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Non-Separable Time Preferences, Novelty Consumption and Body Weight: Theory and Evidence from the East German Transition to Capitalism [‡]

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Abstract

This paper develops a dynamic model to illustrate how diet and body weight change when novel food products become available to consumers. We propose a microfounded test to empirically discriminate between habit and taste formation in intertemporal preferences. Moreover, we show that ‘novelty consumption’ and endogenous preferences can explain the persistent correlation between economic development and obesity. Empirically studying the German reunification, we find that East Germans consumed more novel western food and gained more weight than West Germans when they got access to a larger variety of food products after the fall of the Wall. The observed consumption patterns suggest that food consumption features habit formation.

Keywords: Endogenous preferences, food consumption, novel goods, habit formation, learning, obesity, economic development, German reunification,

JEL classification: D11, D12, D92, E21, I12, I15, L66, O10, O33, Q18, R22

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