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WELFARE

VOLUME 1: AGGREGATE CONSUMER BEHAVIOR

VOLUME 2: MEASURING SOCIAL WELFARE

By Dale W. Jorgenson

WELFARE, Volume 1: Aggregate Consumer Behavior.

This volume presents a new approach to econometric modeling of aggregate consumer behavior. This approach has successfully extricated demand modeling from the highly restrictive framework provided for more than half a century by the model of a representative consumer. Like the representative consumer model that preceded it, the new approach rests on the theory of individual behavior. The centerpiece of the volume is an econometric model of demand obtained by aggregating over a population of utility-maximizing consumers.

The essential innovation is to incorporate attributes of consumers reflecting heterogeneous preferences into a model of aggregate behavior. Heterogeneity is captured by allowing preferences to depend on the demographic characteristics of households. This model unifies the two principal streams of empirical research on consumer behavior by pooling aggregate time series with cross section data for individual households and provides a new point of departure for future research.

WELFARE, Volume 2: Measuring Social Welfare

This volume presents an approach to the evaluation of economic policies through econometric modeling of aggregate consumer behavior. While the preferences of individual consumers are revealed by their market choices, these preferences can be recovered only by econometric methods, not through the index numbers used in the official statistics. The richer and more robust methodology presented in this volume provides a fruitful point of departure for future policy evaluations.

The econometric approach replaces ordinal measures of individual welfare that cannot be compared among individuals with cardinal measures that can. These are combined into an indicator of social welfare that reflects principles of horizontal and vertical equity. This approach unifies the measurement of poverty and inequality and the cost and standard of living. It extends the scope of normative economics to a broader range of issues in the evaluation of economic and social policies.

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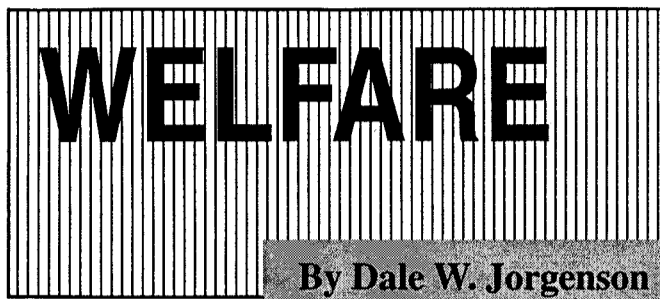
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PRAISE FOR:



VOLUME 1: AGGREGATE CONSUMER BEHAVIOR

VOLUME 2: MEASURING SOCIAL WELFARE

VOLUME 1:

“Aggregate Consumer Behavior is an important book for economists who share Jorgenson’s passion for pushing back the limitations of their profession. It is for those interested in alternatives to the ubiquitous representative agent approach, in more flexible functional forms, in seeing greater use made of demographic information along with the traditional price and income variables, and in strategies for pooling aggregate time series and individual cross sections. This is a book that will be important for generations of future scholars.”

—**W. Erwin Diewert**, Department of Economics, University of British Columbia

“Jorgenson’s writing is extremely clear and precise, his tables and especially his diagrams are commonly remarkably clear and suggestive, notably better than anything I have seen in economics before.”

—**Terence Gorman**, Emeritus Fellow, Nuffield College, Oxford

“This impressive volume contains all of the major writings by Jorgenson and his students on the popular Translog model of aggregate consumer demand. It provides a comprehensive description of the conditions needed for aggregation and the implementation of these conditions for the study of pooled cross-section and time series data. It is an essential reference for those interested in the measurement of consumer demand and consumer welfare.”

—**Richard Blundell**, University College London and Institute for Fiscal Studies

VOLUME 2:

“This is another important book by the author, who is a very distinguished economist and econometrician. It proposes new concepts of individual welfare and of social welfare, which can be quantitatively measured by using econometric information that the author has provided. Of course, the proposed mathematical model has to make some strong, and inherently controversial, theoretical assumptions. But they may be a price worth paying for being able to use this remarkable analytical construction.”

—**John C. Harsanyi**, Haas School of Business, The University of California at Berkeley; Nobel Laureate in Economics in 1994

“Few economists have done more to link economic theory to econometrics than Dale Jorgenson. In this book, he relates the analysis of individual and social welfare to the econometric estimation of consumer behavior. The result is a wealth of both theoretical and empirical knowledge about the impact of policy reforms on inequality and poverty.”

—**Mervyn King**, Executive Director and Chief Economist, Bank of England

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