Do 1 out of 2 questions.

1) Write down a model of a husband and wife deciding when to retire. Be sure to pay attention to relevant dynamic issues, complementarities and substitutability issues associated with retirement timing, and the decision process used by the family to make decisions. Discuss how to estimate your model in as much detail as possible.

2) One of the concerns about the old AFDC program was that it encouraged women to have children that they could not afford to care for financially. Write down a model of decision-making affecting timing of children in the face of a welfare program like AFDC. Be careful to include the work (dis)incentives of the program, kinks in the budget space of the woman caused by the program, and any dynamic issues. Discuss how to estimate your model in as much detail as possible.