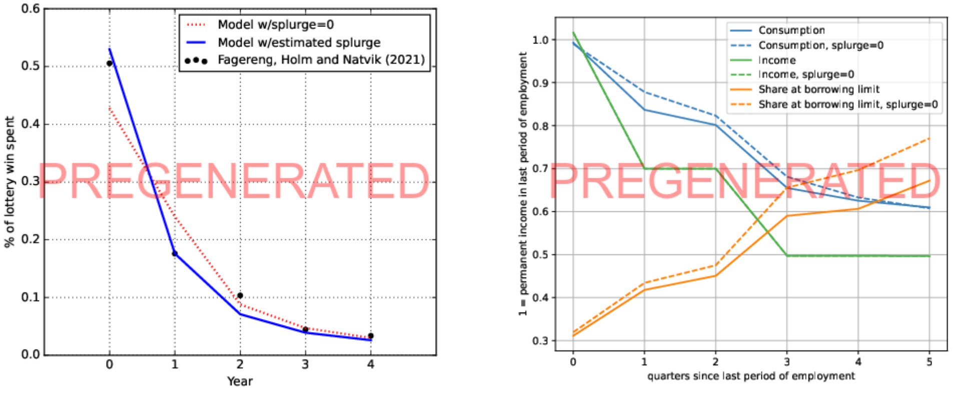
FIGURE 1. PRECOMPUTEDValidation moments in models with and without splurge




(a) Dynamic spending comparison

(b) UI benefit expiry dynamics

**Note**: This figure validates both model variants against empirical evidence (Appendix **??**). Subfigure (a) compares dynamic consumption response to **?** estimates; the no-splurge model shows slightly low MPC in year 1 and high MPC in year 2 due to faster spending by borrowing-constrained agents from the wider discount factor distribution. Subfigure (b) shows UI benefit expiry dynamics compared to **?**; both models predict similar consumption drops (17% vs. 18%) when benefits expire, but through different mechanisms: direct splurge effects vs. increased borrowing constraints. Red lines show income dynamics, demonstrating model consistency across specifications.