

## Recap: Lifecycle Model



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- ▶ Only one good in the economy. Production sector is Cobb-Douglas and competitive.
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- ▶ Young agents work and are paid a wage  $w_t$ . Of which, they consume and save for retirement.



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$$c_{yt} + a_{t+1} = l_{yt} w_t \quad \text{and} \quad c_{ot+1} = (1 + r_{t+1}) a_{t+1}.$$