Notes on presentation at Hopkins Spet 18 2018

Intro

Today I am going to talk about heterogeneity in consumption behavior, what drives it, and why it matters for macroeconomic dynamics. I’m going to use administrative data from Denmark, and my coauthor on this paper is Andreas Kuchler from Danmarks Central Bank.

Click

It is not obvious that heterogeneity is important for macroeconomics. The art of modeling is to simplify as far as possible and adding heterogeneity inevitably adds complexity – we must have good reasons to do so. Recently a bourgeoning theoretical literature has been making the case that heterogeneity can be of first order importance in macroeconomic dynamics. In these models macroeconomic evens can redistribute wealth between high and low MPC households, affecting aggregate consumption. For example if I take $100 for Greg and give it to Kevin, I suspect Gregs consumption behavior over the next month will not change much at all, which Kevin is likely to head to the Horseshoe casino and blow it all tonight! In these models these redistributive channels often eclipse the standard channels, such as intertemporal substitution, through which representative agent models work.

Click

How do we know whether to take these models seriously? Testing and quantifying these channels often boils down to measuring the distribution of MPC along some dimension of redistribution. This is what this paper will be about. Thus far, the literature has struggled to attain convincing ways to measure this, hindered by reliable methods with which to measure MPCs, very limited and poor quality consumption data, especially in datasets that also contain household balance sheet data with which to construct the relevant dimensions of redistribution.

Click

What does this paper do?

* Mention that the method can be used for many applications on a wide range of new data (administrative and financial app)
* Important to cover the whole economy, can square with national accounts
* Briefly mention expenditure imputation

Interest Rate Exposure: Out of sample

* Mention the financial sector might affect economy in other ways -> Monetary Policy perhaps not so effective during a banking crisis?

All Five Transmission Channels

* Why I am skeptical of E\_P (MPC is not perhaps not the right measure here)

Taste Shock Model

* Seems to be a separation between spending out of income and spending out of liquid wealth (mental accounting?)