Subject Index

Absolute price versions of the Rotterdam model, 62, 73 Adding up, 5, 28, 45, 85, 91, 94, 96–97, 99, 113, 136 Afriat Theorem, 251 Aggregation, 1-2, 20, 38, 42-43, 77, 83-84, 96, 113, 233, 294, 301 Aggregator function, 12–14, 78, 151, 153-154, 176, 208, 216, 223-226, 239 Allen elasticity of substitution, 10–12 Allen quantity index, 207, 239-241 Almost Ideal Demand System (AIDS), 18-19, 23, 25, 27-28, 37-48, 50-57, 77-78, 136, 282, 354 Alternative Specific Constants (ASCs), 326-330, 332, 337, 341-342, 345 American Chamber of Commerce (ACCRA), 339 AR(1), 1–10, 12–30, 37–42, 44–56, 61-76, 83-90, 92-112, 119-121, 123-131, 134, 136-144, 149-157, 159, 161–162, 164–176, 180–194, 208–227, 229-232, 234-241, 248, 250-253, 256-258, 262-266, 268-274, 281-286, 288-289, 291-294, 299-302, 304-313, 317, 319, 321–331, 333–335, 339–342, 349-350, 352-356, 364-375 ARMA(p, q), 304–306 Asymptotically globally flexible functional forms, 19 Asymptotically Ideal Model (AIM), 19, 29, 78, 128, 270, 285 Autocorrelated disturbances, 28, 74 Autocorrelation, 37-38, 42, 48-49, 51, 53, 56 Autoregressive Conditional Heteroskedasticity (ARCH), 304-305 ARCH(p, q), 304–306

Barten's fundamental matrix equation, 64 Basic translog (BTL), 15–16, 23 Bayesian approach, 47, 367 Block additivity, 71-72 Block independence, 71–72 Bootstrap standard errors, 142-144 Bowley Sidgwick index, 213–232 Brand controls, 332, 341 Budget shares, 3, 22, 27, 40, 50, 66, 68, 73, 180–184, 186–187, 191-193, 259, 282 Characteristics model, 247, 249, 263-266 Child cost, 349 Cholesky decomposition, 47–48 Cholesky factorization, 29 Cobb-Douglas utility function, 5 Collective model, 247, 250, 271–272 Collective rationality, 272-273 Compensated demands, 8 Compensated price elasticity, 40 Complementarity, 10-12, 158, 321, 323 Composite demand equations, 71 Conditional demand equations, 71 Conditional indirect utility function, 323-324, 330, 335 Conditional logit, 317, 319, 325-326, 333, 335–337, 344–345 Conditional mean models, 301, 304, 309-311 Conditional volatility, 299–301, 304-305, 308-313 Conditional volatility models, 301, 304-305, 308-311, 313 Consensual approach, 354–355 Constant elasticity of substitution, 12

- Consumer preferences, 1, 3, 5, 7, 9, 11, 13, 15, 17, 19, 21, 23, 25, 27, 29–30, 56, 124–125, 134, 141, 144–145, 153, 164–165, 169, 208, 247, 323
- Corner solutions, 321
- Cost function, 8–9, 38–39, 43–44, 47, 149–151, 153–161, 163–171, 174–176, 181–182, 184–187, 191–193, 209, 212, 216–218, 221–223, 225–227, 229–230, 234–241, 351–353, 369
- Cost-of-living, 130, 261, 339
- Cross price elasticity, 9, 12–13, 62, 136, 333
- Curse of Dimensionality, 285, 288
- Curvature, 19, 24, 26, 29, 37, 42, 46–48, 54, 56, 77, 85, 149, 158, 164, 173, 176, 318
- Demand analysis, 1–2, 5, 12–13, 20, 22, 37–38, 56–57, 61–63, 65, 67, 69, 71, 73, 75, 77–78, 113, 123–125, 127, 179, 182, 185, 248, 253, 281–283, 285, 287, 289–291, 293, 317, 319, 332
- Demand function, 5–6, 9, 12, 19–20, 24, 29, 65, 96, 119–120, 123, 125–126, 128–133, 136–138, 144, 150–151, 155–157, 161, 164–166, 170, 172, 208, 247–248, 282, 285, 290, 292, 318, 352
- Demand relation, 45, 365, 369
- Demand system, 1–3, 5–7, 9, 11–15, 17–30, 37–39, 41–51, 53, 55–56, 61–64, 67–69, 71, 75, 77–78, 83–86, 88, 91, 98–99, 105, 107, 111–113, 119, 136, 139, 144, 151, 179–181, 183–186, 188, 192–194, 248–249, 274, 281–282, 287, 351, 354, 363–364, 368–369
- Demand systems linear in expenditure, 22
- Demand systems linear in the logarithm of expenditure, 23
- Demand systems proportional to expenditure, 21
- Demand systems quadratic in expenditure, 24
- Deterministic trend, 301
- Dickey and Fuller, 304
- Differential approach, 12, 61–63, 65, 67, 69, 71, 73, 75, 77

