Fulbright University Vietnam
Spring 2025

Notes Guidelines: Financial Development Group
Econ 310: Dynamic Macroeconomics

Due: 15 May 2025, before 11:59 pm
Submission: Online via Canvas and GitHub.

1 Instructions

In addition to the general instructions on Canvas, the following guidelines apply to your group

· The main reference for your notes is:

- Buera, Francisco J., Joseph P. Kaboski, and Yongseok Shin. 2011. "Finance and Development: A Tale of Two Sectors." *American Economic Review,* 101 (5): pp. 1964-2002.

You have been given the MATLAB codes for a simplified version of the model in the paper above. The description is in the MATLAB live script (run_bks.mlx), but to summarize, the model is in partial equilibrium, and there is only one sector.

· Analyze the policy functions for consumption and occupational choice that are already printed.

· Analyze how the policy functions change in response to changes in real wages, the interest rate, and the depreciation rate.

· Analyze how the policy functions change in response to changes in the fixed cost, κ.

· Analyze how the policy functions change in response to changes in the rental limit, $\bar{k}$.

· Without coding anything, explain how having contract enforcement may affect the policy functions if r and w can adjust so that markets clear.

· Submit your analysis as a PDF file on Canvas and upload your code to GitHub.