

THE IMPACT OF MODEL SPECIFICATION ON THE HEDONIC INDEXES FOR HETEROGENEOUS GOODS

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Abstract

Hedonic regression – a model which links the price of the heterogeneous good with the set of its significant attributes – represents an useful tool in price statistics. The application of hedonic methods in the process of price index development allows to adequately reflect the price change level taking into account differences in goods quality. However, the correctness and usefulness of obtained price index strongly depends on its sensitivity on hedonic model specification. Usually, heterogeneous goods are described by a great number of characteristics and the necessary researcher decisions concerning model specification might influence obtained results. Described problem is presented using quarterly data from selected heterogeneous goods markets in Poland in the years 2014-2016, making use of extensive databases gathered by the author.

Key Words: heterogeneous goods, hedonic model, price index

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