- Differential approach to demand analysis, 12, 61–63, 65, 67, 69, 71, 73, 75, 77
- Differential demand system, 61–62, 67–68
- Discrete choice, 282, 317, 319–323, 325–327, 329–331, 333–335, 337–339, 341, 343–345
- Divisia price index, 67-68, 70
- Divisia quantity index, 67, 70
- Duality theory, 29, 150, 207, 209, 217, 320
- Econometric regularity, 61, 77
- Economies of scale, 350
- Effectively globally regular flexible functional forms, 18–19
- EGARCH, 300–301, 307–313
- EGARCH(1, 1), 299-301, 305-313
- Elasticity, 2–3, 9–13, 20, 30, 40, 54, 56, 62, 128, 138, 141, 143, 182, 193, 319, 333–335, 344
- Elasticity calculations, 30
- Elasticity relations, 9
- Endogeneity, 181, 187–188, 191, 284–287, 289, 291–292, 294
- Endogenous, 183, 186–187, 189–190, 286, 289, 292–293
- Engel curve, 2, 17–18, 20–22, 24–25, 27, 69, 113, 151, 179–180, 182–183, 186–187, 194, 256, 259
- Engel's law, 21, 208
- Entropy measure of dispersion, 43
- Equivalence scale, 1-2, 20, 349-358
- Equivalence scale exactness, 352
- Equivalent income, 349-350, 355-356
- Equivalent-expenditure function, 349
- Estimation issues, 2, 28-29, 61-62
- Euler's Theorem, 153, 160, 228
- EViews 6.0, 304
- Exact aggregation, 20, 43, 84, 96
- Exact index numbers, 207, 209, 211,
- 213, 215, 217, 219, 221, 223, 225, 227, 229, 231, 233, 235, 237, 239, 241–242
- EXP demands, 27
- Expenditure elasticity, 56
- Expenditure function, 8, 19, 21, 25–26, 40, 43–44, 85, 90–91, 94, 96, 98–99,

