

Essays on Consumption, Well-being, and Labor Adjustment

Doctrat Dissertation Abstract

Kazuhito HIGA (ED122006)

Graduate School of Economics, Hitotsubashi University

This dissertation empirically examines various topics on the economic activities of individuals, households, and firms by using several micro data sets. Although each chapter focuses on a different topic, all the chapters explore empirical evidence that may affect the macro economy. Chapters II, III, and IV investigate a “bias” in people or household behavior, with the former two chapters focusing on consumption and the latter on well-being. Chapter V studies a firm’s optimization behavior from the exchange rate fluctuation. The details of each chapter are provided below.

Chapter II explores the upward bias of the Japanese Consumer Price Index (CPI). The CPI is used in many policy decisions such as inflation target and pension payment. However, the index is considered as overestimating the cost of living. If so, the policy might not be efficient. This chapter estimates the Engel curve based on the National Survey of Family Income and Expenditure data to measure the bias. The estimated bias for the period from 1989 to 2004 was 0.53 percentage points per annum. Correcting this bias lowered the inflation rate to 0.14 percent per year against the official inflation rate of 0.65 percent during the same period. Demographic analysis indicated that a

household with an unemployed spouse encountered a larger bias, suggesting that the opportunity cost of shopping determines the size of the bias.

Chapter III studies the gender gap in Japanese household educational spending. Previous works have shown that families paid more for their sons' education in the 1980s, and this gap decreased throughout the 1990s. This chapter extends the literature in two aspects: estimating the gender gap in household educational spending with a longer time period, between 1989 and 2004, and estimating the gap with more detailed spending categories, namely total educational spending, after-school academic educational spending, and after-school non-academic spending. This chapter finds that there is no gender gap in total educational spending at all in 2004. It also finds that boys received more after-school academic educational spending to go to a cram school in 1989 and 1994. There was no gap in after-school academic spending in 1999. However, in 2004, boys received more academic spending than girls did. In addition, throughout the sample period, girls receive more after-school non-academic spending than boys do.

Chapter IV analyses people's life satisfaction measurement. In the literature on happiness, numerous studies have discussed the Easterlin Paradox, where Easterlin (1974) states that the increase in the reported happiness does not seem to be related with the economic growth. There are several possibilities that result in observing the paradox. The first possibility is the recent personal news shock effect that people's happiness is higher if they receive good news before the interview. Another possibility is of a social norm

where people may report happiness by considering the expectation of others they interact with. The third possibility, which this chapter focuses on, is the change in one's criteria of the happiness level. If the measurement of happiness changes over time, the level of happiness is not comparable across different time periods. This chapter uses the British Household Panel Survey to estimate the criteria of people's happiness levels. It finds that the measurement is not consistent across time.

Chapter V investigates the effect of the exchange-rate fluctuation on the employment adjustment of regular and non-regular workers by using heterogeneous dependence on international trade across firms for identification. The analysis of Japanese firm-level panel data reveals that appreciation of the yen decreases the employment of exporting firms. The adjustment elasticity of non-regular employment is seven to eight times larger than that of regular employment. Regular employment reacts more to the permanent exchange rate shocks extracted by the Beveridge and Nelson decomposition whereas non-regular employment reacts less. The estimation results suggest a significant difference of adjustment costs between regular and non-regular employment in the Japanese segmented labor market.

Chapter VI concludes this dissertation.