

Some Uses of CE

"Using Consumer Theory to Test Business Cycle Models"

(with Pete Klenow, *JPE*, 1998)

- Engel Curves to Predict Employment Cyclical by Good
- Durable luxuries cyclical employment, productivity, and prices
 - support for cyclical factor utilization

"Quantifying Quality Growth" (with Pete Klenow, *AER*, 2001)

- Estimate Quality Engel Curves for Durables
- Use Quality Engel Curves as instrument for Quality
- Predicts Unit-Price inflation 1980-1996 across goods
- Also Predicts CPI inflation across goods

Figure 3

Quality Engel Curve for CARS

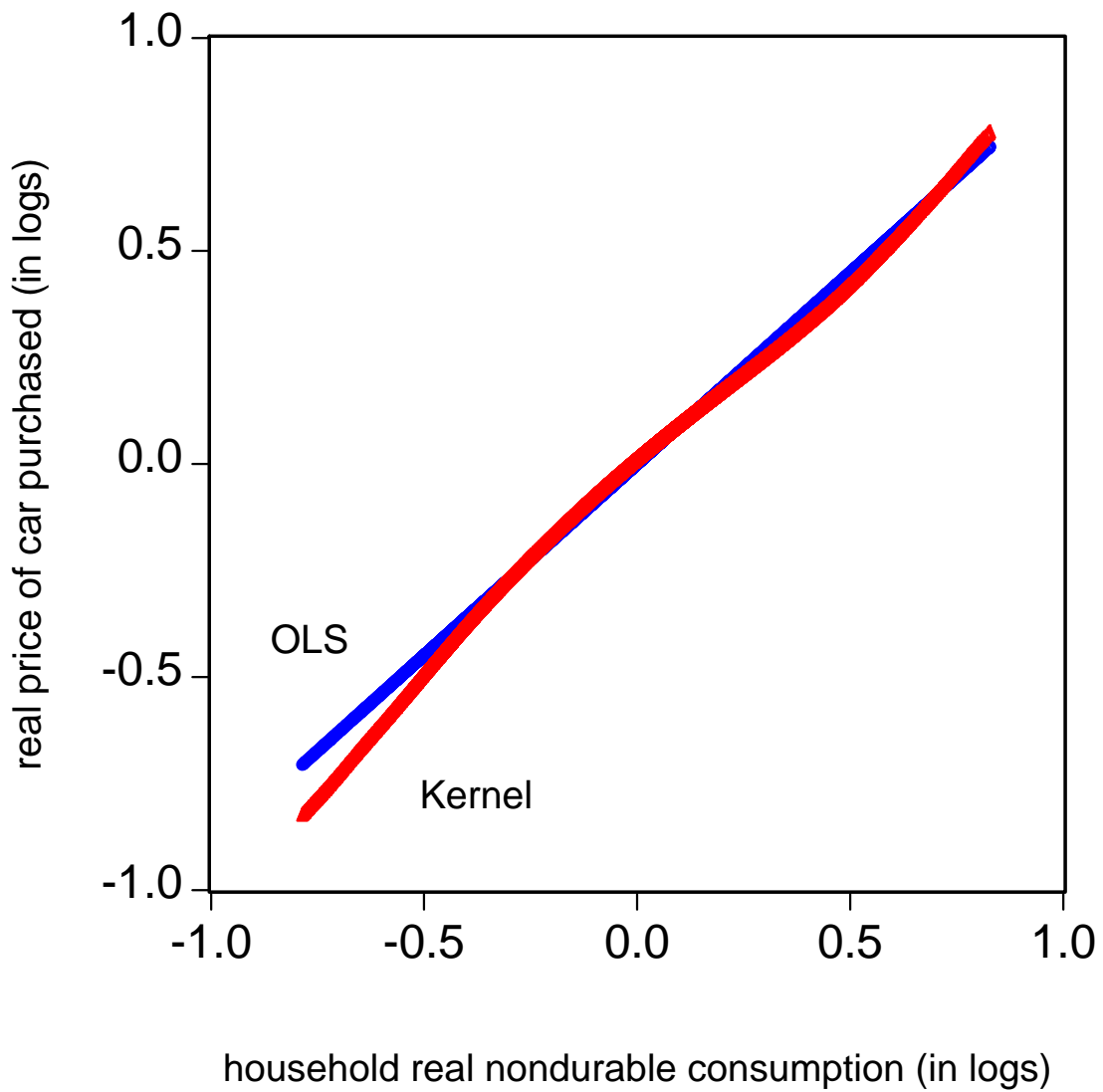


Figure 4

Quality Engel Curve for VACUUMS

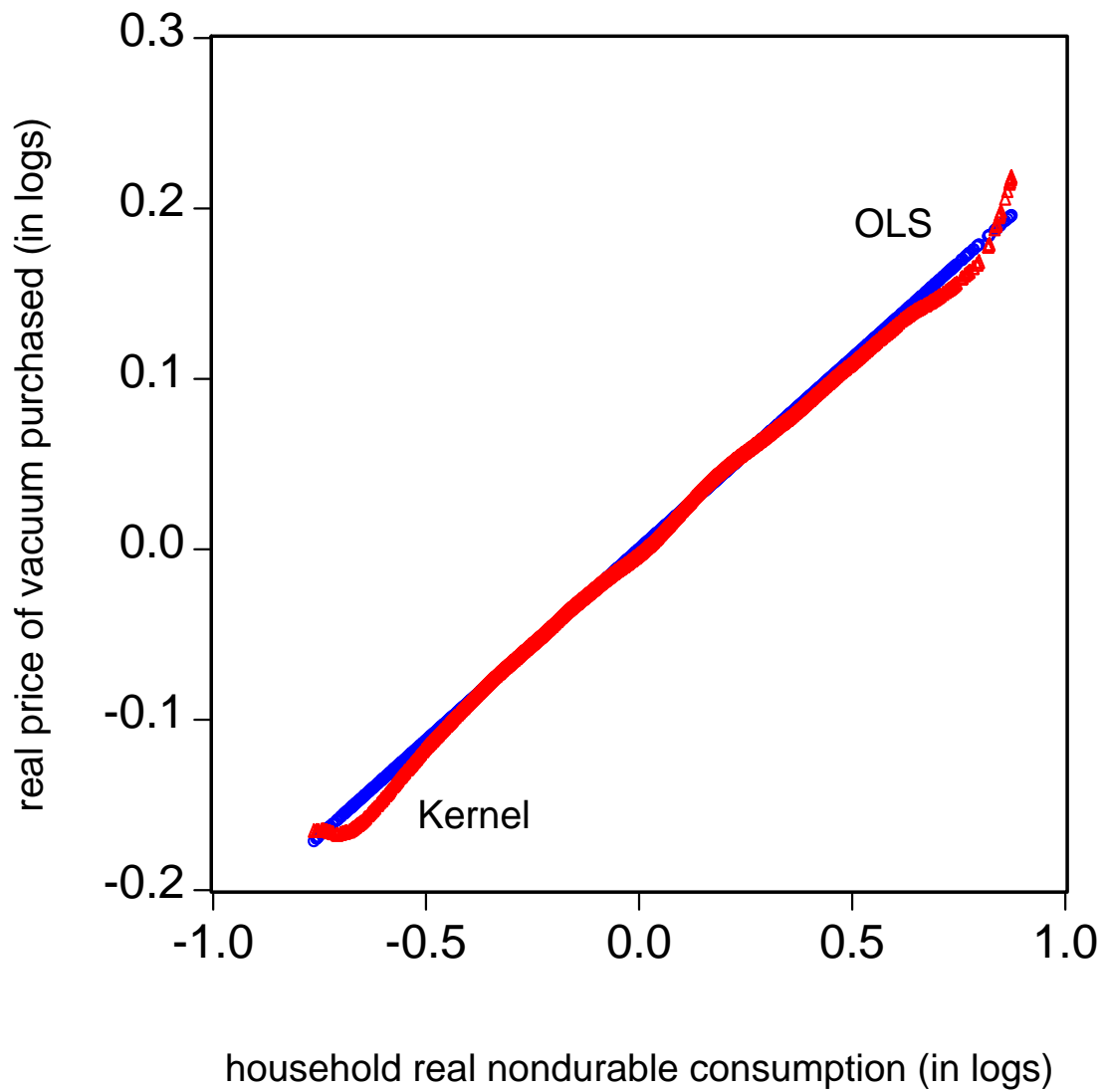
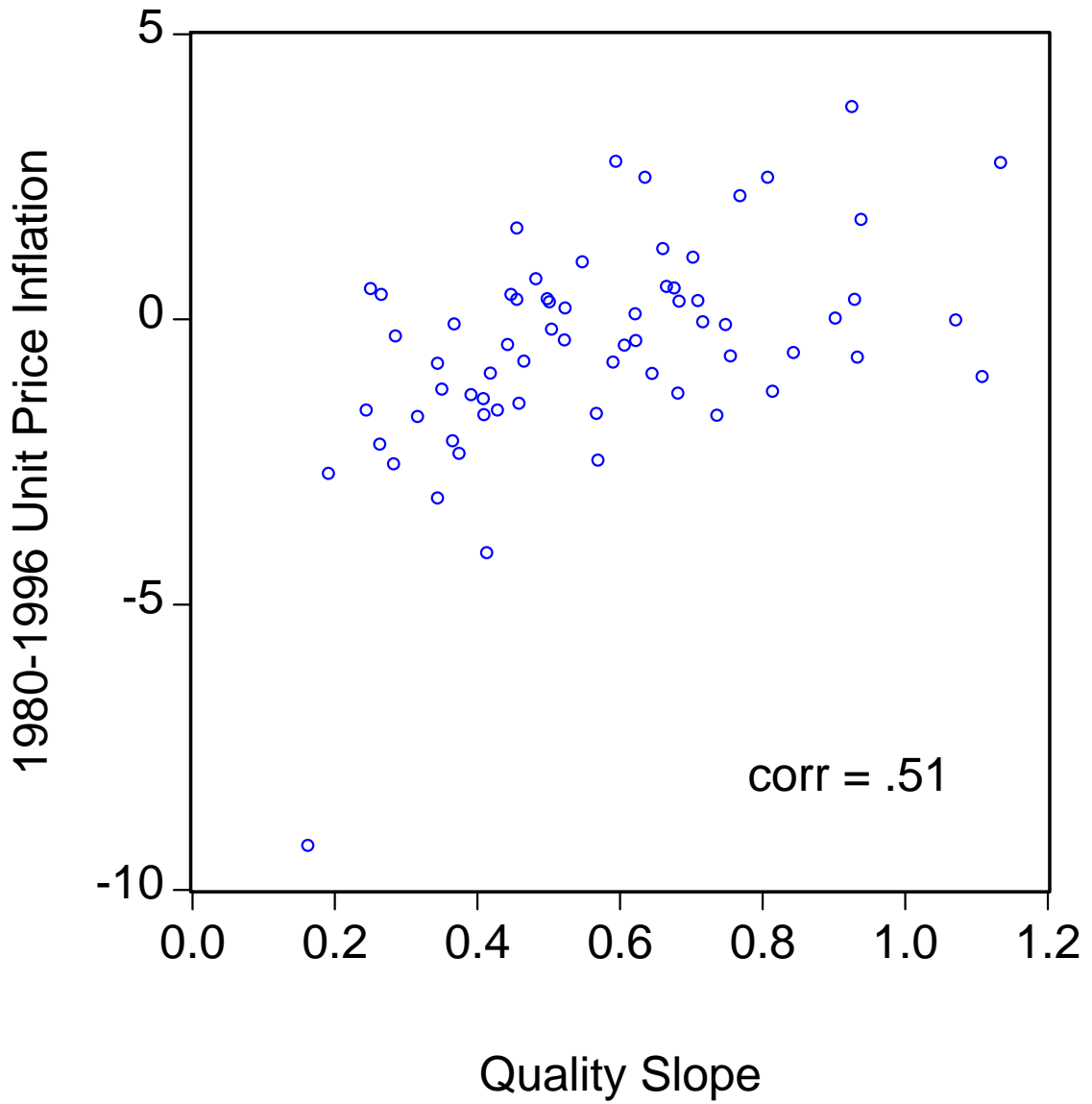


