

Faculti Summary

<https://faculti.net/habits-and-demand/>

This video discusses the significance of habits in determining consumption behavior, particularly in the context of economics and psychology. It explores how past consumption influences current habits, preferences, and utility. The author examines the impact of environmental factors on habits, using addiction as an example, highlighting how cues in familiar environments can trigger consumption.

This video then introduces the context of the COVID-19 pandemic and its effects on consumption patterns due to lockdowns and social distancing, suggesting that these changes in habits may persist post-lockdown, impacting current consumption behaviors. The author aims to investigate the connections between habits, changing consumption patterns, and prices.

Three literature streams are identified:

1. The relationship of pandemic dynamics with macroeconomic variables.
2. Optimal lockdown policy design considering demographic and disease factors.
3. The pandemic's impact on multi-sector economics.

The author's own research focuses on a two-sector economy analyzing how changing habits during lockdown affected consumption patterns and aggregate variables after the pandemic. They discuss the mechanisms, including the "cessation effect" and "susceptibility effect," and how these relate to changes in the demand for goods.

Key findings suggest that the length of the lockdown influences consumption behaviors and may lead to changes in demand and prices post-lockdown. The paper concludes with implications for policy and future research, advocating for a more nuanced modeling of lockdown impacts on the economy. The overall aim is to underscore how shifts in habits during the pandemic could have lasting effects on consumer behavior.