

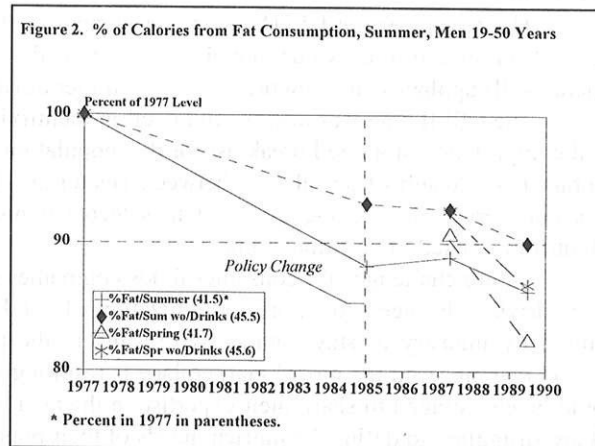
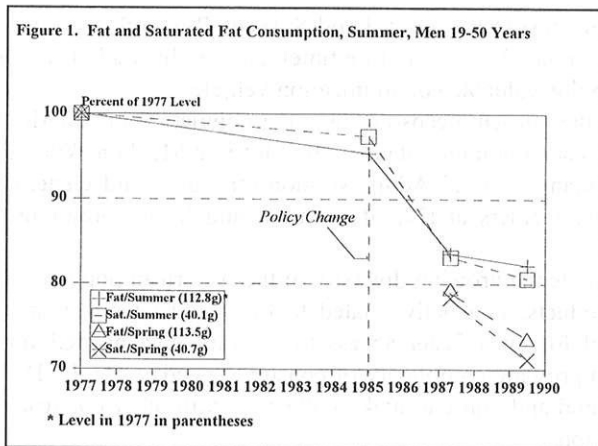
Information and Advertising Policy: A Study of Fat and Cholesterol Consumption 1977-90

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Economic theory suggest that advertising may play an important role in consumer good markets directly by providing information or indirectly by facilitating competition on advertised dimensions. False claims or claims that are sufficiently incomplete as to be deceptive can, of course, harm consumers. Designing prudent advertising policy thus requires a balancing of the potential to deter truthful claims against the likelihood that deceptive claims will go unchallenged.

One area where this tension has been keenly felt in recent years concerns health-related claims in food advertising. In our efforts to better understand these advertising policy issues and the effects of information on consumers more generally, the USDA food consumption surveys with their extensive detail on consumer food choices have been an extremely valuable resource. For example, we used weighted means for consistent samples from the surveys to investigate the likely effects of a mid-1980s relaxation of the policy towards claims that explicitly discussed the role of diet in disease risks.² For summer samples of men aged 19 to 50, mean fat and saturated fat consumption in grams is shown in Figure 1. These results show a decline throughout the period, but an accelerated rate of decline after the change in policy. Figure 2 illustrates the weighted mean percentage of calories from fat for each of the samples. With this measure the pattern is different, with a slowing of the rate of decline after the policy change. The difference is due to changes in calories, which increased from 1977 to 1985 before beginning to fall in the late 1980s. Using the detail in the surveys, we learned that a large portion of the increase in calories came from soft drinks and alcoholic beverages, increases consistent with industry sales data. A reduction in the percentage of calories from fat due to an increase in the consumption of empty calories is not a desirable change in diet. Thus, taken together, these data suggest that men's fat consumption improved faster in the late 1980s, when the health claims policy was relaxed, compared with the 1977-85 period. The results for women are comparable.

These and a variety of other results in the study are generally consistent with the hypothesis that the relaxation of the advertising and labeling policies that allowed more explicit diet-health claims added information and competitive pressure to food markets. The results also suggest that the spread of information is a complex process, with much we do not currently understand.



Endnotes

1. Associate Director for Special Projects, Bureau of Economics. The views in this article are those of the author and not of the Federal Trade Commission.
2. These results are taken from Pauline Ippolito and Alan Mathios, *Information and Advertising Policy, A Study of Fat and Cholesterol Consumption in the United States, 1977-1990*, Bureau of Economics Staff Report, FTC, September 1996. Copies are available from the author (202-326-3477 or pippolito@ftc.gov).