

AEB 7373 Consumer Demand and Applied Analysis
Food and Resource Economics
University of Florida
Spring 2016

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Office hours –Wednesday, 11am-12pm, and by appointment

Course Description

This course consists of lectures, student discussions, and problem sets designed to give students an advanced background in the essential elements of consumer demand and applied analysis. The course will cover materials in the theory and application of consumer behavior, cross-country demand analysis, time-series analysis of consumer demand, and household expenditure and consumer behavior.

Prerequisites

Permission of the instructor, calculus, microeconomics, and econometrics.

Course Objectives/Goals

Students will master the theoretical foundations of consumer demand and behavior and the ability to formulate and implement empirical applications of consumer-demand modeling based on solid theoretical foundations. The course's goal is to enable students to read and comprehend current economic literature in the area of consumer demand and applied analysis, to give students the necessary foundation to continue self-study, and the knowledge and skills enabling them to conduct research in this area of study.

Methods by which students will be evaluated and grading system

Problem sets	(50%)
Class participation	(10%)
Final exam	<u>(40%)</u>
	(100%)

Grade Scale

A	94-100%
A-	93-90%
B+	87-89%
B	84-86%
B-	80-83%
C+	77-79%
C	74-76%
C-	70-73%
D+	67-69%
D	64-66%

- D- 60-63%
E Below 60%

Attendance Policy

Students are expected to prepare for class meetings by completing assigned readings and problem sets. Students are encouraged to attend all classes. Frequent absences will reflect negatively on class participation evaluation.

Make-up policy

Students are required to complete all problem sets. Homework may be turned in late only with the approval of the instructor. A final exam must be taken in order to receive the final grade.

Course Outline, Textbooks, and Reading

Required:

Muhammad, A., J. L. Seale, Jr., B. Meade and A. Regmi. *International Evidence on Food Consumption Patterns: An Update Using 2005 International Comparison Program Data*. Technical Bulletin Number 1929. Washington, D.C.: Economic Research Service, United States Department of Agriculture, March 2011, 5, 9-10, 15-19, 38-53.

Seale, J. L., Jr., A. Regmi and J. Bernstein. *International Evidence on Food Consumption Patterns*. Technical Bulletin Number 1904. Washington, D.C.: Economic Research Service, United States Department of Agriculture, October 2003, 17-19, 21, 22, 24-25, 39-47.

Theil, H., C.-F. Chung and J. L. Seale, Jr. *International Evidence on Consumption Patterns*. Greenwich, CT: JAI Press, Inc., 1989.

Theil, H. and K. W. Clements. *Applied Demand Analysis: Results from System-Wide Approaches*. Cambridge, MA: Ballinger Publishing Co., 1987. (This book is one of a series of the IC² Institute, University of Texas.)

Recommended:

Deaton, A. S. and J. Muellbauer. *Economics and Consumer Behavior*. Cambridge: Cambridge University Press, 1980.

Theil, H. *The System-Wide Approach to Microeconomics*. Chicago: University of Chicago press, 1980.

Course Outline and Reading Guide

I have provided chapter references for the basic course textbooks as well as several others in the following outline. You should be able to use these chapter references to select alternative chapters from any other texts you may choose to pursue. If in doubt, see me.

1. Alternative Approaches to Consumption Theory

*Theil and Clements., Chapter 1.

*Theil, Chung and Seale, Appendix B.

*Deaton and Muellbauer, 'Preferences and Demand.' Chapter two, 1980.

Barten, A. P. "The Systems of Consumer Demand Functions Approach: A Review." *Econometrica* 45 (1977): 23-51.

Brown, J. A. C. and A. S. Deaton. "Surveys in Applied Economics: Models of Consumer Behavior." *Economic Journal* 82 (1972): 1145-1235.

Deaton, A. S. "The Analysis of Consumer Demand in the United Kingdom 1900-1970" *Econometrica* 42 (1974): 341-367.

Barnett, W. A. "Theoretical Foundations for the Rotterdam Model." *Review of Economic Studies* 46 (1979): 109-130.