130, 149–151, 153, 155, 157, 159, 161, 163, 165–167, 169, 171, 173, 175, 209, 229-230, 349 Extensive margin, 322 Fechner-Thurstone utility, 120, 124.136 Fisher ideal index, 207, 219 Fixed preference, 124, 127-133, 135-136 Flexible functional form, 14–15, 17–19, 29, 38-39, 41-42, 77-78, 149-156, 158, 160, 173-176, 207-208, 221-227, 229-230, 235, 238, 240, 287 Fourier, 19, 29, 44, 78 Fourier flexible functional form, 19 Fourier series expansion, 44 Fractional demand systems, 27-28 Frisch price index, 68, 70 Functional form, 2, 13-15, 17-20, 25, 29, 38-39, 41-43, 62, 77-78, 83-85, 91-92, 94-97, 99-100, 106-107, 112-113, 128, 138-139, 149-158, 160-161, 163-166, 169, 171-176, 183, 207-208, 212, 221-227, 229-230, 234–235, 237–238, 240, 282, 287, 289, 292, 320, 351-352, 369 GARCH, 299, 301, 305-313 GARCH(p.q), 299, 301, 305-313 GARCH(1, 1), 299-301, 305-313 GARP, 247, 249–263, 265–267, 273 Gauss, 93, 188, 338 General substitution effect, 65 Generalised Method of Moments (GMM), 187–188, 190 Generalized Fechner-Thurstone (GFT) utility, 119, 121, 123-125, 127, 129–131, 133, 135–139, 141, 143–144 Generalized Least Squares (GLS), 367 Generalized Leontief (GL), 17-19, 25, 27-28, 77, 149-151, 156-158, 165, 167-170, 176 General transformation method, 363 Generalized Translog (GTL), 15-17 Giffen good, 2 GJR, 299, 301, 305, 307-313 GJR(1, 1), 299-301, 305-313

GL-quadratic expenditure system, 83, 88 Globally regular functional forms, 13 Goodness-of-fit, 247, 249, 256-258, 275 Gorman, 20-22, 24-25, 27, 83-89, 91-92, 94-99, 106-107, 112-113, 180, 183, 263-264, 353 Gorman polar form, 22, 25, 27 Gorman systems, 87, 94, 96, 99, 106.112 Gorman's rank restriction, 183 Habit formation, 30, 267 Habit rationality, 269 Hessian matrix, 64-65, 71 Heterogeneity, 179-182, 184-187, 191, 193–194, 281–285, 287–288, 290, 292, 294-295, 308, 318, 324-325, 332, 335-336, 339-340 Heterogeneous Autoregressive (HAR) model, 299-301, 308-313 Heterogeneous population, 282-284, 286 - 294Hicksian demand, 7-8, 10, 47, 94, 155-156, 165, 170, 172, 182, 352 Hicksian demand elasticity, 10 Hicksian demand functions, 155–156, 165, 170, 172 Homogeneity, 5, 7, 39, 41, 72-73, 75-77, 84-85, 91-92, 94, 96-97, 113, 136–137, 154, 214–217, 228, 238, 282, 287–288, 329, 365, 369–370 Homogeneity of degree zero, 5, 7, 365, 369 Homogeneous goods, 319 Homothetic preferences, 56, 149, 151, 165-166, 168-169, 176, 207-208, 216-218, 233-234, 239-242 Homothetic translog (HTL), 17, 21-22, 241 Horizontal equity, 357 Hotelling-Wold Identity (ITL), 44-45 Household production, 30-31, 350-351 Implicit Marshallian demand, 179, 181-186, 192-193 Implicit utility, 183-187, 191-193 Income distribution, 27

Income effect, 9-10, 65, 68, 123, 127-128, 180, 283, 285, 320, 327-328, 334 Income elasticity, 2-3, 9, 12, 20, 62, 128, 138 Independence of base, 352 Indirect utility, 6-7, 13, 15-17, 19, 21-25, 29, 39, 41, 95, 106, 165, 172, 253, 323-324, 330, 333, 335, 352 Indirect utility function, 6–7, 13, 15–17, 19, 21-25, 29, 39, 41, 95, 106, 165, 172, 253, 323–324, 330, 333, 335, 352 International tourism, 299-300, 303, 305, 307, 312-313 International tourist arrivals, 299-313 Intra-household allocation, 272-273 Intra-household public good, 350 Instrumental variables, 181, 183, 189, 332 Integrability, 6, 18, 20, 40, 46, 83, 85, 113, 281-282, 287 Intensive margin, 322 Interactions, 191-193, 320, 328, 336, 341, 344 Intertemporal choice, 267 Inverse Almost Ideal Demand System (IAIDS), 44-45 Inverse problems, 281, 286 Iterated, 188-190 Klein-Rubin demand function, 130 Kronecker product, 28, 74 Laspeyres index, 212, 223 Laurent series expansion, 18 Law of demand, 120, 123-124, 131, 133 - 134Lie algebra, 87 Linear, 3, 9, 12, 16-17, 20, 22-25, 39-40, 45, 50, 62, 69, 73, 76-78, 85, 87, 89, 92–94, 96, 98, 107–108, 111-112, 128, 130, 150-151, 154, 159-161, 164, 171, 173, 180-181, 183, 186, 188–190, 192, 194, 216–217, 228, 238, 263–266, 271, 283–286, 288–289, 291, 308, 324, 326–327, 329, 332–337, 344, 352-354, 363-369, 371-377

