

Household Behaviour: Theory and Applications

Instructors

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Course description

The course addresses major dimensions of household behaviour, in particular consumption, labour supply, and household production. Especially in a rural environment these spheres are usually closely interlinked. The course provides an overview to facilitate orientation in the different strands of this diversified field. The focus is on quantitative research into household behaviour. Instructors and participants will discuss selected empirical studies, and participants will learn about practical applications of econometric methods in this field.

A number of methodological issues encountered repeatedly in applied economics will be addressed in their relevance in the household context, e.g.,

- Statistical inference, structural restrictions, testing and imposition of restrictions
- Applied welfare analysis
- The aggregation problem: meaning, relevance, approaches

Course outline

1 Introduction

- 1.1 Spheres of household decisions
- 1.2 Overview of the course

2 Models of household demand

- 2.1 The theory of household demand: Basic elements
- 2.2 Dual representations of preferences
- 2.3 Flexible functional forms
- 2.4 Discussion of empirical studies

3 Agricultural household models

- 3.1 The theory of the agricultural household: Basic elements
- 3.2 Separability of production, consumption and labour supply decisions
- 3.3 Nonseparability: Missing markets
- 3.4 Discussion of empirical studies

4 Applied welfare analysis

- 4.1 Consumer surplus
- 4.2 Cost-of-living indices
- 4.3 Equivalence scales

5 Related topics

Teaching methods

Lectures (50%), exercises and group work (50%)

Grading

Presentations in exercises sections (50 %) and participation (50 %)

Credit points

3 CP

Requirements

Statistics, econometrics (master level), microeconomics (master level)

References

We recommend every participant to get acquainted with basic aspects of the course contents by reading in advance:

- Chapter 2 (Demand Analysis) in: SADOULET, E., and A. de JANVRY: *Quantitative Development Analysis*. Baltimore and London 1995. (Chapter 6 of this book is devoted to agricultural household models.)
- Taylor, J. Edward; Adelman, Irma (2003), *Agricultural Household Models: Genesis, Evolution and Extensions*, *Review of the Economics of the Household* 1: 33-58.

Selected further literature:

DEATON, A.: "Demand Analysis", in: Z. GRILICHES and M.D. INTRILIGATOR (eds.): *Handbook of Econometrics*, Vol. III, Amsterdam etc. 1986, 1767-1839.

DEATON, A.: *The Analysis of Household Surveys: A Microeconomic Approach to Development Policy*, Baltimore and London 1997.

DEATON, A., and J. MUELLBAUER: *Economics and consumer behavior*. Cambridge etc. 1980.

SINGH, I., L. SQUIRE and J. STRAUSS (eds.): *Agricultural Household Models: Extensions, Applications, and Policy*. Baltimore and London 1986, chapters 1 and 2.

Additional references will be given to the participants during the course.

Language: English