



UNIVERSITY OF THE PHILIPPINES SCHOOL OF ECONOMICS

and

PCED | Philippine Center for
Economic Development

present a seminar on

"On the Allocative and Welfare Effects of Quasi-Hyperbolic Discounting"

by

Sarah Lynne S. Daway-Ducanes

U.P. School of Economics

25 August 2017, Friday

4:00-5:00 p.m. – Rm 303

Abstract:

Empirical evidence suggests that economic agents exhibit time inconsistency in discounting their intertemporal tradeoffs. Accordingly, we incorporate quasi-hyperbolic discounting (QHD) into the stochastic, infinite-horizon social planner's problem with labor-leisure choice. Within the class of first-order, Markov perfect equilibria, we obtain the time-consistent allocations and welfare, and then proceed to make calibrated comparisons with those derived under standard exponential discounting (ED). We find that a higher elasticity of labor supply augments the differences between the QHD and ED allocations and welfare levels, while a more persistent, positive technological shock reduces these gaps. The quantitative results indicate that QHD and ED yield different outcome which might have significant implications on the welfare .

About the author:

Sarah Lynne S. Daway-Ducanes is an Assistant Professor in the University of the Philippines School of Economics. She obtained her PhD in Economics from the University of California Riverside. Her main field of interest is macroeconomics.



Free and open to the public

For group attendance, please contact **Ms. Judy Avila**, UPSE Economics Research Center
Phone: 632-9205465, Email: research@econ.upd.edu.ph