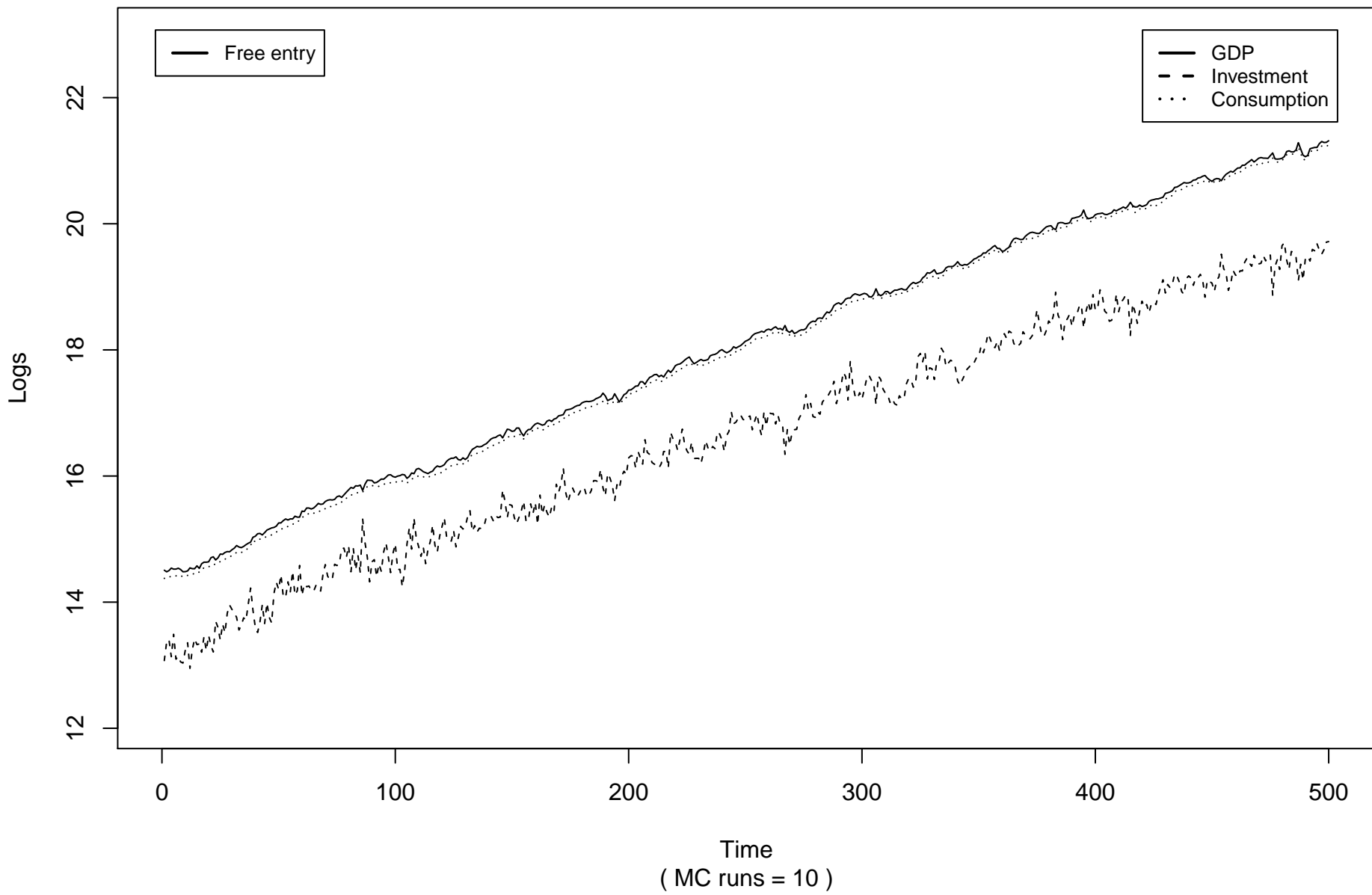
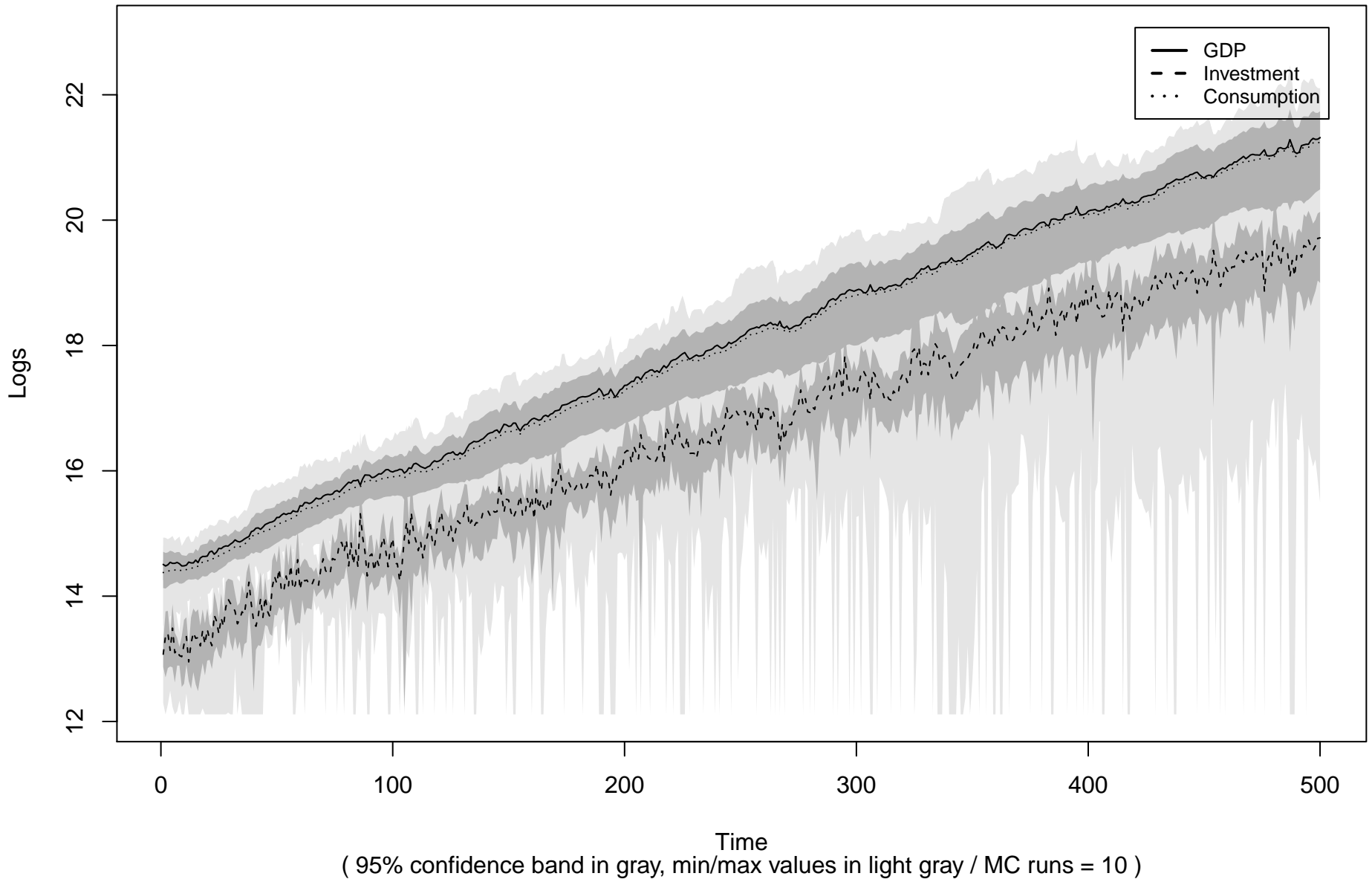


