

Consumption, Working Hours, and Wealth Determination in the Life Cycle*

Naohito Abe[†] Noriko Inakura[‡] Tomoaki Yamada[§]

May 18, 2007

Abstract

This paper presents an empirical analysis of a life cycle model. We incorporate labor supply and family structure into the standard precautionary saving model and estimate structural parameters based on the moment conditions for the life cycle profiles of consumption, working hours, and wealth accumulation. Our empirical analyses with Japanese household data reveal that consideration of family structure is crucial in fitting consumption and working hours profiles simultaneously under plausible parameter values.

Keyword: Life Cycle, Consumption, Asset Accumulation, Labor Supply, Structural Estimation

JEL Classification: D12, E21, C15.

*We would like to thank helpful comments from Orazio Attanasio, Richard Blundell, Motot-sugu Fukushige, Fumio Hayashi, Hidehiko Ichimura, Tokuo Iwaisako, Akiko Kamesaka, Munehisa Kasuya, Daiji Kawaguchi, Miki Kohara, Yoko Konishi, Makoto Saito, Yasuyuki Sawada, Kjetil Storesletten, and participants at 8th Macro conference at Keio University, International Conference of Microeconomic Analysis at Hitotsubashi University, the International Workshop on Consumption at Hitotsubashi University. The first and second authors would like to acknowledge the Research and Statistics Department, Bank of Japan, for providing us with excellent research environment

[†]Institute of Economic Research, Hitotsubashi University. E-mail: nabe@ier.hit-u.ac.jp. Phone:+81-425-80-8347.

[‡]Japan Center for Economic Research. E-mail: inakura@jcer.or.jp.

[§]Faculty of Economics, Rissho University. E-mail: tyamada@ris.ac.jp. Phone:+81-3-5487-3239.