**Literature**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Parameter** | **Name** | **Current value** | **Source** | **Comment** |
| **/** | wage / cost of entry | - | First try | Affects the value of the firm – calibrate for the share of voluntary exits |
| **DRS** | decreasing returns | - | This works | More like 0.85-0.88 |
|  | capital share | 1/3\*DRS | Jo and Senga (2019) |  |
|  | labor share | 2/3\*DRS | Jo and Senga (2019) |  |
|  | participation cost | 15 | First try | Calibrate for the share of voluntary exits |
|  | discount rate | 0.989 | Often used | 0.96 annually (Kochen: ~0.94) |
|  | depreciation | 0.015 – 0.025 | Kaas, K&T | 6%-10% annually |
|  | Default probability | 0.02  (up to 0.1) | Seem to make sense | Öztürk: 0.087 quarterly! |
|  | Shock persistence | 0.969  (0.659) | Leo covid paper | This is usually set to match the autocorrelation of employment (when the paper focuses on employments) or the autocorrelation of capital (when the paper focuses on capital) |
|  | Shock SD | 0.146  (0.118) | Leo covid paper |  |
|  | Average productivity | 1 | Leo covid paper | This is a normalization |
| NA | Tauchen’s SD | 5 (or 4) |  |  |
|  | Recovery rate of assets | 0.4-0.5 |  |  |
|  | *The probability of getting stuck in the bad state* |  |  |  |
|  | The cost of liquidation for firms |  |  |  |

**Current model**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Parameter** | **Name** | **Current value** | **What it affects**  **(primary)** | **Also affects // Comments** |
| **/** | wage / cost of entry | 2 | YtoL  **Firm distribution** | Main determinant of YtoL //  If you keep wage fixed and allow entry cost to adjust to keep the seem wage you kill all changes in YtoL (productivity). If you fix that will give you and interesting wage dynamics, that affects a lot of other things – cost is that you have to do the bisection |
| **DRS** | decreasing returns | 0.75 | YtoL  **Firm distribution** | Everything to some extent //  Only thing that seems to affects YtoL |
|  | capital share | 1/3\*DRS |  |  |
|  | labor share | 2/3\*DRS |  |  |
|  | participation cost | 15 | Exit share, Avg debt to capital | Scale and mass of firms //  Direction of change monotonous |
|  | discount rate | 0.989 | Average interest rate | Nothing else too much //  0.99 is a weird eq. consider decreasing the beta |
|  | depreciation | 0.015 | Total debt and capital | Also: average interest rate and debt to capital |
|  | Default probability | 0.02 | Total debt and capital | Exit share, Interest rates //  Changes are not monotonous |
|  | Shock persistence | 0.969  (0.659) | Exit share | All firm level averages //  Sharp change in values after 0.95 |
|  | Shock SD | 0.146  (0.118) | Avg debt to capital  **Firm distribution** | Firm sizes, firm mass //  Affects the distribution too. Larger shocks to productivity, means that more firm end up in extreme productivities states, which affects the skewness of firm distribution |
|  | Average productivity | 1 | - | - |
| - | Tauchen’s SD | 4 | **Firm distribution** |  |
|  |  |  |  |  |
|  | Labor supply | 10000 | Scales mass of firms and workers in isolation |  |
|  | Recovery rate of assets | - | Average b2k | Total capital and debt // Generally small effects |

What affects distribution of firms and production the most:

* wage
* DRS
* Tauchen’s SD

|  |  |  |
| --- | --- | --- |
| **Parameter** | **Name** |  |
| pc | Participation Cost | 28 |
| DRS | Decreasing returns | 0.75 |
| \zeta\_R | Fixed cost of reorganization | 8500 |
| \zeta\_L | Fixed cost of liquidation | 2000 |
| \kappa | Discount for CF-based debt after liquidation | 0.3 |