**Current model**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Parameter** | **Name** | **Current value** | **What it affects**  **(primary)** | **Also affects // Comments** |
| **e size** |  | 46 | Debt financing strategy | Changes average CFL relative to CF share  19+ seems to work okay  The change is often non-monotonic |
| **x size** |  | 23 | Default share | Values of 50+ seem to work much better |
| **k,b size** |  | 32 | debt to assets  CF-share, average CFL | Higher values, around 32-40 seem to work nice.  Differences are smaller after around 36+ size |
| **/** | wage / cost of entry | 2 | YtoL | *Will not adjust it.* |
| **DRS** | decreasing returns | 0.75 | YtoL | *Will not adjust it.* |
|  | capital share | 1/3\*DRS | - | *Will not adjust it.* |
|  | labor share | 2/3\*DRS | - | *Will not adjust it.* |
|  | participation cost |  | Liquidation Prob.  Exit share | Increasing CF-share  Decreases Liquidation Probability  Decreases intrate and spread |
|  | discount rate |  | Average interest rate | Mostly just affects interest rate (should be around 0.96 – 0.97) |
|  | depreciation |  |  | Effects are weirdly non-linear (keep it around 4-6) |
|  | Default probability |  | Debt to assets  Share of defaults  CF-share  Interest rates | Have a large effect on the steady state but it affects a lot of things |
|  | Shock persistence |  | Liq. probability  CF-share – avg CFL | Affects debt financing strategy a lot but not much else |
|  | Shock SD |  | Liq. probability  CF-share – avg CFL | Almost the same effect as: |
|  | Average productivity |  | ? | ? |
| - | Tauchen’s SD |  | ? | ? |
|  |  |  |  |  |
|  | Labor supply | 10000 | Scales mass of firms and workers in isolation |  |
|  | Recovery rate of assets |  | Debt financing strategy | Affects debt financings strategy without messing with liquidation probability too much  Should be around 0.4 |
|  | Recovery rate of cont. value |  | Debt financing strategy  Liquidation probability | Should be around 0.8 |
|  | Loss from CF based debt in liq. |  | Nothing really | The effects are a bit weird – go the wrong direction.  *Look into this.* |
|  | Reorganization cost |  |  |  |
|  | Liquidation cost |  | Average CFL  CF-share | Affects CF share relative to average CFL relinace |
| TauchenSD | Prod. grid size |  |  | Decreases the share of large firms, which leads to decreasing CF-share a |

What affects distribution of firms and production the most:

* wage
* DRS
* Tauchen’s SD