Linear function of unrestricted parameters (LFUP), 365-368, 372, 374 Linear model, 77, 189, 285, 288-289, 329, 344 Linear restrictions, 159-160, 190, 363-367, 369, 371-372, 374-377 Linear Translog (LTL), 16–17 Linear-Approximate AIDS (LA-AIDS), 40 Linearly homogeneous, 151, 153–155, 157, 159–160, 165, 171, 208–209, 215-219, 221, 224-225, 228-230, 234, 239 - 240Locally flexible functional form, 14–15, 17-18, 29, 39, 41, 77 Log Translog (log TL), 23, 37, 42, 46, 48, 51–56 Log-likelihood function, 74, 305, 325 Log-log demand system, 2, 62 Marginal budget share, 3, 12, 22, 66 Marginal Rate of Substitution, 4, 131, 134-135, 137, 141 Marginal Rate of Substitution elasticity, 141 Markov Chain Monte Carlo simulation, 367 Marshallian demand, 5, 9–12, 20, 39, 94, 179, 181-186, 192-193, 352 Marshallian demand elasticity, 10–11 Matlab, 188, 338 Matrix manimpulations, 365 Maximum likelihood estimation, 28, 47, 174, 176, 325 Meat Demand, 37–38, 50–51, 53, 56 Micro data, 317, 319, 321 Micro-level analysis, 319 Minflex Laurent (ML), 18, 27–28, 78, 93 Mixed logit model, 336–337 Money illusion, 5 Money metric utility, 168–169 Monotonicity, 19, 29, 85, 171, 251, 270-271, 290 Morishima elasticity of substitution, 11 - 12Multinomial probit model, 325, 336-337 Mundlak elasticity of substitution, 11 Müntz-Szatz series expansion, 19

National Food Consumption Survey, 139 National Household Travel Survey, 339 National Immigration Agency of Taiwan, 299, 301, 313 National Palace Museum, 300, 312 Negative semidefiniteness, 73, 76, 85, 163, 292–293 Nested logit model, 336–337 Neoclassical consumer theory, 4, 62–63 Night Markets, 300, 312 Nonhomothetic preferences, 149, 151, 165, 169, 176, 207-208, 233, 239-242 Nonparametric, 2, 19, 61-62, 78, 208, 212, 247, 256, 259, 262, 267, 281-283, 285-289, 291, 293-294 Non-negativity constraints, 321 Non-price product attributes, 319 Nonseparable Models, 281, 294 Nonuse value, 321 Normalized quadratic, 14, 18–19, 47-48, 78, 149-151, 153, 155, 157-161, 163, 165-167, 169-171, 173–176, 207, 227, 229–232 Normalized quadratic (NQ) expenditure function, 19, 25-28, 47 Normalized quadratic (NQ) reciprocal indirect utility function, 19, 25-28, 47 Normalized Quadratic flexible functional forms, 18 Normalized quadratic preferences, 151, 207 Own-price elasticity, 56, 128 Paasche index, 211-213 Parametric approach to demand analysis, 13 Pareto efficiency, 273-274 People's Republic of China, 299-300, 312 Phillips and Perron, 304 PIGL demands, 27 PIGLOG demand systems, 23, 105 Polynomial lagged equations, 363 Positivity, 5, 7, 29, 163, 214 Poverty line, 350, 355-356

