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Dieting for Dollars

BY RICHARD B. MCKENZIE

We're only four days into the new year, but many people may already be stuck, wondering how they will fulfill their weight-loss resolutions. Of late, employers have been getting into the game, paying their workers to lose weight and thereby cut some corporate health-care bills. The results of these programs have been fairly predictable, at least for an economist like me. Employers who use weight-loss incentives inadvertently encourage workers to gain weight before the first weigh-in.

An economist explains his weight-loss plan.

But if incentives matter, then surely any economist worth his weight should be able to design a diet program that works. I had been trying to lose 10 pounds for what seemed like a decade. I had lost about 378 pounds during my struggle, only to remain nine pounds short of my target weight.

So I heeded the suggestion of Tyler Cowen, an economist at George Mason University, and cooked up my own "Economist Weight-Loss Incentive Plan": I contracted with a friend to pay her \$500 if I had not lost nine pounds at the end of 10 weeks. I and a witness (my friend's husband) signed the pact. My friend similarly obligated herself to take the payment and to spend it on herself. She affirmed her solemn pledge with her signature, witnessed by her husband (with a big grin).

I had her sign because I wanted to make sure that she would not wimp out on me at the end of the contract term and refuse to take the payment out of guilt. I wanted to be bound for the full cost (and pain) of my commitment.

In other words, I wanted to maximize, within tolerable limits, my potential financial pain in order to maximize my incentive to lose the weight.

Of course, I could have upped the payoff for "non-performance" on my part to, say, \$1,000. But let's face it, there is only so much I am willing to lose, in weight and wealth. Besides, once the contract was signed, my friend had an incentive both to withhold weight-loss advice and to fatten me up with free drinks, snacks and carbohydrate-laden dinners. If I had doubled the potential payoff to \$1,000 from \$500, I was afraid that, for her, the urge to work against my goal would be damn near irresistible.

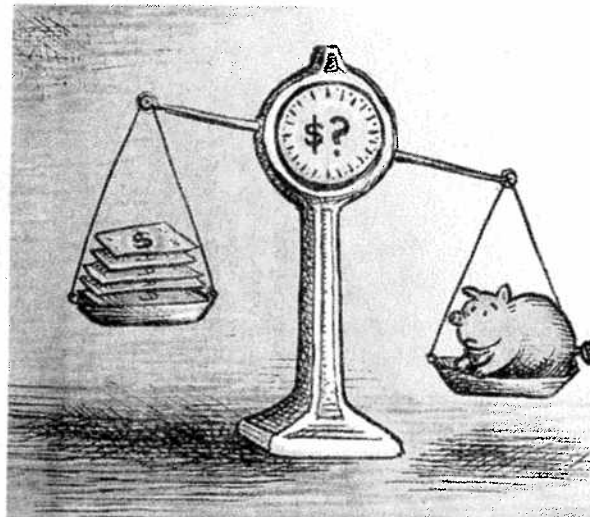
Even though I am an economist and should have been able to easily foresee the logic of this whole plan, I was amazed at how resistant I was to adopting it. I thought about it for weeks, given my poor weight-loss record. After signing the contract, I was equally amazed at how the looming \$500 payment affected my behavior. While on my diet, I judged practically everything I ate in terms of how much it would ultimately cost me.

After gaining a pound on the first day after signing the contract, I joined a gym, perfectly happy to pay the steep rates. Why? Because the price of the gym membership went down with my pact. The membership could, and did, help me reduce the probability that I would have to make the \$500 payment. I also extended my exercise walks through the woods because, I figured, I was being paid, effectively by myself, to go the extra miles.

I even changed my morning breakfast of a bagel and a grande drip at Starbucks to a bowl of oatmeal at a local cafeteria—because the weight-loss pact increased the effective price of the calorie-laden bagels and lowered the effective price of the calorie-light bowls of oatmeal. Similarly, the \$500-payment threat increased the effective prices of fries, hamburgers, and chips and dip while lowering the effective prices of raw oysters, broiled fish and snack packs of carrots. Dur-

ing the contract period, I ate more spinach salads than I ever ate on any other weight-loss program, which was to be expected from the first principle of economics—that price and quantity consumed are inversely related. When the effective price of salads falls, the number of them consumed can be expected to rise.

I might have lost even more weight than I did if I had not sometimes treated unexpected daily weight reductions (due, maybe, to water loss) as if I had been given a "real income" increase, which I felt I had to "spend" by snacking or putting wine back on my dinner menu.



Barbara Kelley

When my weight-loss trend showed great promise for me, the friend with whom I contracted—a gourmet cook with her own catering business—extended an early invitation to her family's Thanksgiving lunch. She noted (with intended humor) in one email: "I cook out-of-this-world mashed potatoes with sour cream, cream cheese and butter—and with gravy! AND we always have mimosas and crab dip before lunch." In a follow-up email, she added: "Forgot to tell you about the amazing dressing, ham, layered pea salad with sour cream and cheddar cheese topping, fresh cranberry/pear/peach compote, and of

course pumpkin pie and lemon pound cake with chocolate icing. Oh yes, and yeast rolls with herbed butter." I couldn't resist asking my friend: "Would you pay \$500 for the meal you propose I eat? Why expect me to do so?"

Given my focus on my feared payment, I had no doubt toward the end of the contract period that I would be at or below my goal weight on the official weigh-in day. In fact, I made my goal weight three weeks before the weigh-in. And, I am pleased to say, I developed a comfortable three-pound safety margin just before Thanksgiving to account for the fact that I might (just might) fall off the weight-loss wagon. I should not have worried. The \$500 penalty for yielding to temptation loomed very large, and I kept my safety margin with relative ease.

At the end of the 10 weeks, I had lost 14 pounds—five pounds more than required by the contract.

The questions I now ponder are: "Why didn't I think of this strategy years ago?" and "If other people are truly serious about shedding pounds, why don't they follow suit?" After I explained to a waitress why I was ordering only vegetable soup and water for lunch, she said something to the effect of, "Well, I guess you can make your deal if you have \$500 to spare." I couldn't help telling her that she could set the contract payment and period at anything she wanted. "If \$500 is too painful," I said, "then why not try \$100?"

Another friend, who lamented gaining 18 pounds over the past six weeks, responded to my diet strategy by boasting that he could make his goal weight by the end of January without a \$500 incentive. Again, I had to make a point. "If you are so cocksure that you will make your weight," I said, "then why don't you agree to pay me \$500 if you don't? It won't cost you a dime—if you are sure you don't need the extra incentive." As we economists like to say, talk is cheap.

Mr. McKenzie is the author of "Why Popcorn Costs So Much at the Movies, And Other Pricing Puzzles," forthcoming from Springer in April.