

Cash-in-Advance Model

The basic equilibrium conditions of the CIA model:

$$y_t = e^z k_{t-1}^\alpha n_t^{1-\alpha}$$

$$y_t = c_t + x_t$$

$$x_t = k_t - (1-\delta)k_{t-1}$$

$$\Psi(1-n_t)^{-\eta} = (1-\alpha) \frac{y_t}{n_t} \lambda_t$$

$$R_t = \alpha E_t \left(\frac{y_{t+1}}{k_t} \right) + 1 - \delta$$

$$\lambda_t = \beta E_t R_t \lambda_{t+1}$$

$$c_t^{-\Phi} = \lambda_t (1+i_t)$$

$$\lambda_t = \beta E_t \left(\frac{c_{t+1}^{-\Phi}}{1+\pi_t} \right)$$

$$c_t = m_t$$

$$m_t = \left(\frac{1+u_t}{1+\pi_t} \right) m_{t-1}$$

$$z_t = \rho_z z_{t-1} + e_t$$

$$u_t = \rho_u u_{t-1} + \varphi_t$$

The steady state:

$$\frac{y^{ss}}{k^{ss}} = \frac{1}{\alpha} \left(\frac{1}{\beta} - 1 + \delta \right)$$

$$\frac{c^{ss}}{k^{ss}} = \frac{y^{ss}}{k^{ss}} - \delta$$

$$R^{ss} = \alpha \frac{y^{ss}}{k^{ss}} + 1 - \delta$$

Dynamics:

$$z_t = \rho_z z_{t-1} + e_t$$

$$u_t = \rho_u u_{t-1} + \varphi_t$$

$$\hat{y}_t = \alpha \hat{k}_{t-1} + (1-\alpha) \hat{n}_t + z_t$$

$$\left(\frac{y^{ss}}{k^{ss}} \right) \hat{y}_t = \left(\frac{c^{ss}}{k^{ss}} \right) \hat{c}_t + \hat{k}_t - (1-\delta) \hat{k}_{t-1}$$

$$\hat{y}_t = \left(1 + \eta \frac{n^{ss}}{1 - n^{ss}}\right) \hat{n}_t - \hat{\lambda}_t$$

$$\hat{\lambda}_t = -\Phi \hat{c}_t - \hat{i}_t$$

$$\hat{m}_t = \hat{c}_t$$

$$\hat{m}_t = \hat{m}_{t-1} + u_t - \pi_t$$

$$\hat{\lambda}_t = \hat{r}_t + E_t \hat{\lambda}_{t+1}$$

$$\hat{r}_t = \alpha \frac{y^{ss}}{k^{ss}} (E_t \hat{y}_{t+1} - \hat{k}_t)$$

$$\hat{i}_t = \hat{r}_t + E_t \hat{\pi}_{t+1}$$

According to the above, I coded inflation5.mod in Dynare. But the codes (CIA.mod) provided by Carl E. Walsh is quite different from me.

My questions are:

1. I have no idea of the row of 22-25 in CIA.mod.
2. The 35th row in CIA.mod is quite different from the 23rd row in my inflation5.mod. There is an additional $(ISS/(1+ISS))$. Why?