

Micro-Level Counterfactual Heterogeneous Consumer Welfare Analysis with Confidence

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Abstract

In this paper, we build a flexible demand model on Brown, Deaton and Wozniak (2007) and Dubois, Griffith and Nevo (2014). We propose a new method based on independence conditions to make inference about the deep parameters in the nonlinear model, and infer the worst (or best)-case individual-level welfare change under a counterfactual price change within the confidence set of the parameters. The new method is robust to weak identification, easy to implement, scalable and computes very fast.