

MASTER'S THESIS

Analyses on demand system and the trend of material welfare with application to China's data for the period of 1997-2003

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Analyses on Demand System and the Trend of Material Welfare

with Application to China's Data for the Period of 1997-2003

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**A thesis submitted in partial fulfillment of the requirements
for the degree of
Master of Philosophy**

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ABSTRACT

This thesis attempts to find out a method of measuring the trend of the material welfare of a community. The urban China's data were used to illustrate how the method can be used for empirical study. The tool that is used in this thesis is the demand theory. To deal with the problem, I provided two products: a provincial-data based share/demand system and the corresponding indirect utility function. The former, which was a byproduct of the establishment of the latter, was established based on the assumption of separability, a framework which was developed by Browning et al (1994) and refined by Banks et al (1997). Following Jorgenson (1990), I shall use the values of utility as a measurement of welfare (here, material welfare). I further divided the material welfare into eight groups. These eight groups are 'Food', 'Clothing', 'Household Facilities, Articles and Services', 'Health cares', 'Transportation and Communication', 'Recreation, Education and Culture Articles', 'Residence' and 'Other'. Constrained by data availability, this thesis only estimated the first six groups' share systems. Thus, only six utility functions were recovered. We then examined the trend of the utility from the six groups and the trend of the material welfare. The result indicates that

Transportation and Communication' played the most important role in the growth of the material welfare in China.

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