

# Presentation

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# Introduction

- "Time-varying idiosyncratic risk and aggregate consumption dynamics"
  - Alisdair McKay
- "What drives heterogeneity in the marginal propensity to consume? Temporary shocks vs persistent characteristics"
  - Michael Gelman

## Main Results

- persistent characteristics
- temporary income shocks
- the relative importance of circumstances and characteristics in explaining MPC heterogeneity

## Model

$$V(x_{it}) = \max_{a_{it+1}} \{u(c_{it}) + \beta_i \mathbb{E}[V(x_{it+1})]\}$$

$$\text{s.t. } x_{it+1} = (1 + r)(x_{it} - c_{it}) + y_{it+1}$$

$$V(x_{it}) = \max_{a_{it+1}} \left\{ u\left(x_{it} - \frac{a_{it+1}}{1+r}\right) + \beta_i \mathbb{E}[V(a_{it+1} + y_{it+1})] \right\}$$