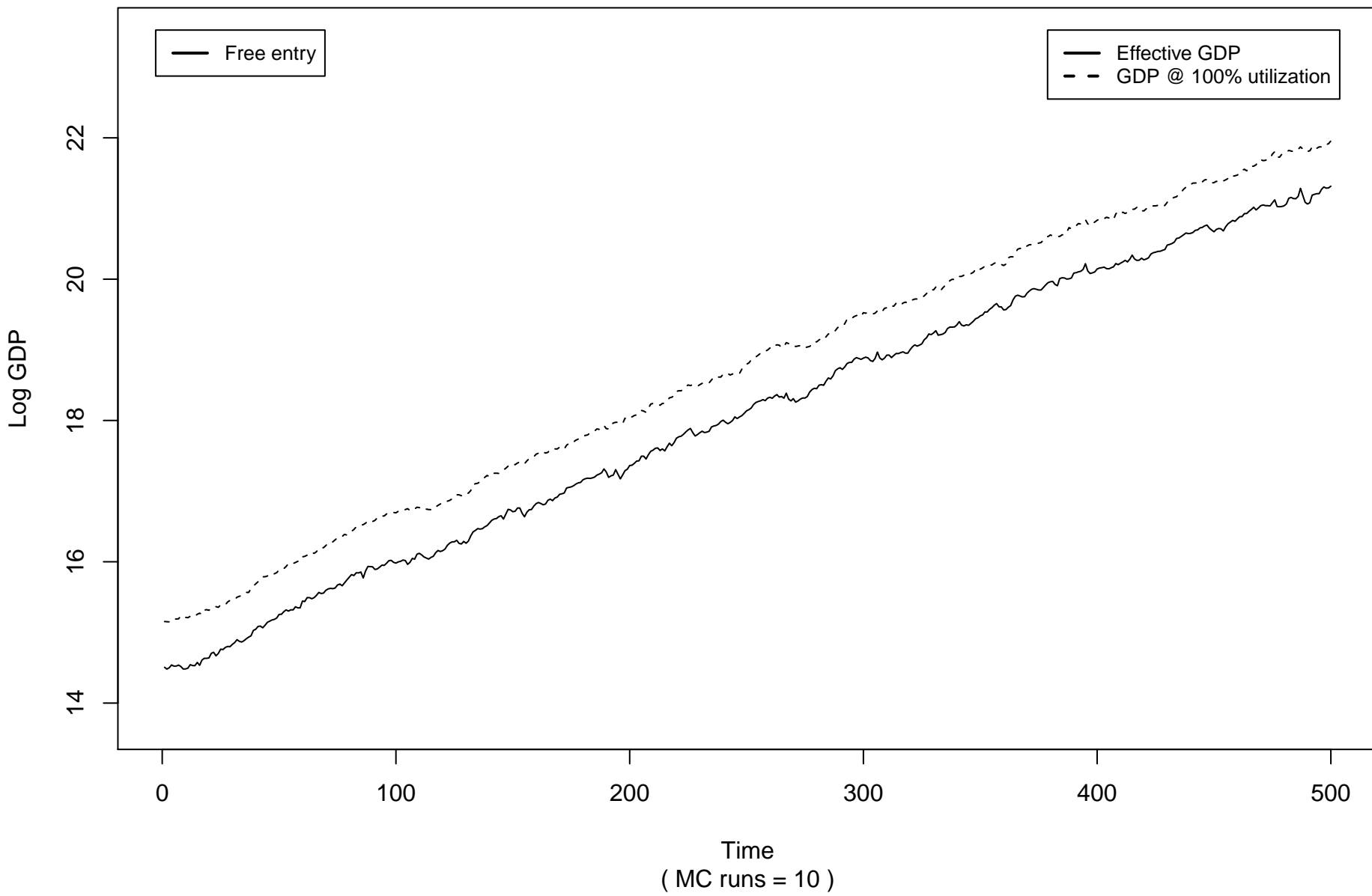