Mountain, D. C. "The Rotterdam Model: An Approximation in Variable Space." *Econometrica* 56 (1988): 477-484.

2. The Econometrics of Demand Systems

*Theil and Clements., Chapter 2, p. 68-100, Chapter 3.

*Laitinen, K. "Why is Demand Homogeneity So Often Rejected?" *Economics Letters* 1 (1978): 1870191.

*Meisner, J. F. "The Sad Fate of the Asymptotic Slutsky Symmetry Testing for Large Systems." *Economics Letters* 2 (1979): 231-233.

3. Deaton and Muellbauer Model

*Deaton, A.S. and J. Muellbauer. "An Almost Ideal Demand System." *American Economic Review* 70 (1980): 312-326.

*Seale, James L., Jr., Mary A. Marchant, and Alberto Basso. "Imports Versus Domestic Production: A Demand System Analysis of the U.S. Red Wine Market." *Review of Agricultural Economics* 25 (2003): 187-202.

*Deaton and Muellbauer, 'The Theory at Work.' Chapter three, 1980.

4. CBS Model

*Keller, W. J. and J. van Driel. "Differential Consumer Demand Systems." *European Economic Review* 27 (1985): 375-390.

5. NBR Model

Neves, P. (1987) Analysis of Consumer Demand in Portugal, 1958-1981. Memoire de maitrise en sciences economiques. Universite Catholique de Louvain, Louvain-la-Neuve.

*Neves, P. D. "A Class of Differential Demand Systems." *Economics Letters* 44 (1994):83-86.

6. Choice of Functional Form

*Barten, A.P. (1993). "Consumer Allocation Models: Choice of Functional Form." *Empirical Economics* 18, 129-158.

*Lee, Jonq-Ying, Mark G. Brown, and James L. Seale, Jr. "Model Choice in Consumer Analysis" The Case of Taiwan, 1970-1989." *American Journal of Agricultural Economics* 76 (1994): 504-512.

*Schmitz, Troy G. and James L. Seale, Jr. "Import Demand for Disaggregated Fresh Fruits in Japan." *Journal of Agricultural and Applied Economics* 34 (2002): 585-602.

7. Income and Three Types of Price Elasticities

*Theil and Clements, Chapter 2, p. 55-68.

*Theil, Chung and Seale, Chapters 5.

* Seale, James L., Jr., and Anita Regmi. "Modelling International Consumption Patterns." *Review of Income and Wealth* 52, 4 (December 2006):603-624.

*Seale, J. L., Jr., A. Regmi and J. Bernstein. *International Evidence on Food Consumption Patterns*. Technical Bulletin Number 1904. Washington, D.C.: Economic Research Service, United States Department of Agriculture, October 2003, p. 17, 25-38.

*Muhammad, A., J. L. Seale, Jr., B. Meade and A. Regmi. *International Evidence on Food Consumption Patterns: An Update Using 2005 International Comparison Program Data*. Technical Bulletin Number 1929. Washington, D.C.: Economic Research Service, United States Department of Agriculture, March 2011, p. 8, 13-15, 22-37.

8. The Demand for Groups of Goods and Conditional Demand

*Theil and Clements, Chapter 4, 5.

- *Theil, Chung and Seale, Chapters 6.
- *Seale, J. I., Jr., A. Regmi and J. Bernstein. *International Evidence on Food Consumption Patterns*. Technical Bulletin Number 1904. Washington, D.C.: Economic Research Service, United States Department of Agriculture, October 2003, 17-19, 21, 22, 24-25, 39-47.
- *Muhammad, A., J. L. Seale, Jr., B. Meade and A. Regmi. *International Evidence on Food Consumption Patterns: An Update Using 2005 International Comparison Program Data*. Technical Bulletin Number 1929. Washington, D.C.: Economic Research Service, United States Department of Agriculture, March 2011, 5, 9-10, 15-19, 38-53.

