

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

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## 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!