

Is Chronic Health a Normal Good?
Evidence from the Effect of Hypertension Diagnosis on Food Consumption

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ABSTRACT

Income and chronic health outcomes often do not exhibit a clear empirical relationship to each other, despite the conventional wisdom that health itself is a normal good. We identify health information as the key to understanding the competing effects of incomes on demand for chronic health. As their incomes rise, the richer individuals demand both better health and health information, yet unhealthy diet such as sweets and fatty and oily foods also become more affordable. In the health capital framework of Grossman (*JPE*, 1972), this study tests the hypotheses that individuals adjust their diet toward healthier one upon receiving negative health information and that the effect is larger for richer individuals. Both measurement and endogeneity of hypertension information present challenges in identification of causal relationship between diet, chronic health and health information. We adopt a regression discontinuity design approach by exploiting the exogenous cutoff of systolic blood pressure in diagnosis of hypertension to overcome both these problems. Based on unique Chinese longitudinal data, we find the following: the richer individuals are more likely to develop hypertension; the positive income-hypertension gradient disappears once past food consumption is controlled for; upon the diagnosis of hypertension status, individuals reduce fat intake significantly; and the richer individuals are more responsive to hypertension diagnosis.

JEL codes: D12; I12; Q11

Key words: China, diet and chronic health, health information, health capital model, hypertension, regression discontinuity, nutrient intake

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