Broke, ill and obese: The effect of household debt on health

Matthias Keese
And
Hendrik Schmitz
Overall thoughts on the Paper-

1) Is the objective clearly stated- yes
2) Is there a contribution – yes
3) Is the paper well motivated – yes
4) Do I get a clear message from the paper- yes
5) Is it well written/well thought out – yes
Some Details

• Theoretical Framework

• Data is from the German Socio-Economic Panel for the years 2002-2008

• Analysis – the authors try to control for unobserved heterogeneity and reverse causality.

• Three measures of debt – 1) the ratio of consumer credit repayments and household net income 2) the ratio of home loan repayments and household income 3) an indicator of over-indebtedness

• Three measures of health – 1) a bad or very bad self rated health status 2) a mental health score 3) an obesity indicator

• Methodology – OLS and Linear Fixed Effects
Main Findings

- Indebted individuals are more likely to have bad health
- No causal effect of debt on obesity
Some Concerns & Comments

- The strategy to control for reverse causality is to focus only on households with full employment → what about people who simply cut their hours & their wages changes.

- Why is the binary indicator of over-indebtedness not included in the main regressions? – maybe an interaction specification?

- It may be useful to add a dummy for the main breadwinner into the regression itself (sensitivity analysis considers a specification along these lines)
Some Concerns & Comments (2)

- Why was the decision made to make a binary indicator from the self-rated health variable?
- Why was BMI chopped into a binary variable? Maybe malnutrition should be considered? Or the entire distribution could be analyzed!
- Why is age categorised?
- The robustness testing does not address the diagnostics of OLS itself. Surely the errors are correlated across family members! Binary Probit/Logit? Tobit? Is difference-in difference a better choice?
- Interest Rate.
Other Observations

- It is useful to point out that those who are both in long term debt and poor health are not contributing to the effects.
- The paper links in policy conclusions very well
- Interesting side result – children keep you healthier!