

Economics 251: Price and Allocation Theory
Reading Guide: “Giffen Behavior and Subsistence Consumption”

The first paper we are reading is “Giffen Behavior and Subsistence Consumption” by Robert T. Jensen and Nolan H. Miller. The paper appeared in the academic journal *American Economic Review* in 2008. The *American Economic Review* (or “AER” for short) is one of the most prestigious peer-reviewed economics journals (one of what economists call the “top five” journals); paper quality and journal prestige are not perfectly correlated, but the fact that this paper was published in the AER suggests that it is probably a pretty good, and pretty influential, paper (and that is true in this case).

When you refer to this paper (in writing or when you are speaking), it is perfectly acceptable to use the paper’s title, as in:

“In ‘Giffen Behavior and Subsistence Consumption’ we see that ...”

However, it is more common for economists to cite papers using the names of the authors and the date of publication:

“In Jensen and Miller (2008), we see that ...”

Either approach is perfectly acceptable in ECON 251.

1. First, read the abstract. The abstract summarizes what the authors believe to be the paper’s main “contribution” (i.e. why the paper is important, and why researchers should read it). Based on the abstract, what is the main contribution of the paper and why is it important?
2. Now start reading the paper and continue until you reach the start of Section I on page 1556. Use this introductory section to answer the following questions:
 - (a) What are some examples of “Giffen behavior” that have been suggested by economists, but that do not appear to hold up to empirical scrutiny?
 - (b) What is the context where Professors Jensen and Miller look for Giffen behavior?
 - (c) What strategy do they use to try and identify a situation in which an increase in the price of a good leads to an increase in demand for the good?
 - (d) What are their main findings?
3. Now read Section I. In your own words, what are the four conditions necessary for Giffen behavior?
4. Now read Section II. Answer the following questions about the authors’ research design:
 - (a) Where does their study take place?
 - (b) Who are the households in their sample? Why is this an appropriate setting for a study of Giffen goods?
 - (c) What are the goods in question? What fraction of daily calorie consumption comes from these goods? (Use Table 2 to answer this question.)
 - (d) What is the treatment that the authors study through their randomized experiment?
5. Now *skim* the rest of the paper. What are the main findings? Do the authors find evidence of Giffen behavior?