

Unit 1, Lesson 1

Activity 1

Why Are We a Nation of Couch Potatoes?

Many people think that economics is as dry as dust and as remote as the moon. Is it really? Not at all. Economics asks you to consider problems in a mature, real-world sort of way. It gives you an intellectual edge in addressing problems. Its twists and turns are sometimes unexpected and sometimes fun.

Guide to Economic Reasoning

The key assumptions of economics may be stated variously and applied with different emphases, depending on the problem at hand. These principles can't do your thinking for you, but they provide you with a place to begin — a source of hunches to play out against the evidence, and a means of sorting the useful clues from the useless ones.

This Guide to Economic Reasoning focuses on six principles:

1. People *choose*.
2. People's choices involve *costs*.
3. People respond to *incentives* in predictable ways.
4. People create economic *systems* that influence individual choices and incentives.
5. People gain when they *trade voluntarily*.
6. People's choices have *consequences that lie in the future*.

To get familiar with these principles, think about how they might apply to the mystery of why the United States is becoming a nation of couch potatoes. We know that many Americans admire people who are fit and trim. We also know that not exercising enough and eating too much can cause a number of health problems including cancer, diabetes, and heart disease. So, why do Americans increasingly exercise too little and eat too much? And what might economics have to do with the question?

Your first response might be that Americans are lazy. Is this the best explanation? Let's work through the principles of the Guide to see what light they shed on the problem.

1. PEOPLE CHOOSE.

This principle may seem to state the obvious, but it is meant to emphasize two important meanings. First, people do in fact make choices. Think about how often you hear people say that, in one situation or another, they had "no choice" but to act as they did. In this respect, young people and adults are much alike. Both

are prone to deny that they are making choices when that is exactly what they are doing. In some cases, at least, both are prone to explain their actions as matters of necessity — perhaps necessity imposed by others.

Second, economists claim that, in making choices, people are rational. They are rational in that *they seek by their choices to obtain the best possible combination of costs and benefits*. To put it in other words: In choosing, people are *economizing*. They are trying to make the best decisions they can under the circumstances. The circumstances include the relative importance of the decision, what the person making the decision knows, what it will cost to learn more, and how much time there is in which to decide.

What does all this have to do with Americans becoming couch potatoes? Using economic reasoning, we assume that behavior related to exercise and diet is the result of personal choice regarding several matters, including work and the use of leisure time.

2. PEOPLE'S CHOICES INVOLVE COSTS.

Decisions come with costs. Always. This is clear enough in the case of decisions to buy something. But the costs that come with decisions are not always dollar costs. Deciding to chat on the phone a while longer with a friend might seem to be free. But the cost in that case might be, for example, not doing your homework or missing a favorite television show.

While there are many kinds of cost, economists stress the importance of *opportunity cost*. In any decision, the opportunity cost is the person's second-best choice. It is not every alternative not selected. After all, the list of alternatives in a given case is endless. Of all the possibilities, the opportunity cost is the second-best alternative — the one you would have chosen next.

Do costs apply to decisions about exercise? Of course. Imagine that you have just returned home from school. You are a little tired. You could pull on your running shoes and go for a two-mile jog. Or you could sink into your favorite chair, reach for the remote, and watch your favorite after-school television show. You choose to watch television. You traded off jogging for watching television. The opportunity cost was jogging not jogged. Exercise is not free.

Do choices about diet entail costs and trade-offs? Of course. Imagine that you have joined a group of friends to eat out at your favorite fast-food restaurant. You consider two items from the menu, a tasty salad or your favorite double cheeseburger with mushrooms, bacon, and a special sauce. You choose the salad. Your opportunity cost is the double cheeseburger — a big sacrifice for many of us!

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According to two prominent economists, the cost of exercising has increased recently. What might this mean? Not long ago, and throughout most of our history, work in the United States was often strenuous and dangerous. Many jobs involved plowing, hauling, shoveling, climbing, digging, lifting, chopping, stooping, handling large animals, fishing from small boats in heavy seas, and so on. In doing work of this sort, Americans were, in effect, paid to exercise. Exercise came with the job, as a sort of fringe benefit.

In the United States today, work has changed. Most work now entails little exercise. For millions of Americans, work means sitting at a desk staring into a computer screen, tapping on a keyboard, talking on a cell phone, and attending meetings. Instead of *getting paid to exercise*, many people in sedentary jobs must *pay to exercise* — spending money and leisure time to exercise at health clubs, for example. The increased cost in time and money discourages many Americans from exercising or decreases the time they spend doing it.

3. PEOPLE RESPOND TO INCENTIVES IN PREDICTABLE WAYS.

Incentives are rewards. One powerful incentive is money. It is a powerful incentive because it can be exchanged for other things that people want. But not all incentives are monetary. Another sort of incentive has to do with the satisfaction that comes from doing the right thing. Examples abound. Many people perform acts of kindness that involve no monetary rewards. They volunteer to donate blood and vital organs, they pick up trash in a park or along the highway, they show up to vote on election day. Some people — including police officers and fire fighters — risk their lives daily for reasons that go beyond the salaries they earn.

In one sense, however, these acts of kindness and civic virtue can also be explained by economic principles. Such acts reflect self-interest, economists might say, not selfishness. The self-interest is the interest some people have in living a certain sort of life.

How do incentives bear on the case of the burgeoning couch potatoes? Americans must be responding to incentives. Consider two. First, the price of food acts as an incentive. Technological changes have greatly lowered food prices. This means that the cost of calories, including excess calories, has decreased. The decrease in cost amounts to an incentive, encouraging people to eat more than they otherwise would.

