1 Theory: The Perfect Foresight Case

Review of basic consumption theory in the perfect foresight/certainty equivalent case. Emphasis on the logic of the Euler equation and its implications. The income, substitution, and human wealth effects. Finite and infinite horizon models. The marginal propensity to consume out of transitory and permanent income.

Handouts. (* handouts to be discussed in class)

1. *2PeriodLCModel
2. *FisherFigure
3. Envelope
4. *PerfForesightCRRAModel (Summers (1981); Viard (1993))

References
