CONSUMER BEHAVIOR CHANGES ACROSS INCOME LEVELS: MEAT MARKET ANALYSIS

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ABSTRACT

This study intends to test how consumer behavior changes across income levels using time series data of the meat markets in Korea and the U.S. An income growth is one of the most significant and powerful trends in the modern economy and expected to continue its trend in the future. So finding relationships between income growth and consumer behavior can offer a higher level of understanding of both the current and future demand.

Three relationships are found in the Korean and American meat market: (1) Since meat products are more desirable, even though meat is more expensive than other food, substitution of meat for grain appears to occur at a low income level. As a consequence, they have a property of being luxury goods when income is low and eventually become a necessity as income rises. (2) As income growth occurs, it makes the relative price and the expenditure share for meat to become smaller. These diminished prices and shares are likely to make consumers feel less sensitive to changes in price or income. As a result, price and income elasticities become smaller in absolute value as income rises. (3) Consumption is expanded as income rises and this expansion follows the order of urgency. A good on the expansion frontier faces severe competition in terms of the marginal utility. As a result, a good for which demand increases with incomes has a high possibility to maintain its elasticities even though income rises.