

EconWorld2016@Barcelona



The Dual Adjustment Approach with an Application to the Consumption Function

Mustafa İsmihan¹

¹Atılım University, Turkey

ABSTRACT



It is important to decompose some series into dual components to understand their permanent and temporary movements as well as their comovements and hence the dual adjustment. This study aims to introduce the dual adjustment approach for the trending macroeconomic variables. Therefore, this study proposes a simple approach for testing and estimation, with an application to the personal consumption expenditure and disposable income for the US data over the period 1929-2013. It provides an important extension to non-linearly co-moving variables.

JEL

E21, C1