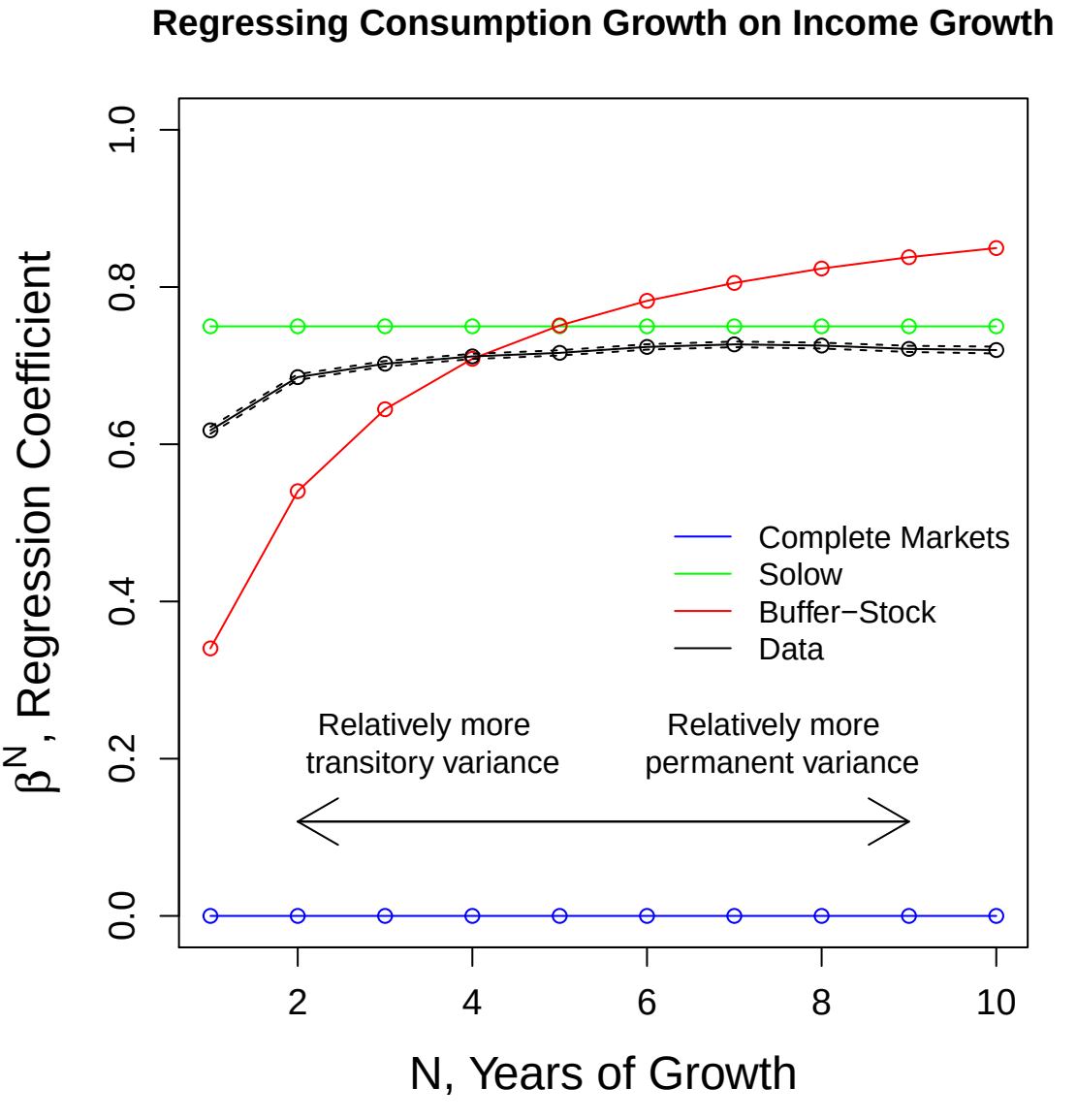
Regressing Consumption Growth on Income Growth
β^N, Regression Coefficient
0.0
0.2
0.4
0.6
0.8
1.0
2
4
6
8
10
N, Years of Growth
Complete Markets
Solow
Buffer−Stock
Data
Relatively more
transitory variance
Relatively more
permanent variance