Three Essays on Lifecycle Analysis
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Abstract
This dissertation consists of three independent essays using dynamic lifecycle analysis. In the first essay a general equilibrium model is constructed to study the macroeconomic effects and welfare implications associated with eliminating mandatory retirement in Canada, both in the long and the short run. Political feasibility is examined by measuring the popular support that this type of policy might have under two labour market scenarios: in transitions in which the wage rate clears the labour market and transitions with a sticky wage and youth unemployment.

The second essay studies the welfare cost and distributional effects of a change in the permanent rate of inflation in a model that incorporates both residential and nonresidential capital. The framework is a dynamic general equilibrium lifecycle economy populated by heterogeneous individuals with respect to age, income and homeownership status. A numerical analysis is provided based on parameter values from the U.S. economy. The results show that the burden of inflation is unevenly distributed across income groups and hurts low income individuals more than high income individuals. This outcome arises from a number of characteristics and tax provisions available in the housing market.

In the third essay the Keynesian framework and the lifecycle model are combined to study the transitional effects of an exogenous shock on savings held by inhabitants of a small open economy. The focus is on studying impulse responses from the shock and convergence to a new equilibrium under different demographic scenarios. The results show that negative asset shocks are associated with a larger response of the aggregate demand in populations with a higher proportion of middle age and older consumers. However, when compared with economies with a stationary population, the larger initial reduction in demand is followed only by milder changes in transition.