

## Abstract

We study the dynamics of growth and investment in a continuous time model with vintage capital. Vintage capital models may be characterized by non-exponential rates of depreciation and technical change and can incorporate "gestation lags" as well as "learning by doing". We investigate the effect of such features on the dynamics of investment and growth and show how they can contribute to explain the volatile nature of investment time-series.

JEL Classification Numbers: 110, 130, 020.

Key Words: Vintage Capital, Optimal Growth, Functional Differential Equations.