The Immortal Consumer

\[ U = \gamma_1 \log(c_1) + \gamma_2 \log(c_2) + \gamma_3 \log(c_3) + \gamma_4 \log(c_4) + \gamma_5 \log(c_5) + \ldots \]

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\[ 1 > \gamma_1 > 0 \]

Hall Test

\[ c_t = \phi c_{t-1} \]
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\[ c_t = \phi z_t \]

\[ c_{t-1} = \phi z_{t-1} \]

\[ c_t - c_{t-1} = \phi (z_t - z_{t-1}) \]

Any changes in \( z \) must be unexpected.

Hall Test

\[ c_t - c_{t-1} = \phi (z_t - z_{t-1}) \]

\[ c_t = c_{t-1} + \phi e_t \]

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Whose Income?

If the children make more (less) money, the parents should spend more (less).
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Yes!

Suppose the parent gets a raise of $1 and parental spending goes up by 10 times the increase in the child’s spending.

The same ratio should prevail when the child’s income goes up, goes up by 10 times the increase in the child’s spending.

In Fact,
Thoughts

End

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