

**Abstract**

We present evidence that the high estimated MPCs from the leading household studies result in implausible macroeconomic counterfactuals. Using the 2008 tax rebate as a case study, we calibrate a standard medium-scale New Keynesian model with the estimated micro MPCs to construct counterfactual macroeconomic consumption paths in the absence of a rebate. The counterfactual paths imply that consumption expenditures would have plummeted in spring and summer 2008 and then recovered when Lehman Brothers failed in September 2008. We use narratives and forecasts to argue that these paths are implausible. We go on to show that reasonable modifications of the model result in general equilibrium forces that dampen rather than amplify micro MPCs. We also show that estimators of the average treatment effect yield smaller micro MPC estimates than the standard two-way fixed effects OLS estimator. The combination of smaller micro MPCs and dampening general equilibrium forces implies general equilibrium consumption multipliers that are below 0.2.