Improvements in passive entertainment provide a second incentive. Many Americans now have hundreds of choices for television viewing. New programs are constantly being invented, tested, and accepted or rejected by audiences. Computer games also are attractive to many people. For some, these games are nearly impossi-

ble to put down. The fun people derive from passive entertainment acts as an incentive, encouraging them to remain firmly rooted to their couches or desk chairs.

4. PEOPLE CREATE ECONOMIC SYSTEMS THAT INFLUENCE INDIVIDUAL DECISIONS.

Economic behavior occurs in a climate of rules, formal and informal. The “rules of the game” influence the choices people make in particular cases. Rules often act as incentives. Tax laws, for example, influence people’s behavior. If a city government places a heavy tax on the width of buildings, tall, narrow buildings soon begin popping up. If a state government places a large tax on savings accounts, people soon begin keeping less money in those accounts.

How might the “rules of the game” influence the behavior of couch potatoes? The American economy is a relatively open and free system. It changes and grows as technology and consumer tastes change. People are rewarded for creating new goods and services and new ways of supplying them to consumers.

The historic shift from manufacturing jobs to service jobs in the United States has changed our typical levels of physical activity. Most service jobs involve light work, physically, and some jobs in the service sector pay very well. Thus, our economic system has created conditions in which people now are likely to take jobs that are not physically demanding.

The rules of the American economic system encourage businesses to respond to consumer demand. Many consumers are obviously interested in making life easier at home. Businesses have responded by producing all sorts of labor-saving devices: power lawn mowers, snow and leaf blowers, dishwashers, washing machines and dryers, electric stoves, TV remotes, gas and electric furnaces, freezers, vacuum cleaners, prepared foods, microwaves, and so on. But in the drive for ease and convenience there is an unintended consequence. The devices that save us time and effort also reduce the amount of physical work done at home. At home and at work, then, our economic system allows people to substitute technology for physical effort.

5. PEOPLE GAIN WHEN THEY TRADE VOLUNTARILY.

“Voluntary” here refers to a lack of coercion. “Your money or your life!” does not describe an instance of voluntary trade. “Gain” refers to money gains, of course, but also to other benefits. Examples of voluntary trade are everywhere. Purchasing a movie ticket, filling a car with gas, buying a stock — all involve instances of voluntary trade in which people exchange something they value less for something they value more.

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What does voluntary trade have to do with exercise and diet? Exchanges involving employment rarely highlight exercise and diet as top priorities. Instead, people understand that service jobs are likely to be safe and healthful in a physical sense, involving little wear and tear on the body. Many people are willing to trade their labor for the income and benefits offered by employers in the service sector. They recognize correctly that they are likely to live longer and work longer as a result. Both the employer and the employee benefit from such an exchange.

People gain when they trade voluntarily, but this general principle does not mean that people can't make mistakes. Things can go wrong, as anybody who has ever made a bad decision knows. While the benefits of safer jobs are clear, safer jobs come with problems of their own. The desk job that ensures a worker against threats of muscle strain and frostbite may also add to the worker's risk of gaining weight.

In purchasing food, people also engage in voluntary trade — sometimes more than they should. Grocery store owners and restaurant owners are happy to oblige. In this sense, all parties are better off as a result of the exchanges they make. But here too people obviously make mistakes — eating more today, perhaps, while telling themselves that they will reduce their intake and start exercising tomorrow.

6. PEOPLE'S CHOICES HAVE CONSEQUENCES THAT LIE IN THE FUTURE.

Despite messages from advertisers urging all of us to "live for today," many people work hard at living for tomorrow. At least they give thought to tomorrow as they strive to make decisions that will benefit them in the future. For example, people tend to care for cars they own better than the cars they sometimes rent. Car owners have a long-term interest in caring for their cars, since maintenance bills and resale values are affected by the quality of care owners provide. Similarly, many homeowners care for their homes more lovingly than they cared for the apartments they once rented — again because they have a long-term interest in their homes' quality and market value.

Overall, the shift toward work that is physically less demanding and less dangerous has made Americans better off. The same economic and technological progress that has boosted Americans' standard of living has made work more sedentary. For many Americans it also has made life outside the workplace more interesting. While workers are less often "paid" to exercise today, they also are less vulnerable to the dangers and costly injuries their parents and grandparents often faced on the job. In this sense, people have traded thinness to live longer, healthier, and more interesting lives than ever before. This is

not to say that people want to be overweight, but they do seem to prefer it to the alternatives.

The negative consequences of being a couch potato, however, have also begun to influence people in their views of the future. People are joining health clubs in record numbers. People are trying to reduce the cost of exercise by doing more of it on the job — by forming exercise groups at work, for example, or by avoiding elevators and taking walks during breaks, or by parking at remote lots and walking or bicycling into the office. In an economic system of choices, costs, and consequences, one thing does lead to another in this way.

QUESTIONS FOR DISCUSSION

A. What is the economic view of choice?

B. How do choices influence people in respect to exercise and diet?

C. What is an opportunity cost?

D. How does opportunity cost influence people in their decisions about exercise and diet?

E. What is an incentive?

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F. Why is money such an attractive incentive?

G. What incentives influence people in their decisions about exercise and diet?

H. Why are the rules of the economic system important?

I. How do the rules of the economic system influence people in their decisions about exercise and diet?

J. What is voluntary trade?

K. How does voluntary trade influence people in their decisions about exercise and diet?

L. What does it mean to say that people's choices have future consequences?

M. How do future consequences influence people in their decisions about exercise and diet?

N. Solve the mystery: Why do an increasing number of Americans, the same people who admire the slender look so often featured in the media, exercise too little and eat too much?