GDP, investment and consumption (all experiments)



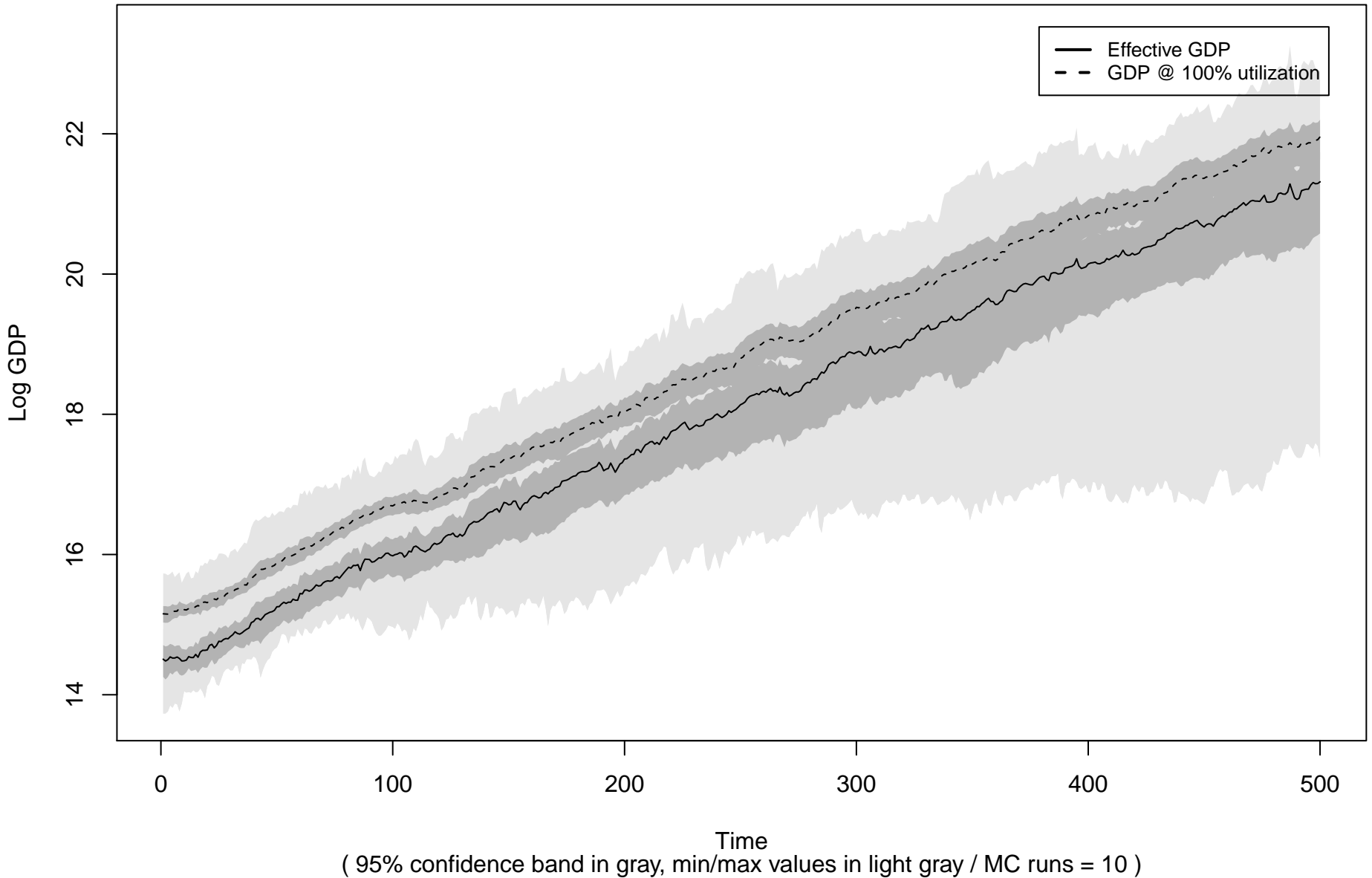
