

Consumer Behavior and Demand Analysis: Theory and Applications

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Office Hour: TBA

Lecture Room: TBA

Lecture Time: 20 Jul. 2009 - 23 Jul. 2009

Course Description

This course is designed for PhD-level students at the University of Goettingen and some other related universities, and helps them understand the fundamental economic theory of consumer behaviors and practice demand analysis. This course includes two parts: the Part I introduces the basic theory and the Part II applies the theory to demand analysis using some data from developing countries.

After a brief review of the basic theory, this course will focus on

- Econometric models for demand analysis
- Extension of basic theories
- Econometric estimations, in particular panel data econometrics.

The detailed course may be adjusted by the demand of the students.

Course Outline

- 1 Introduction
- 2 Review of the Demand Theory
 - 2.1 Utility and Demand
 - 2.2 Cost minimization
 - 2.3 Properties of Demands
 - 2.4 Consumer surplus
- 3 The Theory at Work
 - 3.1 Stone's analysis
 - 3.2 Linear Expenditure System
 - 3.3 Rotterdam Model
 - 3.4 AIDS Model (Almost Ideal Demand System)
- 4 Separability and Two-stage Budgeting
 - 4.1 Weak Separability
 - 4.2 Implicit Separability
 - 4.3 Strong Separability
 - 4.4 Indirect Separability
- 5 Aggregation
 - 5.1 Homotheticity and quasi-homotheticity
 - 5.2 Linear and non-linear-aggregation
- 6 Beyond the theory
 - 6.1 Non-market goods
 - 6.2 Habit persistence
 - 6.3 Quality
- 7 Introduction to Panel Data Econometrics

- 7.1 Fixed-Effects and Random-Effects Model
 - 7.2 Hausman test
 - 7.3 Dynamic Panel Data
- 8 Lab session: Introduction to Stata

Readings and References

- Balestra P. and M. Nerlove (1966) "Pooling Cross Section and Time Series Data in the Estimation of a Dynamic Model: The Demand for Natural Gas." *Econometrica*, Vol. 34(3):585-612.
- Deaton A. and J. Muellbauer. (1980). *Economics and Consumer Behavior*. Cambridge: Cambridge University Press.
- Deaton, A. (1988). "Quality, Quantity and Spatial Variation of Price." *American Economic Review* 78(3):418-430.
- Deaton A. (1986) "Demand Analysis" Handbook of Econometrics, Chapter 30, Vol.III. 1767-1839.
- Deaton, A (1997) *The Analysis of Household Surveys : A microeconomic Approach to Development Policy*. World Bank and Johns Hopkins University Press.
- Fan, S., E. J. Wailes, and G. L. Cramer. (1995). "Household Demand in Rural China: A Two-Stage LES-AIDS Model." *American Journal of Agricultural Economics* 77(1):54-62.
- Green Richard and Julian M. Alston (1990) "Elasticities in AIDS Models." *American Journal of Agricultural Economics*, Vol. 72(2):442-445.
- Hausman, Jerry A, (1978). "Specification Tests in Econometrics," *Econometrica*, vol. 46(6):1251-71.
- Hausman Jerry A. (1981) "Exact Consumer's Surplus and Deadweight Loss." *American Economic Review*, Vol. 71(4):662-676.
- Hsiao Cheng(2002), *Analysis of Panel Data*, Cambridge University Press, 2002.
- Moschini, G. (2001). "A Flexible Multistage Demand System Based on Indirect Separability." *Southern Economic Journal* 68(1):22-41.
- Roodman, D. (2006). "How to Do xtabond2: An Introduction to 'Difference' and 'System' GMM in Stata". Working Paper 103, Center for Global Development, Washington.
- Wooldridge J. M (2002). *Econometric Analysis of Cross Section and Panel Data*. MIT Press , 2002.
- Yu, X., and D. Abler (2009). "The Demand for Food Quality in Rural China." *American Journal of Agricultural Economics*, Vol.91(1):57-69.

Teaching Method:

Lectures + Lab Sessions

Credits: 3

Grades:

Participation (20%) + Assignments (20%) + Exam (30%) + Project Work (30%)