

# **HOUSEHOLD BALANCE SHEETS AND MONETARY POLICY**

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DISCUSSION

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  - Wealth/Balance sheet effects
    - Merge micro (confidential CEX) and macro data
- Main results:
  - Heterogeneous effects of nominal shocks on house prices across MSAs.
  - Marginal propensity to consume out of housing (MPCH) is 0.06.
  - MPCH is higher for constrained households.

## IDENTIFICATION OF PROPENSITY TO CONSUME OUT OF HOUSING

Starting point:

$$\text{Consumption: } \Delta C_{it} = \beta_1 \Delta Q_{it} + \beta_2 MP_t + \text{error}$$

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What's  $Z_i$ ?

- Availability of land (Saiz 2010)
- Index of regulations (Wharton)

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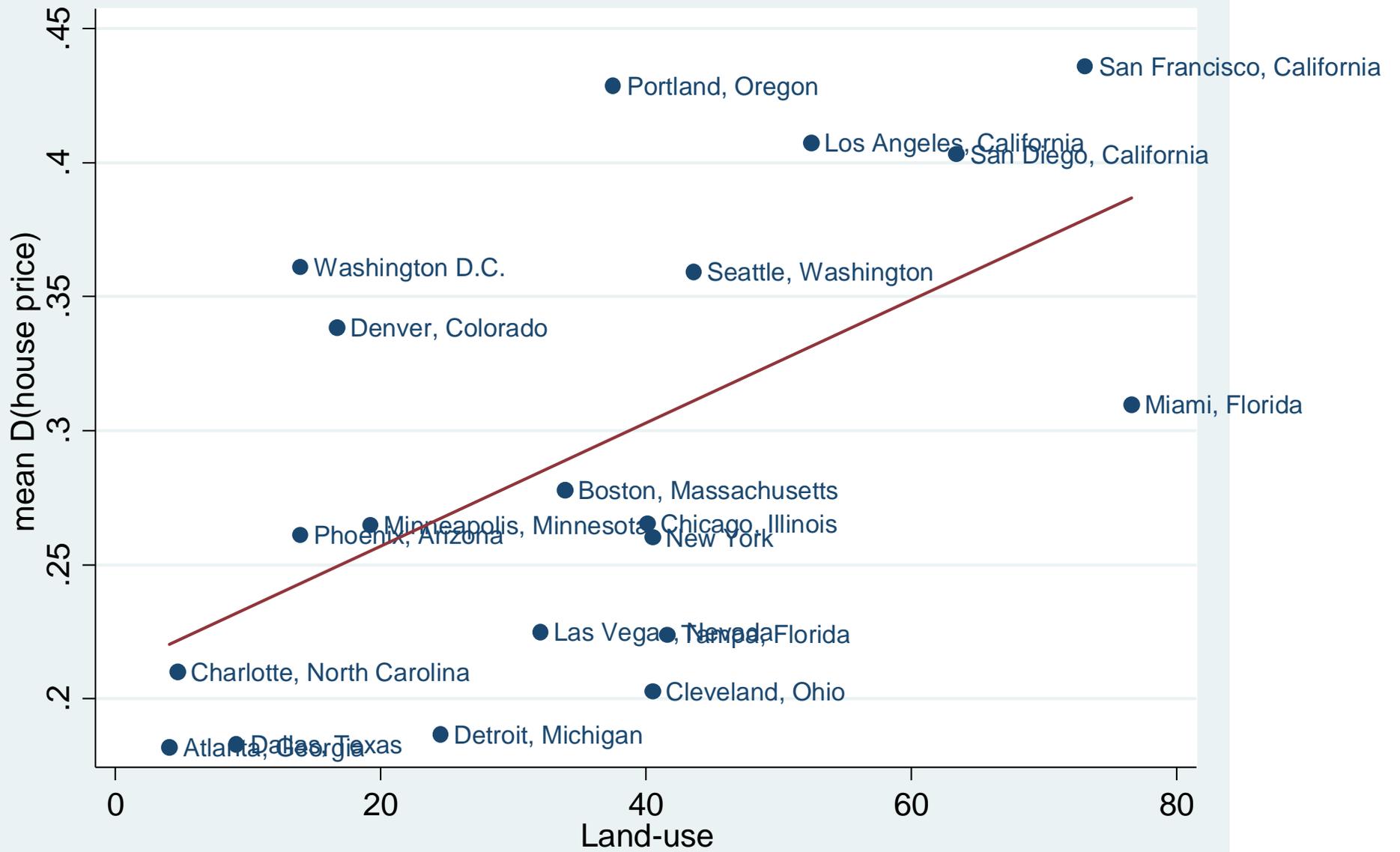
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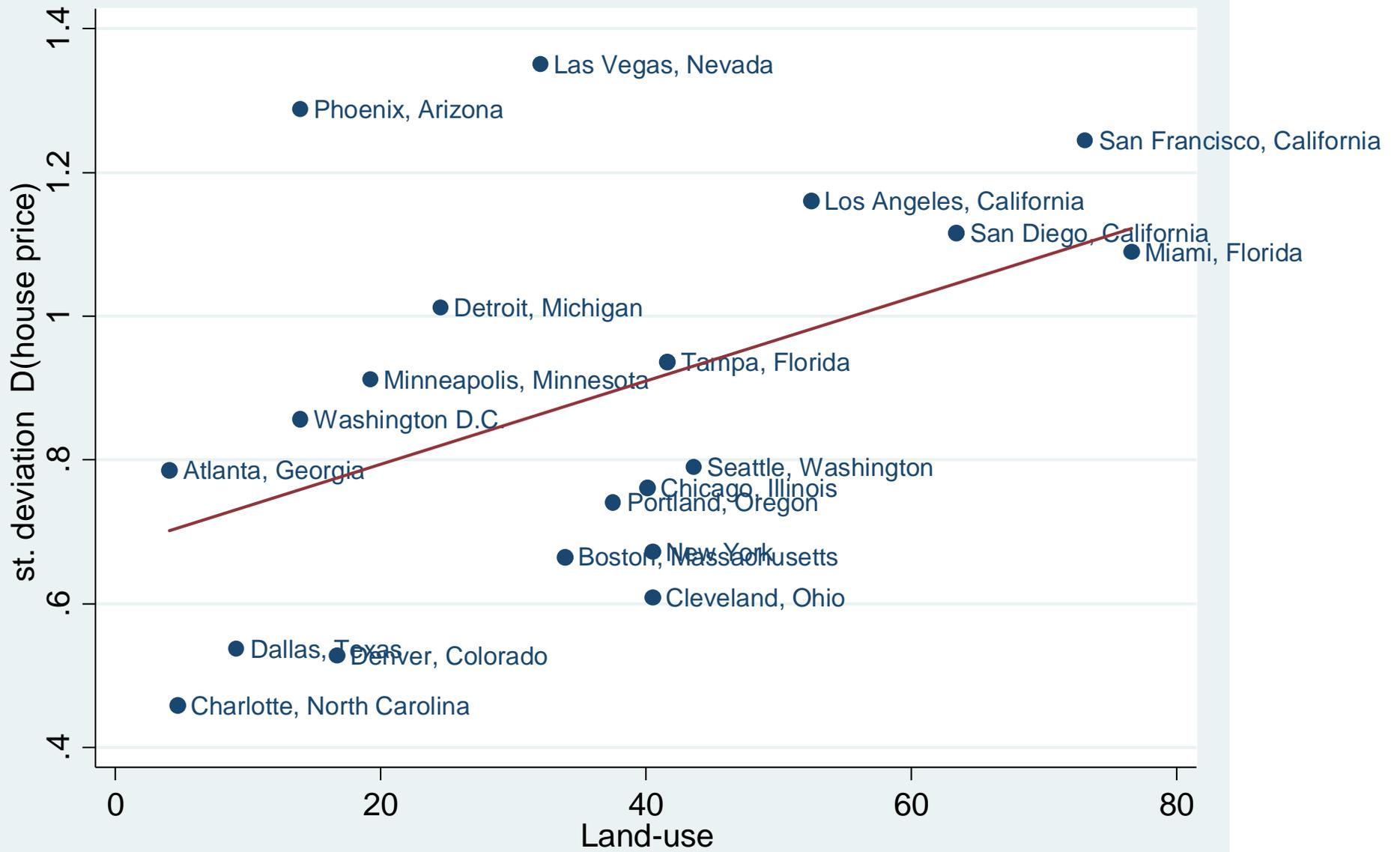
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- **Dynamic response: need to include lags of  $\Delta C_{it}$  and  $\Delta Q_{it}$  on RHS.**

# SUMMARY

- Great question
- Creative combination of micro and macro data
- Iron out a few wrinkles

