

ABSTRACT

Abstract of thesis entitle Conditional and Unconditional Food Demand Elasticities in Japan: An Application of Two-stage Budgeting Demand System, submitted by Liang Tian (M-B2-5658-2) for the degree of Master of Social Sciences in Economics at the University of Macau in December 2014.

This dissertation applies the dynamic version of Quadratic Almost Ideal Demand System with the Two-Stage Budgeting Process for analyzing Japanese food consumption. The Breusch-Godfrey test and RESET2 test are employed for the different hypotheses. Furthermore, we estimate the conditional and unconditional expenditure, Marshallian and Hicksian price elasticities for food in Japan. Overall, results show that the difference between conditional and unconditional elasticities is large. It demonstrates the elasticities attained by studies that only focus on a specific commodity group might be inappropriate and should be reexamined.

Key words: Dynamic QUAIDS, Two-Stage Budgeting Process, Elasticities.

CONTENTS

ABSTRACT.....	I
DECLARATION.....	II
ACKNOWLEDGEMENTS.....	III
LIST OF FIGURES.....	VI
1. Introduction.....	1
1.1 Background	1
1.2 Research Objectives.....	4
1.3 Outline of the Thesis	4
2.Theoretical Background.....	6
2.1 Theoretical Framework for Demand System	7
2.1.1 Utility Maximization	7
2.1.2 The Marshallian Demand and Indirect Utility Function	10
2.1.3 The Hicksian Demand and Expenditure Function	13
2.1.4 Duality in Consumer Theory	14
2.1.5 The Elasticity Equations	17
2.1.6 The Slutsky Equation	19
2.1.7 Properties of Demand Systems	19
2.2 Two-Stage Budgeting.....	21
2.2.1 Weak Separability and Two-Stage Budgeting.....	21
2.2.2 Calculation of Elasticities in TSB	24
2.3 Concluding Remarks.....	27
3. Model Specification of Two-stage Budgeting Demand System	29
3.1 The Almost Ideal Demand System	31
3.2 The Quadratic Almost Ideal Demand System	34
3.3 The Dynamic Quadratic Almost Ideal Demand System	36
3.4 Concluding Remark	38
4. Empirical Results and Elasticities Estimation	40
4.1 Data Description	40
4.2 Estimation Method.....	47
4.3 Empirical Result	48
4.4 Elasticities of Estimates	54
4.5 Conclusion.....	60
5. Conclusion and Discussion	61
5.1 Concluding Remarks.....	61
5.2 Limitation and Directions for Future Research	64
Reference	65