

How Changes to Income Affect Personally Experienced Inflation

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Motivation

Causal Question of Interest

$$\pi_t^i = \frac{\sum_l \theta_{l,t}^i P_{l,t} - \sum_l \theta_{l,t-1}^i P_{l,t-1}}{\sum_l \theta_{l,t-1}^i P_{l,t-1}}$$

Potential Sources of Bias

Ideal Experiment

Practical Research Design

$$\pi_t^i = [\theta_t^{i'} P_t - \theta_{t-1}^{i'} P_{t-1}] [\theta_{t-1}^{i'} P_{t-1}]^{-1}$$