

“CIGS Prof. Kiminori Matsuyama Seminar”

Date & time: 14th January 2016(Thursday) 15:30 - 17:30

Venue: CIGS Meeting Room
(11th Floor, ShinMarunouchi Building
5-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo)

Theme: “Generalized Engel's Law: In Search for A New Theoretical Framework”

Speaker: Prof. Kiminori Matsuyama
(Professor, Northwestern University / CIGS International Senior Fellow)

Moderator: Keiichiro Kobayashi, Research Director, CIGS

Language: English

Abstract of the Speech:

The original Engel's law states that, as household income rises, the share of income spent on food falls. More generally, the expenditure shares of many categories of consumption goods change systematically with per capita income, both in time series and in cross-section of countries, even after controlling for price differences. In short, goods differ widely in their income elasticities. This has profound implications on the patterns of structural change over the course of economic development, as well as the patterns of trade between developed and developing countries. Yet, such generalized Engel's law is missing in most formal models of structural change and international trade, as they typically assume that preferences are homothetic, which implies that all goods share the identical income elasticity that is equal to one. Although there have been some attempts to incorporate nonhomothetic preferences in formal models, they are too restrictive to capture rich implications of the generalized Engel's law. In this talk, I will explain why they are too restrictive and propose a new form of nonhomothetic preferences and demonstrate its power with some applications to structural change and international trade.