A Replication of Carroll(1997

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$$c_t = \kappa_t[m_t + h_t]h_t = \sum_{i=t+1}^{\infty} R^{i-t} y_i \approx \frac{y_t}{r-g}\kappa = (1 - [R^{-1}(\beta R)^{1/\rho}]) \qquad (1)$$

$$c_t = \kappa_t[m_t + h_t]h_t = \sum_{i=t+1}^{T} R^{i-t} y_i \kappa_t = \frac{(1 - [R^{-1}(\beta R)^{1/\rho}])}{(1 - [R^{-1}(\beta R)^{1/\rho}]^{T-t+1})} \qquad (2)$$

$$1 = R\beta E_{t-1}[\{c_t[R[m_{t-1} - c_{t-1}]/Gn_t + v_t]Gn_t/c_{t-1}\}^{-\rho}] \qquad (3)$$

	Growth rate of aggregate consumption	Average growth rate of household permanent income	Average growth rate of household con
Base Value	0.020957	0.014807	
g = .04	0.040290	0.034225	
depreciation = .10	0.020821	0.014807	

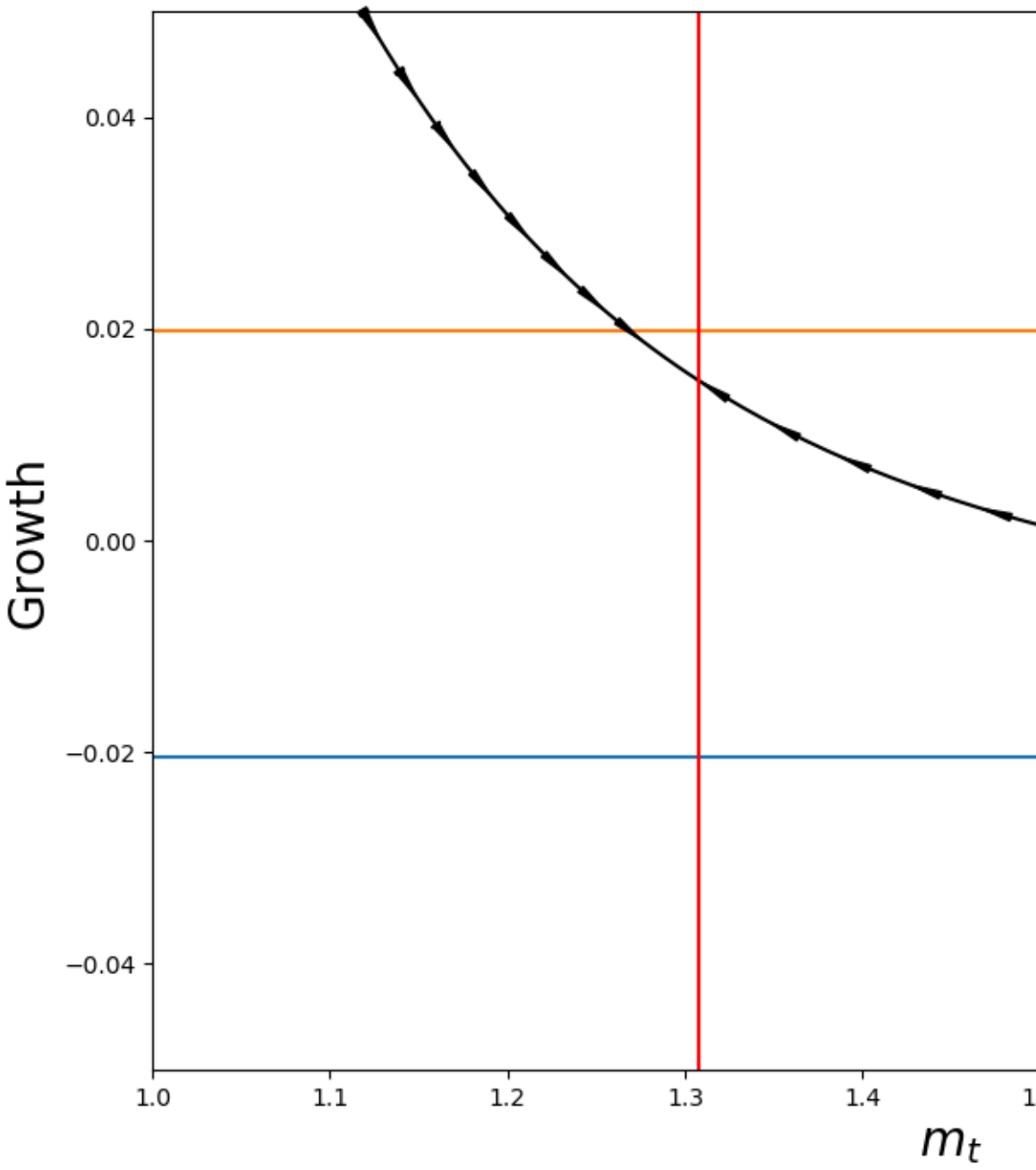
0.04
0.02
0.00
−0.02
−0.04
Growth
1.0
1.1
1.2
1.3
1.4
m_t

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Table 1:

Gross wealth ratio	Consumption when g=2%	Consumption when g=3%	MPC out of human wealth	Consumption when g=2%	Consumption w
0.4	2.016475	4.056489	0.039231	0.370145	
0.8	2.032168	4.072182	0.039231	0.713296	
1.2	2.047860	4.087874	0.039231	0.930450	
1.6	2.063553	4.103567	0.039231	1.024227	
2.0	2.079245	4.119259	0.039231	1.081466	
2.4	2.094938	4.134951	0.039231	1.123891	
2.8	2.110630	4.150644	0.039231	1.158950	

Table 2: