

**Abstract :**

Ramsey (1928) remains the most influential paper in growth literature and an inexhaustible source of inspiration for theorists. One of the puzzling aspects of the model is the so-called Ramsey conjecture: "... *equilibrium would be attained by a division into two classes, the thrifty enjoying bliss and the improvident at the subsistence level*" (Ramsey (1928),p. 559). This sentence ends the paper and means that, in the long run, the most patient agents would hold all the capital, while the others would live at their subsistence level. The Ramsey conjecture was proved by Robert Becker more than half a century later. Becker (1980) pioneers a series of works during three decades on the properties of a Ramsey equilibrium under heterogenous discounting. He shows the existence of a longrun equilibrium where the most patient agent holds the capital of the economy, while the impatient ones consume their labor income. The existence of the steady state rests on the introduction of borrowing constraints that prevent agents to borrow against their future labor income. The complete markets case is considered by other authors. Le Van and Vailakis (2003) prove that, when individuals are allowed to borrow against future income, the impatient agents borrow from the patient one and spend the rest of their life to work to refund the debt. In addition, their consumption asymptotically vanishes and there is no longer room for a steady state. The extension with elastic labor supply, which is pertinent for a comparison with our paper, is provided by Le Van et al. (2007).

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**Cuong Le Van** is an associate editor of Economics Bulletin, International Journal of Economic Theory and Journal of Public Economic Theory. He is also member of the Editorial Council of Review of Development Economics and vice President of the Association for Public Economic Theory.

Professor Le Van was Head of GREDEG (CNRS-University of Nice) from October 2004 to December 2005, and then Head of Centre d'Economie de la Sorbonne, CES (CNRS-University of Paris 1) from January 2006 to December 2009. Since September 2008, he is the Scientific Deputy Head of the Institute of Humanities and Social Sciences of the French National Center for Scientific Research (CNRS). He also holds the position of Research Director of Exceptional Class of CNRS.

Professor Le Van's research interests cover General equilibrium theory, Macroeconomics and Optimisation with applications to economic theory. His works on general equilibrium on asset markets in finite or infinite dimension include the exploration of no-arbitrage conditions on the domestic markets and on the international market and beliefs of the agents.



We are pleased to invite you to the  
**Lunchtime Seminar in Economics:**

**Ramsey Equilibrium with Endogenous Labor Supply and Borrowing Constraints: Existence, Bubbles, Efficiency**

*(joint with Robert Becker , Indiana University); Stefano Bosi, University of Cergy-Pontoise and Thomas Seegmuller, GREQAM, CNRS)*

**Cuong Le Van**  
Université Paris I

**November 16, 2011**  
**13:00 – 14:00**



Campus Limpertsberg  
Building of Science – Room BS001  
162a, avenue de la Faïencerie L-1511 Luxembourg

Lunch is planned for the participants

Registration: by email to [fdef-colloques@uni.lu](mailto:fdef-colloques@uni.lu)