schools or build new hospitals to treat people who are not obese.

This is opportunity cost. Obesity is the second largest global social issue and ~~costs~~ is 3% of the UK's GDP.

In the food industry, goods such as fast food is a demerit good, which are overproduced and overconsumed.

Negative externalities are often associated with demerit goods. This means that a third party, like being affected in a negative way. This can be seen in obesity, as the NHS currently has a shortage of nurses and beds therefore resources are being used on obese people when other people who have not consumed the fast food are suffering because of it.

Overall, it is evident that obesity is market failure as it requires the NHS funding, which leads to a misallocation of resources.