9. Inverse Demand Systems

- *Barten, A.P. and Bettendorf, L.J., 1989." Price Formation of Fish: An application of an Inverse Demand System." *European Economic Review* 33, 1509-1525.
- *Brown, Mark G., Jonq-Ying Lee, and James L. Seale, Jr. "A Family of Inverse Demand Systems and Choice of Functional Form." *Empirical Economics* 20 (1995): 519-530.
- Holt, M. "Inverse Demand Systems and Choice of Functional Form." *European Economic Review* 46 (2002): 117-142.

10. Evidence from International Consumption Comparisons

- *Theil and Clements, Chapter 2, p. 37-55.
- *Theil, Chung and Seale, Chapters 1, 2, Appendix A, Appendix B,
- * Seale, James L., Jr., and Anita Regmi. "Modelling International Consumption Patterns." *Review of Income and Wealth* 52, 4 (December 2006):603-624.
- *Seale, J. I., Jr., A. Regmi and J. Bernstein. *International Evidence on Food Consumption Patterns*. Technical Bulletin Number 1904. Washington, D.C.: Economic Research Service, United States Department of Agriculture, October 2003, p. 1-16, 20-21, 23-24.
- *Muhammad, A., J. L. Seale, Jr., B. Meade and A. Regmi. *International Evidence on Food Consumption Patterns: An Update Using 2005 International Comparison Program Data*. Technical Bulletin Number 1929. Washington, D.C.: Economic Research Service, United States Department of Agriculture, March 2011, p. 1-7, 11-12.

11. Pooling Cross-Country Consumption Data and Group Heteroskedasticity

- *Theil and Clements, Epilogue.
- *Theil, Chung and Seale, Chapters 3, 4.
- * Seale, James L., Jr., Wayne E. Walker, and In-Moo Kim. "The Demand for Energy: Cross-Country Evidence Using the Florida Model." *Energy Economics* 13 (1991): 33-40.
- *Seale, J. I., Jr., A. Regmi and J. Bernstein. *International Evidence on Food Consumption Patterns*. Technical Bulletin Number 1904. Washington, D.C.: Economic Research Service, United States Department of Agriculture, October 2003, p. 22, 24.
- *Berndt, E. R. and N. E. Savin. "Estimation and Hypothesis testing in Singular Equation Systems with Autoregressive Disturbances." *Econometrica* 43 (1975): 937-957.

12. Cross-Price Elasticities in Cross-Country Demand

- *Theil, Chung and Seale, Chapters 5.
- *Seale, James L., Jr., Cody P. Dahl, Charles B. Moss, and Anita Regmi. "International Evidence on Cross-Price Effects of Food and Other Goods." In *Festschrift in Honor of Peter Schmidt: Econometric Methods and Applications*, edited by Robin C. Sickles and William C. Horace. New York, NY: Springer Science+Business Media, 2014, pp. 125-218.
- *Meade, Birgit, Anita Regmi, James L. Seale, Jr., and Andrew Muhammad. *New International Evidence on Food Consumption Patterns: A Focus on Cross-Price Effects Based on 2005 International Comparison Program Data*. Technical Bulletin Number 1937. Washington, D.C.: United States Department of

Agriculture, January 2014. (106 pages)
<http://www.ers.usda.gov/ersDownloadHandler.ashx?file=/media/1260751/tb1937.pdf>
http://www.ers.usda.gov/ersDownloadHandler.ashx?file=/media/1260732/tb1937_summary.pdf
*Regmi, A. and J. L. Seale, Jr. *Cross-Price Elasticities of Demand across 144 Countries*. Technical Bulletin Number 1925. Washington, D.C.: Economic Research Service, United States Department of Agriculture, March 2010.

13. Uniform Substitutes

*Seale, James L., Jr. "Uniform Substitutes When Group Preferences Are Blockwise Dependent." *Journal of Agriculture and Applied Economics, Supplement* (2003): 51-55.

