Table 1 Model fit comparison: MPCs across wealth quartiles w. and w/o. splurge

	MPC					
	1st WQ	2nd WQ	3rd WQ	4th WQ	Agg	K/Y
Splurge ≥ 0	0.27	0.49	0.60	0.66	0.50	6.59
Splurge $= 0$	0.13	0.52	0.62	0.68	0.49	6.58
Data	0.39	0.39	0.55	0.66	0.51	6.60

Note: Marginal propensities to consume by wealth quartile (WQ), aggregate MPC, and capital-to-income ratio. The model without the splurge is able to match the aggregate MPC reasonably well (0.49 vs 0.51 in data), but does so by missing the MPCs in the different wealth quartiles, especially the richest quartile (**0.13** vs **0.39** in data, a 26 percentage point error). This contradicts robust literature findings that even wealthy households with ample liquidity exhibit high MPCs (Crawley and Kuchler (2023); Graham and McDowall (2024)) and related literature discussed in the main text, demonstrating that the splurge parameter is necessary for matching empirical consumption dynamics, though it does not substantially affect policy rankings.

References

Crawley, Edmund, and Andreas Kuchler (2023): "Consumption Heterogeneity: Micro Drivers and Macro Implications," *American Economic Journal: Macroeconomics*, 15(1), 314–41.

Graham, James, and Robert McDowall (2024): "Mental Accounts and Consumption Sensitivity Across the Distribution of Liquid Assets," *Available at SSRN 4793885*.