OPTIMAL GOVERNMENT POLICY:
THEORY AND APPLICATIONS OF RECURSIVE CONTRACTS

1. Introduction
   a. The Time-Inconsistency Problem
   b. The Use of Optimal Control
   c. A Recursive Formulation: a Promised Value
   d. Numerical Solution Method: PEA

2. Credible Government Policy
   a. Sustainable Plans
   b. Numerical Solution Method: APS

3. Optimal Social Insurance
   a. No Commitment in Contracts
   b. Contracts with Hidden Information
   c. Contracts with Hidden Action
      Applications:
      - Borrowing and Lending Contracts
      - Optimal Unemployment Insurance
      Main references: Townsend (1982); Thomas and Worall (1988, 1990); Kocherlakota (1996); Atkeson (1991); Cole and Kocherlakota (2001); Shavell and Weiss (1979); Hopenhayn and Nicolini (1997); Alvarez and Jermann (2000); Pavoni (forth), Pavoni and Violante (2004)

4. Mirrlees Approach to Dynamic Optimal Taxation
   Main references: Golosov, Kocherlakota and Tsyvinski (2003); Golosov and Tsyvinski (2005); Albanesi and Sleet (2005); Battaglini and Coate (2004); Kocherlakota (2005).
MAIN REFERENCES:


