

# Partial Insurance with Advanced Information

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February 15, 2019

## Abstract

We study how news about future earnings and earnings shocks affect consumption. Utilizing panel data from the Survey of Consumer Expectations (SCE), we document that individuals have a considerable amount of advanced information regarding their future earnings changes. For example, they can assess fairly well their job loss and job finding probabilities. We develop a model of consumption that allows for households to react to this advanced information about future shocks to earnings. We estimate this model on data from the SCE and recover the effect of transitory income shocks, permanent income shocks, and news shocks on spending.

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