

Macro Roundup Article

Headline: [Distributional Consumer Price Indices](#)

Article

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Tweet: @XJaravel finds inflation rates differ by income quintiles. Accounting for inflation inequality reduces 1983-2019 real income growth for the bottom quintile from 12.5% to 2.1%, and from 19.1% to 12.0% for the next, with little change at the top.

Summary: This paper develops a new public database providing estimates of inflation heterogeneity across sociodemographic groups in the United States in real time. These distributional CPIs (D-CPIs) are fully consistent with the methodology of the official CPI and are available from 2002 to the present day, by household income, age, race, and other characteristics. It is simple to keep expenditure shares fixed in 2002 and build the price index in prior years using these shares, going back to 1983. Using this longer data set, I establish that D-CPIs have important implications for the measurement of long-run trends in inequality and poverty. Figure 15 plots household real income from 1983 to 2019. Real income for the bottom quintile increased by 12.5% according to the official CPI, but by only 2.1% with D-CPI. With D-CPIs, real income inequality between the top and bottom income quintiles increased 30% faster than with the nominal CPI.

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Primary Topic: Inflation

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