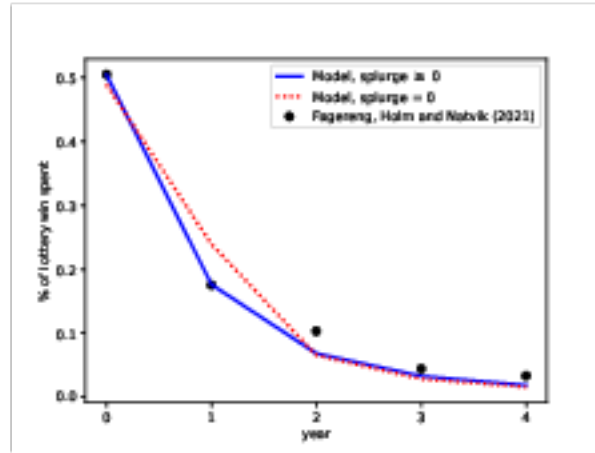
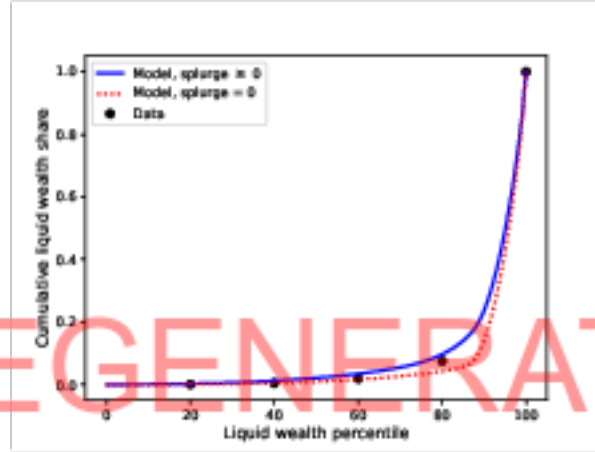


**Figure 1** Model performance with and without splurge factor



(a) Spending dynamics comparison



(b) Wealth distribution comparison

**Note:** This figure compares model performance with and without the splurge factor (Appendix B). Subfigure (a) shows the fit to dynamic consumption response from Fagereng, Holm, and Natvik (2021); the model without splurge achieves high initial MPC through wider discount factor distribution ( $\beta = 0.921, \nabla = 0.116$ ) versus the baseline model ( $\beta = 0.968, \nabla = 0.0578$ ). However, it exhibits higher spending propensity in year 2 due to faster spending by borrowing-constrained agents. Subfigure (b) shows the liquid wealth distribution fit; the no-splurge model generates more unequal wealth distribution relative to baseline and empirical data from the 2004 SCF. While both models perform reasonably well, the splurge factor provides superior empirical fit.

## References

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