Figure 5

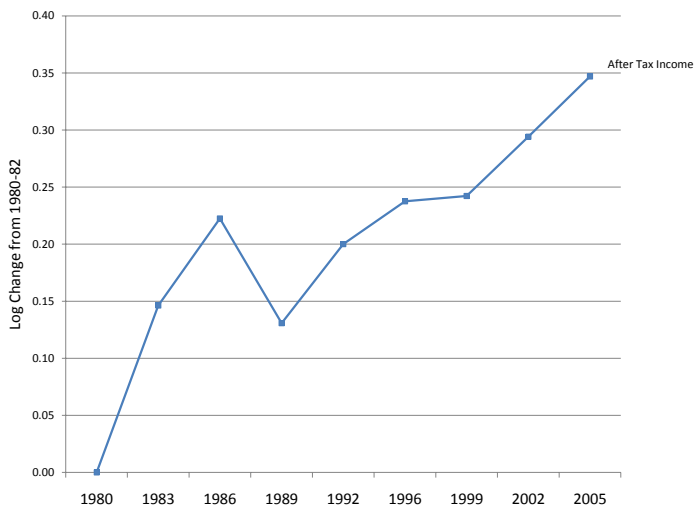


"Has Consumption Inequality Mirrored Income Inequality?"

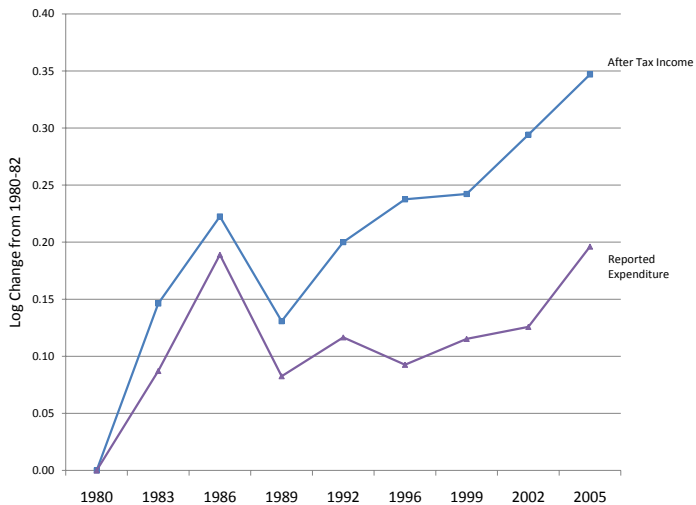
(with Mark Aguiar, 2010)

- Large increase in income inequality over last 30 years
- Consumption inequality, measured by CE, rose much less
 - e.g., Slesnick (2001), Krueger and Perri (2006)
- Use budget constraint and CE data on savings to check consistency
- Use Engel curves across goods for alternative measure
 - Corrects for systematic errors by good or income

