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"From Consumer Incomes to Car Ages: How the Distribution of Income Affects the Distribution of Vehicle Vintages"

This paper studies the relationship between consumer incomes and ages of the durable goods consumed. At the household level, it presents evidence from the Consumer Expenditure Survey of a negative correlation between incomes and ages of the vehicles owned. At the aggregate level, it constructs a dynamic, heterogeneous agents, discrete choice model, to study the relationship between the distribution of consumer incomes and the distribution of vehicle vintages. The model's parameters are calibrated to match vehicle ownership data for 2001. The moments of the income distribution are then varied to generate predictions for mean and median ages of vehicles. The model predicts that higher levels of income inequality lead to older vehicle stocks. If the initial incomes are low, increasing mean income may lead to the aging of vehicles by encouraging entry of lower income consumers into vehicle ownership via purchases of older vehicles. Beyond a certain income level, however, economies with higher mean incomes have younger vehicle stocks.