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| **A nutritional goods- and a complete consumer demand system estimation for South Africa using actual price data** | |
| Recommendation | Revision |
| Please also indicate which of the elasticities calculated are significant, since a number of them are close to 0 (Tables 2-4 and 6-8). | The calculation of elasticities are not done with a t-test or similar and therefore significance cannot be provided for the elasticities. It can perhaps be assumed that if the estimated coefficients used for purposes of the elasticity coefficient are all statistically significant, then the elasticity is significant, but no formal testing can be done to show this. I therefore was not able to address this recommendation. |
| The discussion of the elasticity results is not sufficient and should be improved. | I expanded on the discussions of both demand systems elasticity results. In doing this I attempted to minimize speculation as to the reason for the results. |
| One very interesting result is that although “dairy” is a necessity (and very strongly so), the demand is price elastic. This is a bit counter-intuitive and some effort should be made to explain this result. For future research it might be advisable to split dairy consumption into two or more groups to better understand the demand dynamics in this food category. | I agree that this results appears contradictory. It is unfortunate that without further research it is not possible to understand the reasons for this results and I also did not wish to speculate towards these reasons. I therefore added the following paragraph:  The finding that the demand for dairy is elastic, although being a necessity appears contradictory. In interpreting this result it should be considered that the dairy nutritional group contains items that can be regarded as luxury items (e.g. cheese). It is therefore suggested that further research may want to consider the individual demand of the items within the dairy nutritional good group to obtain a better understanding of the demand dynamics within this group. |
| While the article is placed within the context of economic development and tax policy, the discussion and conclusion do not reflect this. This should be vastly improved, otherwise the results found do not address the underlying research problem identified. | The first paragraph of the conclusion now reads:  South Africa are faced with a number of challenges that may require additional tax revenues to address. In considering additional domestic tax revenues from indirect taxes, the South African government may do well to consider the welfare consequences as a result of a change in indirect tax policy. The results of the complete consumer demand system and a nutritional goods demand system reported in this paper forms a necessary part of the base of an empirical analysis to determine such welfare consequences.  It is my opinion that it is difficult to tie the discussion of the results directly within the tax policy debate. The estimated elasticities are used and can be used by other researchers to obtain relevant tax policy empirical results, but do not offer such results on their own. I therefore prefer to only discuss the potential implications of these results in this paper. I am working on other papers that will cite this paper that contains tax policy relevant results. |
| The paper reads well but the author likes using by the best of my knowledge this is the first time I think that this does not make the paper any special so those statements should be edited out. | Done as requested. |
| Besides the author also comment and stated that in a recent study but goes ahead to cite 1980 and 1999 which I think is not recent but might point to evidence of copying. It must also be edited out for the paper to look genuine and clear. | The word recent with reference to the 1999 citation was removed.  It should be understood that the first recent (with reference to the 1980 citation) refers to the (Deaton and Muellbauer, 1980) paper in which the AIDS model was developed and subsequently applied in many recent studies. This recent was therefore not removed. |
| The relationship with literature is not clear and there is the need to cite relevant current literature, besides the theoretical and empirical literature must be made clear. | The literature can be viewed in two parts. The first is the South African studies conducted that concerns demand estimations. All the studies that I could obtain have been cited. I therefore am of the opinion that this comment refers to the second body of literature which is demand estimation literature.  For the demand estimation literature it should be noted that the vast majority of the literature is old as this is when the demand estimations was first introduced. The models used in this study was developed in 1997 and is the most popular model for demand estimation. I therefore struggle to understand which current literature I am to cite.  Regarding the theoretical literature on demand estimation and elasticities, these were purposely not included in the paper, since I am of the opinion that this literature are common knowledge to the target audience of the paper. It is also common practice not to include this literature in demand estimation papers. |
| The argument is founded on an appropriate base of theory and good except some inconsistencies in citing the actual sources. For instance the demand equation all demand equation were from Poi( 2002, 2012) but some credit were given to Deaton and Muellbauer | It should be noted that the equations by Poi (2012) are mostly borrowed from Deaton and Meullbauer (1980) and Banks et.al. (1997). I am therefore of the opinion that it would not be correct to only cite Poi (2012) as he cites the above mentioned two papers. Further, notations (1) – (6) are directly from Deaton and Meullbauer (1980).  To better understand this, Poi (2012) provides the specifications specifically for Stata. |
| Under demand system and categories and group, in the 5 paragraph the author seems to be doing thins his own way. If not then it should be supported by literature. The procedure should be a bit scientific. Similar to paragraph 2 under section 4.2 (categories and group prices). | For the approach of combining two categories I have added a citation to the paper of Blundell and Robin (2000) where they show that this approach is acceptable.  For section 4.2, this methodological issue is unique to the data set used. I therefore adopted what I believe to be a rational approach. Since this data set has not been previously used by any other researchers, I am unfortunately not able to cite a source that followed a similar approach. |
| The presentation is not clear and the table do not speak for themselves. Besides the statistical significance are not reported on the tables making it difficult to understand. The reporting must follow the standard reporting in this journal and the statistical significance of the various estimated elasticities must be shown. | Regarding significance, please refer to the first reviewer’s first comment on this revision sheet. Significance were indicated where applicable by greyed coefficient at the 1% level (refer note to Table 1). To follow the reporting style of the journal I changed this approach by indicating significance with an \*.  To increase the clarity of the Tables I removed the abbreviations in the Tables and replaced these with their meanings. I also think the increased discussion of the Tables as previously mentioned in this sheet should assist in clarifying the Tables. |