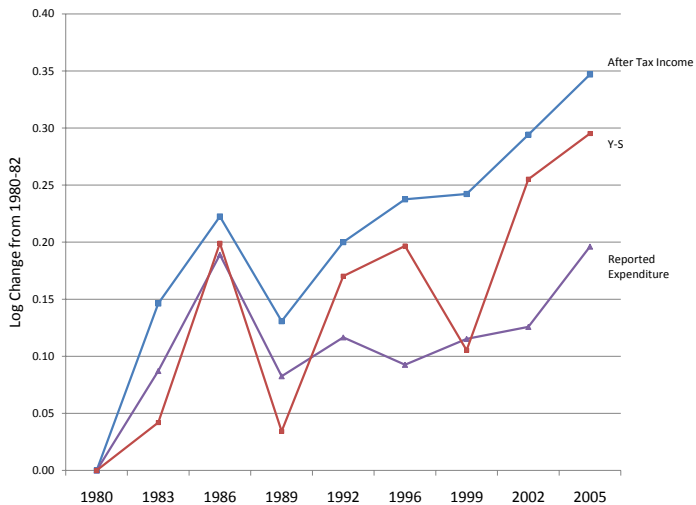
Implied Consumption Inequality



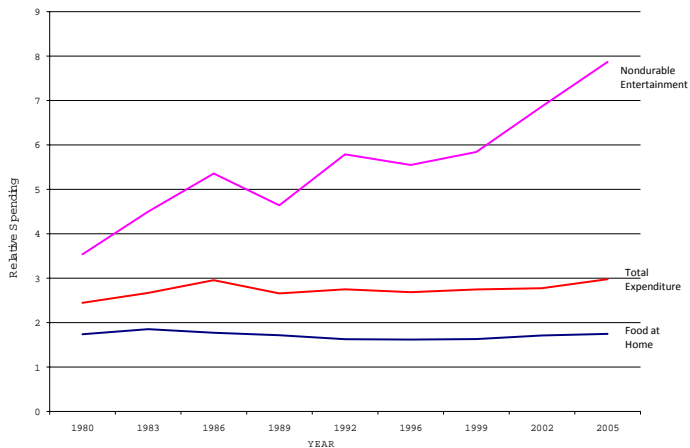
Implied Consumption Inequality



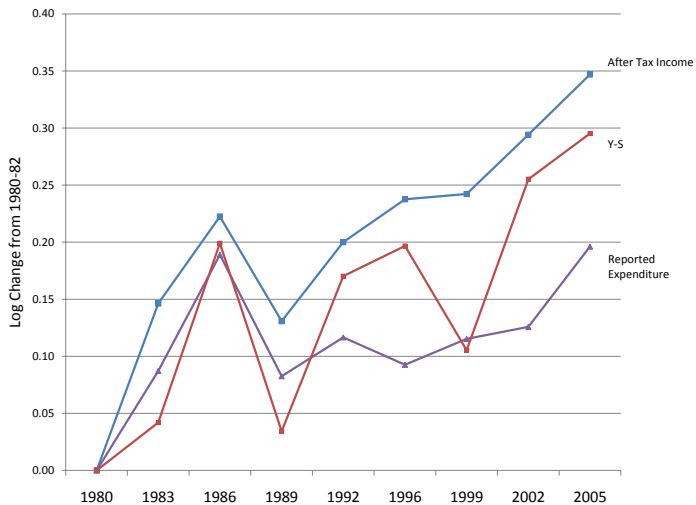
Implied Consumption Inequality



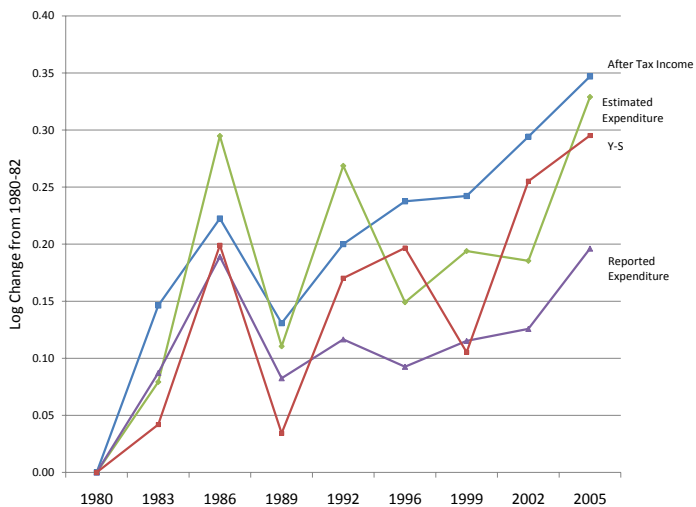
Two Good Example: Food and Entertainment



Implied Consumption Inequality



Implied Consumption Inequality



Description of Data Used

- Panel feature of data
 - to match expenditures to income
 - to instrument across surveys to address measurement error
- All available years (including 1972-73) to uncover long-term trends
- Interview files: Family, ITAB, and MTAB files
(MTABS for finer disaggregation, for unit prices for durables)

Suggestions for CE Survey and Products

For many questions aggregate household consumption is key

- Exploit household budget constraint as check
- Begin with estimate aggregate expenditures
 - bring records of check, credit spending, estimate currency flow
- Then drop number of questions that generate little expenditure share

For many questions need CE's short panel

— match income/spending, estimate life cycle or allow fixed effects

- Reductions in attrition would be great
- Bring in households only for full cycle
- Make existing years easier to use as panel
 - e.g., consistent set of ID's across census changes
 - perhaps produce panel version