Power, 9, 42, 94, 96, 187, 247, 249, 258-261, 275, 293-294, 332 Preference changing effects, 139 Preference heterogeneity, 179–180, 182, 184-187, 191, 193-194, 282, 284, 287, 294-295, 336, 340 Preference independence, 70-71 Preferences, 1, 3, 5-7, 9, 11, 13, 15, 17, 19, 21, 23, 25, 27, 29–30, 43, 45, 56, 62, 71, 77, 83, 85, 89, 91, 98, 100–101, 112-113, 120, 124-125, 127, 132-135, 141, 144–145, 149, 151, 153, 164–166, 168–169, 176, 180, 207–209, 215–218, 220-224, 226-227, 229, 233-235, 238-242, 247-249, 251, 253, 263, 267-268, 271-272, 274, 283, 285–286, 317, 323–324, 329, 335, 340, 343-344, 351 Price elasticity, 2, 12, 40, 56, 62, 128, 138, 182 Price independent generalized linear, 23 Price independent generalized logarithmic, 23 Product attributes, 263, 317, 319, 322, 331-332, 341 Product category, 331-332 Production function, 151, 153–154, 156-157, 161, 164-165, 216, 365 Quadratic Almost Ideal Demand System (QAIDS), 89, 186 Quadratic expenditure system, 25, 83, 85, 87-89, 91, 93, 95, 97, 99, 101, 103, 105, 107, 109, 111-112 Quadratic identity, 233-234, 236-237 Quadratic mean of order r index, 223 Quality differentiation, 318 Quality-differentiated demand, 319 Quantiles, 290-291 Quasi-Maximum Likelihood Estimator (QMLE), 299, 305-306, 308, 310, 312 Random coefficients, 284, 286-289, 336 Rank, 20-22, 24-25, 27, 46, 48, 72, 83-85, 87-89, 94-100, 105-107, 111-113, 174-175, 179-180, 183, 223,

- 263, 354, 366
- Rank of demand systems, 20-21

Rank restriction, 180, 183 Rank-three demand systems, 25, 27 Rationality, 179, 248-250, 255-256, 258, 263, 269, 272–274, 281, 289–290, 292-294 Recoverability, 249, 253, 255, 261, 275 Regularity, 1, 7, 13, 18–19, 28–29, 61, 76–77, 154, 171, 216–217, 220–225, 229, 234, 307, 310, 350 Regularity conditions, 7, 13, 29, 154, 216-217, 310 Regularity region, 18, 28, 220-222, 224-225, 229, 234 Relative price versions of the Rotterdam model, 12, 61 Reparameterization, 164, 363-364, 366-372, 374, 376-377 Reparameterized in other parameters (ROP), 366-368, 372, 374-376 Reparameterized model, 363-364, 368, 375-376 Republic of China, 299-300, 312 Restricted regression model, 365-366, 377 Revealed Preference, 2, 132, 247-259, 261, 263, 265, 267, 269, 271-274, 282, 350 Rotterdam model, 12-14, 61-63, 65, 67, 69-73, 75, 77-78 Rotterdam parameterization, 61-62, 69, 73 Roy's identity, 7, 16-17, 22-24, 26, 41, 84 RUM model, 317, 323–325, 329, 344 Scitovsky effects, 144 Second-order approximation, 14, 43, 150, 221, 227, 238 Seemingly Unrelated Regression (SUR), 28, 48, 367, 370 Semiflexible, 48, 149, 151, 173–176 Semi-nonparametric inference approach, 19 Separability, 72, 107, 216, 265, 267 Share Equation system, 28 Share Equations, 7, 16–17, 26, 30, 39-42, 44-46, 48, 52, 121-122, 138, 181, 184, 369

