

# Discussion of *Consumption Inequality and the Frequency of Purchases*

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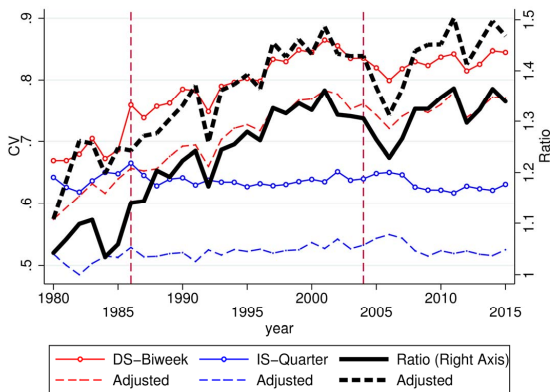
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# The Paper in One Slide

- Question: Has consumption inequality gone up in the U.S.?
- Answer: It depends...on what part of the CEX you look at!

Figure 1. Spending inequality in CEX Diary Survey and CEX Interview Survey.



- Explanation: Frequency of shopping trips has gone down.

# Main Comment I: Did Consumption Inequality Go Up?

## And Why Does it Matter?

- Answers in the Literature
  - Slesnick (2001), Krueger and Perri (2006): Not so much (certainly not as much as income inequality).
  - Attanasio et al. (2007, 2015), Aguiar and Bils (2015): (Almost) as much as income inequality.
  - Key difference: use of Consumer Expenditure Survey (CEX) Interview Survey (IS) or (in addition) Diary Survey (DS)
- This paper: difference between findings can be reconciled by changes over time in frequency of shopping trips.
- Who cares? Cross-sectional distribution of consumption expenditures better (but not perfect) indicator of cross-sectional distribution of well-being  $\sum_t U(c_t, l_t)$ .
- If most (all?) increase in expenditure inequality is due to change in high frequency shopping behavior (and storage), then no need to be concerned about rising welfare inequality.

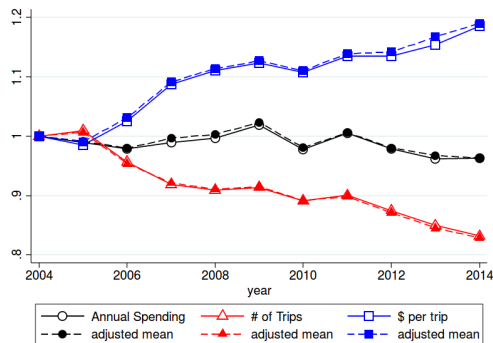
## Main Comment II: Nerdy Comments about Empirical Analysis

- What is measure of consumption? Consult Coibion et al. (2012):
  - Expenditures on nondurables: food, alcohol, tobacco, gasoline.
  - Expenditures on services: household utilities, household operations, services charges, recreational services, public transportation, personal care services.
  - Missing: Expenditures on durables (furniture, jewelry, watches, recreational goods, personal care durables), expenditures on housing, health expenditures, educational spending.
  - How large are expenditure shares of these items?
- Common price deflator? Individualized prices are hard to get, but could at least deflate each expenditure category by its own CPI.

# Main Comment III: The Mechanism

- Proposed explanation (with great evidence from Nielsen scanner data): Less shopping trips, larger purchases per trip.

Figure 4. Consumer spending, number of shopping trips, and spending per trip in ACNielsen household panel.



- Note: coverage of expenditure categories in Nielsen is much smaller (biweekly spending of \$ 151) than in CEX IS. How relevant is the mechanism for consumption more broadly defined?

## Main Comment III: The Mechanism

- Ultimate question: *Why* did frequency of shopping trips decline?
  - The paper: rise of club stores (Costco). But why did this happen?
  - Cost of physical storage (e.g. refrigeration) has declined!
  - Real interest rates have fallen. But how important is this?
  - Resource cost of shopping has gone up? Maybe not.
  - Relative time cost of shopping has gone up?
- A general final remark
  - Proposed explanation is about *time series volatility* of individual household consumption expenditures.
  - Implications for *cross-sectional consumption inequality* are simply the consequence (that do not necessarily follow).
  - Present it that order!
  - In fairness: confounding consumption volatility and consumption inequality is common in this literature (see e.g. Krueger and Perri (2006), the Blundell, Pistaferri et al. (2007, 2016) papers).

THANK YOU