Replicating Arellano 2008, “Default Risk and Income Fluctuations in Emerging Economies”

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Topics of Macroeconomics (A)

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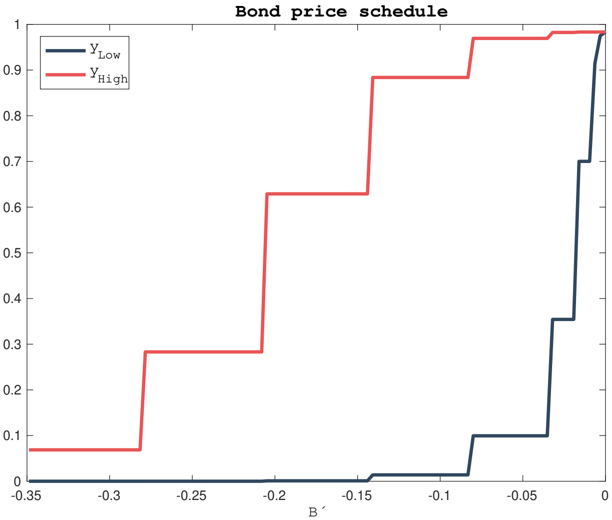
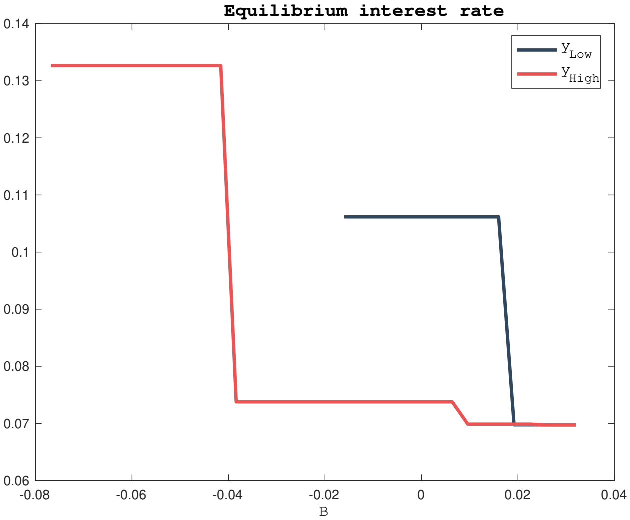
Bond price schedule

B' vs $q(B', y)$



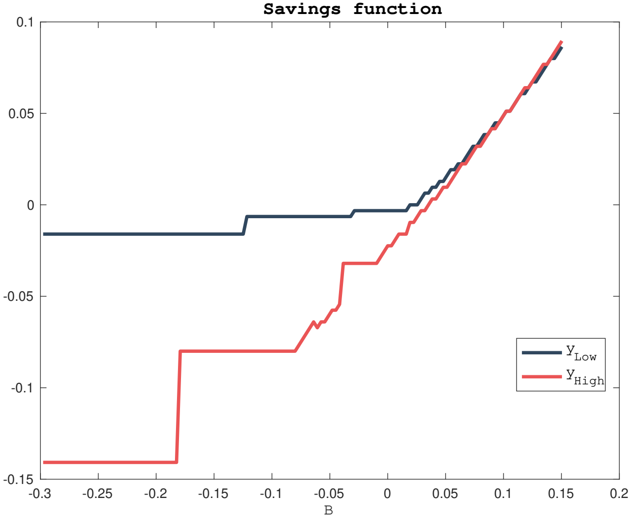
Equilibrium interest rate

B vs $\frac{1}{q(B'(B,y),y)}$



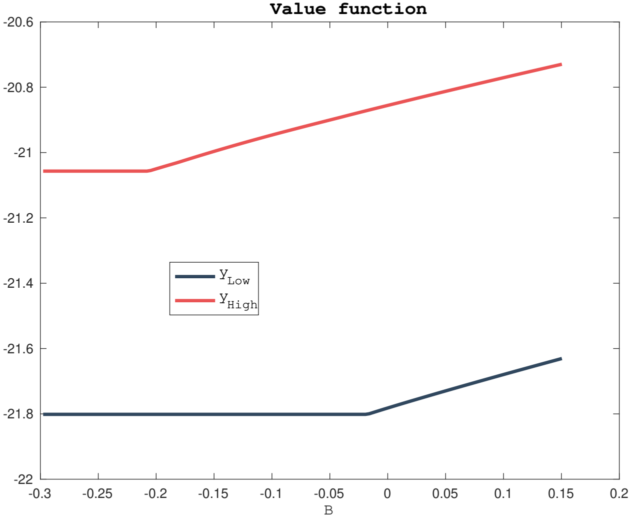
Savings function

B vs $B'(B,y)$



Value function

B vs $V^0(B, y)$



References

Arellano, Cristina (2008). "Default risk and income fluctuations in emerging economies". In: *American economic review* 98.3, pp. 690–712.

Contact me