

# HOW MUCH CONSUMPTION INSURANCE IN THE U.S

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## ABSTRACT

We identify two sets of households in the Panel Study of Income Dynamics (PSID) differing dramatically in their income and consumption dynamics, although both should be equally representative. The degree of consumption insurance in each subsample is consistent with the standard incomplete-markets model's prediction. We contrast PSID and administrative earnings data and study the patterns in international datasets modeled on the PSID. We find an important role of differential attrition based on the dynamic properties of incomes in inducing the differences and identify PSID households providing a better guide to income dynamics and consumption insurance in the U.S.(c) 2022 Elsevier B.V. All rights reserved.

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