

1 Dutch paper - no default - Steady state

I'm working with 35 variables (the ones from the code plus g). I can solve explicitly for 18 of them:

$$\begin{aligned}
 \Lambda &= \pi = \pi^* = q^k = a = \xi = \mathcal{D} = 1 \\
 1 + r^n &= 1 + r^d = 1/\beta \\
 m &= (\varepsilon - 1)/\varepsilon \\
 n^g &= \tau^n = \tilde{n}^g = \tilde{\tau}^n = 0 \\
 r^k &= r^b = r^d + \Gamma \\
 w &= (1 - \alpha)m^{\frac{1}{1-\alpha}} \left(\frac{\alpha}{r^k + \delta} \right)^{\frac{\alpha}{1-\alpha}} \\
 q^b &= \frac{r_c}{1 + r^b - \rho}
 \end{aligned}$$

I also know that:

$$\begin{aligned}
 i/k &= \delta \\
 G/y &= 0.2 \\
 i/y &= 0.2 \\
 q^b b/y &= 2.4 \\
 \frac{k}{h} &= \frac{\alpha}{1 - \alpha} \frac{w}{r^k + \delta}
 \end{aligned}$$

Note that the equations here above imply c/y is known:

$$\begin{aligned}
 c &= y - G - i \\
 \frac{c}{y} &= 1 - 0.2 - 0.2 = 0.6.
 \end{aligned}$$

First I need to solve for h . Using both of the equations that characterize the labor market I have:

$$h = \left[\frac{(1 - \alpha)(1 - v\beta)m}{\Psi(1 - v)c/y} \right]^{\frac{1}{\varphi+1}}.$$

Then I have:

$$\begin{aligned}
k &= \frac{k}{h} \times h \\
y &= k^\alpha h^{1-\alpha} \\
i &= \delta k \\
g &= G = 0.2 * y \\
c &= \frac{c}{y} * y \\
\lambda &= \frac{1 - v\beta}{1 - v} \frac{1}{c} \\
NUM &= \frac{\lambda m y}{1 - \beta\psi} \\
DEN &= NUM/m \\
b &= 2.4y/q^b
\end{aligned}$$

Also, from the gov't budget constraint, I would get

$$\begin{aligned}
\tau &= G + r^b q^b b \\
\implies \frac{\tau}{y} &= 0.2 + 2.4 (r^d + \Gamma)
\end{aligned}$$

and I could solve for τ .

So far I've "solved" for 29 variables, including h . I'm still missing 6, that would come from the financial intermediaries's FOCs. From Eq.(12) and the formulas above, I can solve for p :

$$p = \left(\frac{k + q^b b}{y} \right) y.$$

With p and Eqq.(15) and (13), I can solve for n and ϕ :

$$\begin{aligned}
n &= \theta \left[\Gamma k + \Gamma q^b b + \frac{1}{\beta} n \right] + \chi p \\
\implies n &= \frac{\theta \Gamma (k + q^b b) + \chi p}{1 - \theta/\beta}
\end{aligned}$$

and

$$\phi = p/n.$$

All of the other remaining variables depend on Ω :

$$\begin{aligned}\eta &= \Omega(1+r^d) = \Omega/\beta \\ v^b &= \Omega\Gamma \\ \phi &= \eta/(\lambda_{param} - v^b) = \frac{\Omega}{\beta} \frac{1}{\lambda_{param} - \Omega\Gamma}\end{aligned}$$

and I can use this last equation to solve for Ω :

$$\begin{aligned}\phi\beta(\lambda_{param} - \Omega\Gamma) &= \Omega \\ \Omega &= \frac{\phi\beta\lambda_{param}}{1 + \phi\beta\Gamma}.\end{aligned}$$