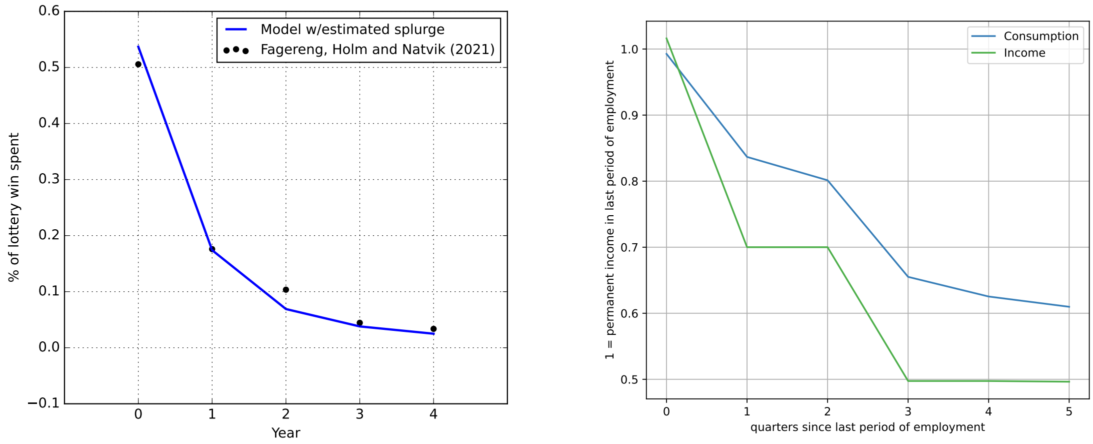
Figure 1 Model validation for non-targeted spending patterns



(a) Dynamic spending after lottery win **(b)** Spending upon UI benefit expiry

Note: This figure demonstrates model performance on non-targeted validation moments (Section 3.3.4). Subfigure (a) shows the model's dynamic consumption response compared to Fagereng, Holm, and Natvik (2021) estimates using the discount factor distributions estimated separately for each education group. Subfigure (b) validates the model against Ganong and Noel (2019), who find that nondurable spending drops by 12% the month when UI benefits expire; our quarterly model predicts an 18% drop the quarter after benefit expiry, demonstrating broad consistency with this empirical pattern.

References

Fagereng, Andreas, Martin B. Holm, and Gisle J. Natvik (2021): "MPC Heterogeneity and Household Balance Sheets," *American Economic Journal: Macroeconomics*, 13(4), 1–54.

Ganong, Peter, and Pascal Noel (2019): "Consumer Spending during Unemployment: Positive and Normative Implications," *American Economic Review*, 109(7), 2383–2424.