
Household Resources and Investments in Human Capital: The relationship between income and nutrition

Slide 1

14.771-lecture 2

INTRODUCTION

- historical data - cf handout figure 2 (Fogel).
 - Heights have risen over time
 - Good nutrition as an investment Slaves better fed than poor London boys
- today: in developing countries, what is the relationship between income and nutrition?

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"Conventional" wisdom was that there is a strong link between household income and nutrition. This has been challenged by a series of papers in the late 1980s and this "revisionist" view has been challenged again more recently

cf. table 1: Wide variety in the estimates of the elasticities of calorie demand with respect to household resources (0.01 to 0.82)

NON-CLASSICAL MEASUREMENT ERROR IN FOOD INTAKE

- ① Meals taken out and given to people
 - Who tends to eat out?
 - Who tends to feed people?
 - In what direction does that bias the relationship between income and actual nutrition if you do not observe meals taken out and given to people but only total expenditures on food?
- ② Food waste
 - Who tends to waste more?
 - In what direction does that bias the relationship between income and actual nutrition if you do not observe waste but only total expenditures on food?

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Difference in elasticity: intake vs. availability. Intake conceptually better, but it can be noisy, if based on recall data, and intrusive if based on direct observation.

2. FOOD QUALITY

Measurement problem (2): Even if expenditures were correctly measured, they do not give a correct representation of quality. As people get richer, they buy better tasting food. Refer to table 1 in the handout: Deaton.

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Expenditure = number of calories*price of calorie
 $\log(\text{food expenditure}) = \log(\text{number of calories}) + \log(\text{price of calories})$

You are interested in the relationship:

$$\log(\text{Calories per capita}) = \alpha * \log(\text{Expenditures per capita}) + \epsilon$$
