

## **The Dual Adjustment Approach With an Application to the Consumption Function**

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### **Abstract**

It is important to decompose some series into dual components to understand their permanent and temporary movements as well as their co-movements 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.

### **Keywords:**

**Jel Codes:** E21, C1