

1 Summary

1. Equilibrium wage I was not able to solve the equilibrium wage because I fail to use the optimizer correctly to obtain a solution.
2. Stationary Distribution

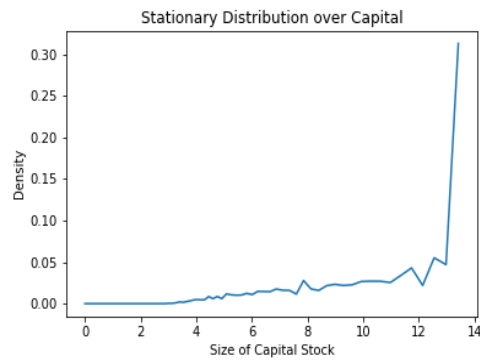


Figure 1: Stationary Distribution over Capital

The stationary distribution over capital clearly does not make sense. It should have a long right tail rather than a long left tail. I must make some mistakes when I compute for Γ^* .

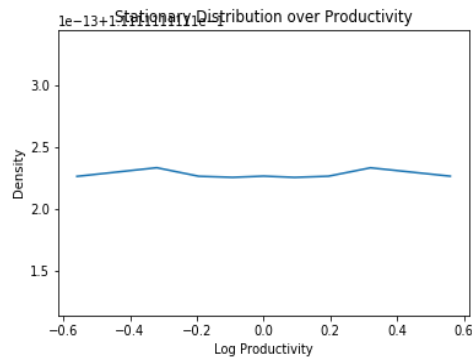


Figure 2: Stationary Distribution over Productivity

The stationary distribution over productivity should be normal. Yet, due to

the error I made, the distribution is flat, which confirms that my Gamma is wrong.

3.

The stationary distribution over productivity should be a concave curve. My graph displays somewhat concavity. But again, the error I made computing Gamma led to wrong policy function, so the line looks wrong.

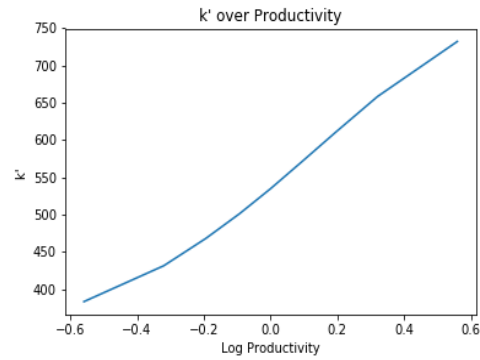


Figure 3: Stationary Distribution over Productivity