

ABSTRACT

Abstract of thesis entitled Habit Formation in China. Submitted by Chan Fong Leong (M-A4-6801-1) for the degree of Master of Social Sciences in Economics at the University of Macau in June 2008.

The growth of consumption rate has experienced from rapid to slow since economic reform. As the difference between growth of income and growth of consumption becomes greater, more and more attention is being paid to the consumption in China. Most of the recent researches found the existing of excess sensitivity phenomenon. This paper is purposed to prove excess sensitivity phenomenon can be caused by existing of habits by using panel consumption data of China. It is also found that uncertainty can strengthen the excess sensitivity phenomenon as well as strength of the habit.