14. Rational Random Behavior and Endogeneity

Theil, H. "A Theory of Rational Random Behavior." *Journal of the American Statistical Association* 69, 346 (June 1974): 310- 314.

Theil, H. "The Theory of Rational Random Behavior and Its Application to Demand Analysis." *European Economic Review* 6 (1975): 219-226.

Brown, Mark G., Robert M. Behr, and Jonq-Ying Lee. "Conditional Demand and Endogeneity? A Case Study of Demand for Juice Products." *Journal of Agricultural and Resource Economics*, 19, 1(1994): 129-140.

UF Policies & Resources

UF Grading Policy

Information on UF grading policies for assigning grade points may be found at:
<http://www.registrar.ufl.edu/catalog/policies/regulationgrades.html> .

Honor Code

In 1995 the UF student body enacted a new honor code and voluntarily committed itself to the highest standards of honesty and integrity. When students enroll at the university, they commit themselves to the standard drafted and enacted by students. In adopting this honor code, the students of the University of Florida recognize that academic honesty and integrity are fundamental values of the university community. Students who enroll at the university commit to holding themselves and their peers to the high standard of honor required by the honor code. Any individual who becomes aware of a violation of the honor code is bound by honor to take corrective action. The quality of a University of Florida education is dependent upon community acceptance and enforcement of the honor code. **The Honor Code: We, the members of the University of Florida community, pledge to hold ourselves and our peers to the highest standards of honesty and integrity.** On all work submitted for credit by students at the university, the following pledge is either required or implied: **—On my honor, I have neither given nor received unauthorized aid in doing this assignment.”**

The university requires all members of its community to be honest in all endeavors. A fundamental principle is that the whole process of learning and pursuit of knowledge is diminished by cheating, plagiarism and other acts of academic dishonesty. In addition, every dishonest act in the academic environment affects other students adversely, from the skewing of the grading curve to giving unfair advantage for honors or for professional or graduate school admission. Therefore, the university will take severe action against dishonest students. Similarly, measures will be taken against faculty, staff and administrators who practice dishonest or demeaning behavior. Students should report any condition that facilitates dishonesty to the instructor, department chair, college dean or Student Honor Court. (*Source: 2007-2008 Undergraduate Catalog*) It is assumed all work will be completed independently unless the assignment is defined as a group project, in writing by the instructor. This policy will be vigorously upheld at all times in this course.

Software Use

All faculty, staff and students of the university are required and expected to obey the laws and legal agreements governing software use. Failure to do so can lead to monetary damages and/or criminal penalties for the individual violator. Because such violations are also against university policies and rules, disciplinary action will be taken as appropriate.

Campus Helping Resources

Students experiencing crises or personal problems that interfere with their general well-being are encouraged to utilize the university's counseling resources. Both the Counseling Center and Student Mental Health Services provide confidential counseling services at no cost for currently enrolled students. Resources are available on campus for students having personal problems or lacking clear career or academic goals, which interfere with their academic performance. The Counseling Center is located at 301 Peabody Hall (next to Criser Hall). Student Mental Health Services is located on the second floor of the Student Health Care Center in the Infirmary.

University Counseling Center, 301 Peabody Hall, 392-1575, www.counsel.ufl.edu

Career Resource Center, CR-100 JWRU, 392-1602, www.crc.ufl.edu/

Student Mental Health Services, Rm. 245 Student Health Care Center, 392-1171, www.shcc.ufl.edu/smhs/

Alcohol and Substance Abuse Program (ASAP)

Center for Sexual Assault / Abuse Recovery & Education (CARE)

Eating Disorders Program

Employee Assistance Program

Suicide Prevention Program

Students with Disabilities

The Disability Resource Center coordinates the needed accommodations of students with disabilities. This includes registering disabilities, recommending academic accommodations within the classroom, accessing special adaptive computer equipment, providing interpretation services and mediating faculty-student disability related issues. Students requesting classroom accommodation must first register with the Dean of Students Office. The Dean of Students Office

will provide documentation to the student who must then provide this documentation to the instructor when requesting accommodation.