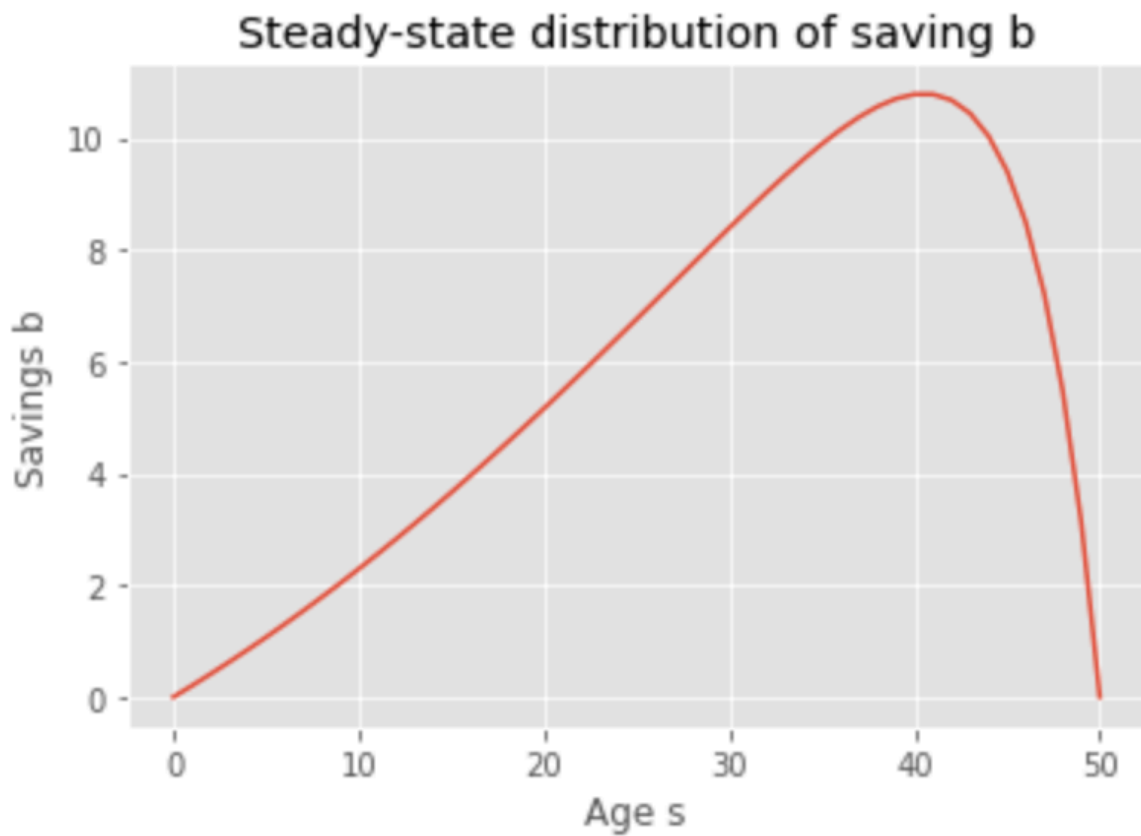


Problem Set 9

Overlapping generation

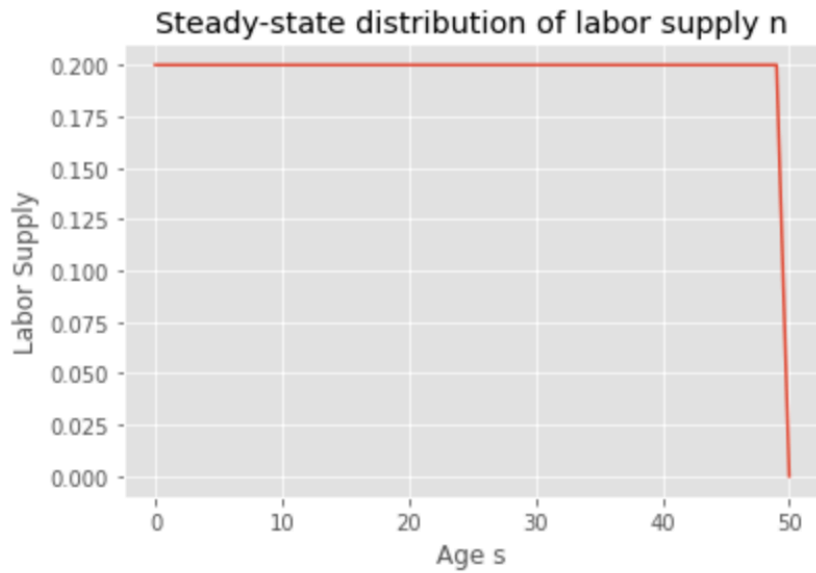
Xinya (Lucia) Yu

Savings



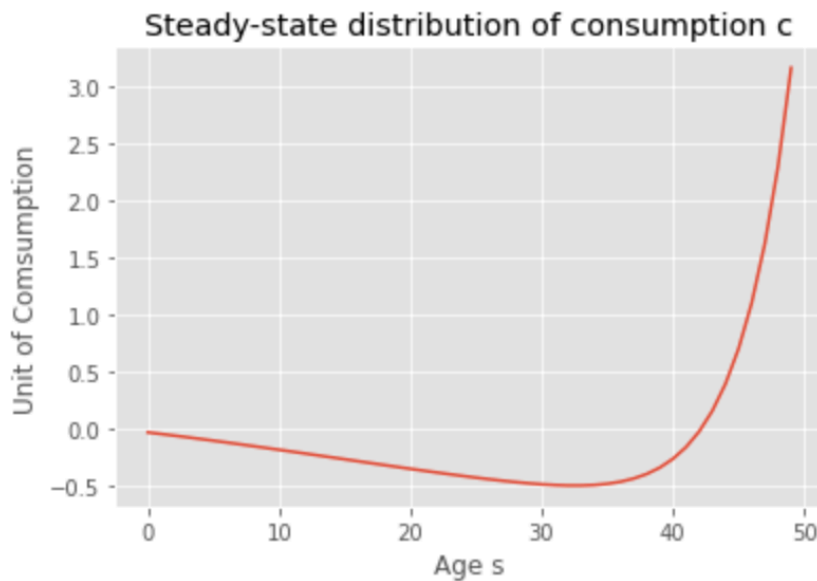
This figure shows how saving should be distributed over time. I assume that a person will live for 50 years. We can see from this figure that initially, when a person gets older, he or she will save more. Then, the saving level achieves its peak at the age of 40. After this age, the saving begins to decrease.

Labor Supply



The distribution of the labor supply is exactly the same as my initial guess, which remains stable at 0.2 and becomes 0 at the final period.

Consumption



For the distribution of consumption, the level decreases at first, then it increases dramatically. This means that people will consume more in the final period of his or her life.