Shephard's Lemma, 9, 26, 39, 157, 161, 170-171, 208, 218-219, 222-223, 229, 234, 236, 238 Significantly assertible statement, 119, 122-123 Slutsky decomposition, 12 Slutsky equation, 9-10, 40, 46, 65, 77, 85 Slutsky matrix, 8, 29, 39, 41-42, 46-49, 54, 65, 72, 248, 285, 287, 292 Slutsky negative semi definiteness, 8, 29, 46, 72 Slutsky symmetry, 72, 86, 88–89, 94, 96, 113, 190-191, 249, 282, 288, 294 Specific substitution effect, 65 Spline functions, 149, 151, 171, 176, 374 Splines, 173, 363, 374-375 Stata, 179, 183–184, 188–190, 192, 337-338 Stochastic trend, 304 Stone Index, 40, 179, 184–186, 193 Subjective approach, 354–355 Substitutability, 10-11, 333, 335, 344 Substitution matrix, 12, 29, 65, 78 Sun Moon Lake, 300, 313 Superlative index numbers, 207 Symmetric mean, 213–214 Symmetry, 10, 14–15, 39–41, 62, 72–73, 75-76, 85-89, 91, 94, 96-97, 109-113, 136-137, 153, 157, 159-161, 190-191, 219, 224–225, 229, 249, 282, 287–288, 293-294, 307, 369 Taiwan, 299-304, 308-313 Taroko National Park, 300, 313 Testing, 42, 44, 62, 73, 122, 132, 248-250, 253, 256, 260, 265-267, 272, 281-282, 287-289, 292-293, 358, 376 Testing rationality, 248–249, 281, 289 Theoretical regularity, 1, 13, 18, 29, 61, 76 Time reversal test, 214 Time series, 3, 18, 20, 42–43, 45, 48–50, 62, 77, 138, 151, 174, 227, 269–270, 301, 304-305, 313, 372 Time series models, 304-305 Time varying conditional variances, 304 Törnqvist-Theil Divisia quantity index, 70 Total substitution effect, 65, 69

Tourist attractions, 300, 312 Translog (TL), 15-18, 21-23, 25, 27-28, 37-56, 77, 89, 158, 207, 234-235, 237, 239-241, 282, 369 Translog functional form, 158, 207, 234, 237 Translog-quadratic expenditure system, 25 Trigonometric demand system, 95, 106 True cost-of-living index, 130, 136, 209-212, 215, 217-218, 236, 238 Uncompensated demands, 39, 44, 181 Unit root test, 301, 304, 309 Unitary model, 271-272 Unobserved heterogeneity, 179–181, 184, 193, 282–283, 288, 290, 292, 324-325, 335-336 Unobserved preference heterogeneity, 179-180, 182, 184-187, 191, 193-194, 282, 336 Unrestricted parameter vectors, 364 Use value, 321 Utility, 2, 4–8, 11, 13, 15–17, 19–25, 29, 38-39, 41, 44-46, 61-65, 70-73, 77-78, 95, 98-99, 101, 106, 119-121, 123-139, 141-144, 149-154, 156,

164–165, 168–169, 171–173, 176, 180–187, 191–193, 208–212, 215–221, 224, 229–230, 234–236, 240, 248, 250–251, 253, 256, 262–264, 267–273, 281, 283–284, 292, 317–321, 323–331, 333–336, 344, 351–352 Utility function, 2, 5–8, 13, 15–17, 19, 21–25, 29, 38–39, 41, 45–46, 61–65.

21–25, 29, 38–39, 41, 45–46, 61–65, 70–73, 77–78, 95, 106, 119–121, 123–139, 141, 143–144, 150–151, 153–154, 164–165, 172, 182, 208–209, 212, 215–221, 224, 230, 236, 240, 248, 250–251, 253, 256, 263–264, 269–273, 283–284, 318, 320–321, 323–324, 326–330, 333–336, 352

Variable preference, 119, 133, 144 Variance-covariance matrix, 74 Veblen effects, 144

Walsh index, 227 Weakly separable, 249 Wold's Identity, 208, 218, 220, 236 Working's model, 3

Young's Theorem, 15, 152-153, 155