

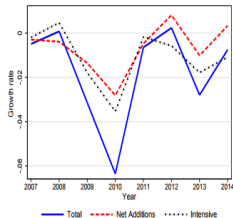
# The Extensive Margin of Aggregate Consumption Demand

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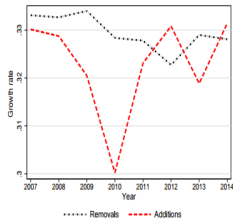
- This paper is about the extensive margin of (retail) consumption
- It uses Nielsen homescan data
- Retailers sell thousands of products, yet the average HH consumes only a few
- The paper decomposes consumption growth into:
  - Intensive margin growth
  - Additions to the basket
  - Removals from the basket

# Main observation

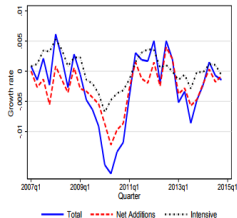
Figure 1: Aggregate expenditures and consumption expenditure flows



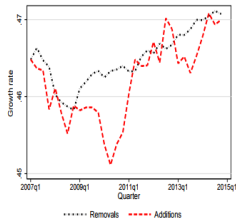
(a) Yearly flows decomposition



(b) Yearly flows, additions vs removals



(c) Quarterly flows decomposition



(d) Quarterly flows, additions vs removals

# Theory & Implications

Framework:

- The consideration set (CS) contains products HH know
- Random utility over varieties in the CS
- CS grows with costly experimentation, shrinks at rate  $\delta$

Other important feature:

- HH capital adjustment cost (to make C depend on Y)

Result:

- The bigger the consideration set, the lower COL
- Experimentation is an investment
- When income goes down, experimentation declines
- As a result COL increases (at constant prices)

# Conflicting evidence

Is shopping time counter-cyclical?

- YES:
  - Coibon, Gorodnichenko, Hong (2017)
  - Kaplan and Menzio (2016), Krueger and Mueller (2012)
- NO:
  - Gagnon, Lopez Salido, Sockin (2017)
  - Petrosky-Nadeau, Wasmer, Zeng (2016)