

Firm Entry and Exit: Clemento-Palazzo(2016)

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We analyze a simple version of Clementi and Palazzo (2016)'s model of the firm lifecycle (which itself builds on Hopenhayn (1992) and Hopenhayn and Rogerson (1993)). The setup of it replicates my code for Khan-Thomas. Further, we studied the steady state of the model without aggregate shocks.

The following graphs some simulations using my Matlab codes for the model.

Figure 1: Tracing the value function from Khan-Thomas replication

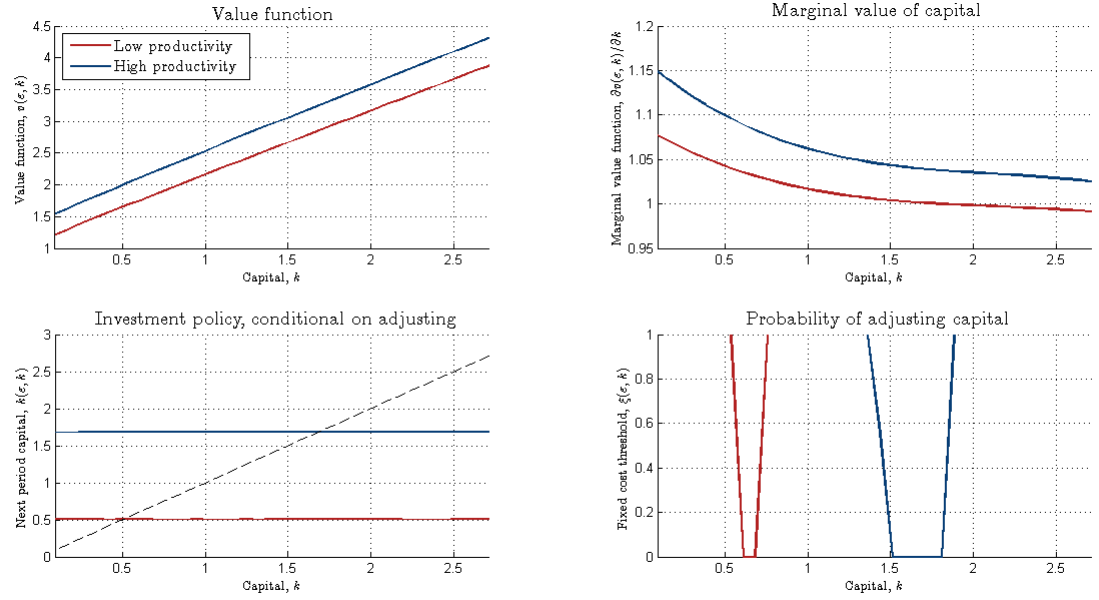


Figure 2: Tracing investment implications