GDP, investment and consumption (Free entry)



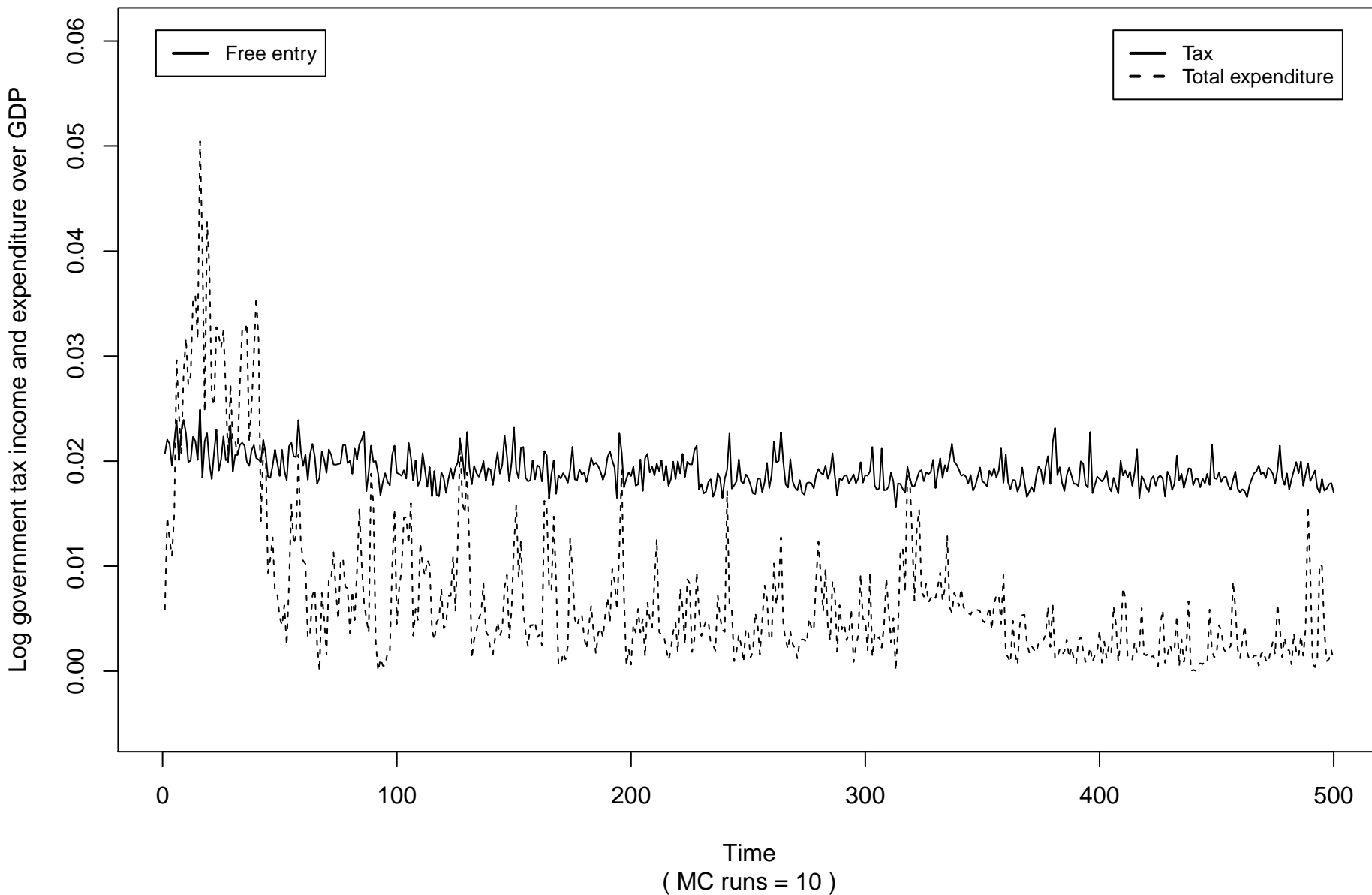
GDP (all experiments)



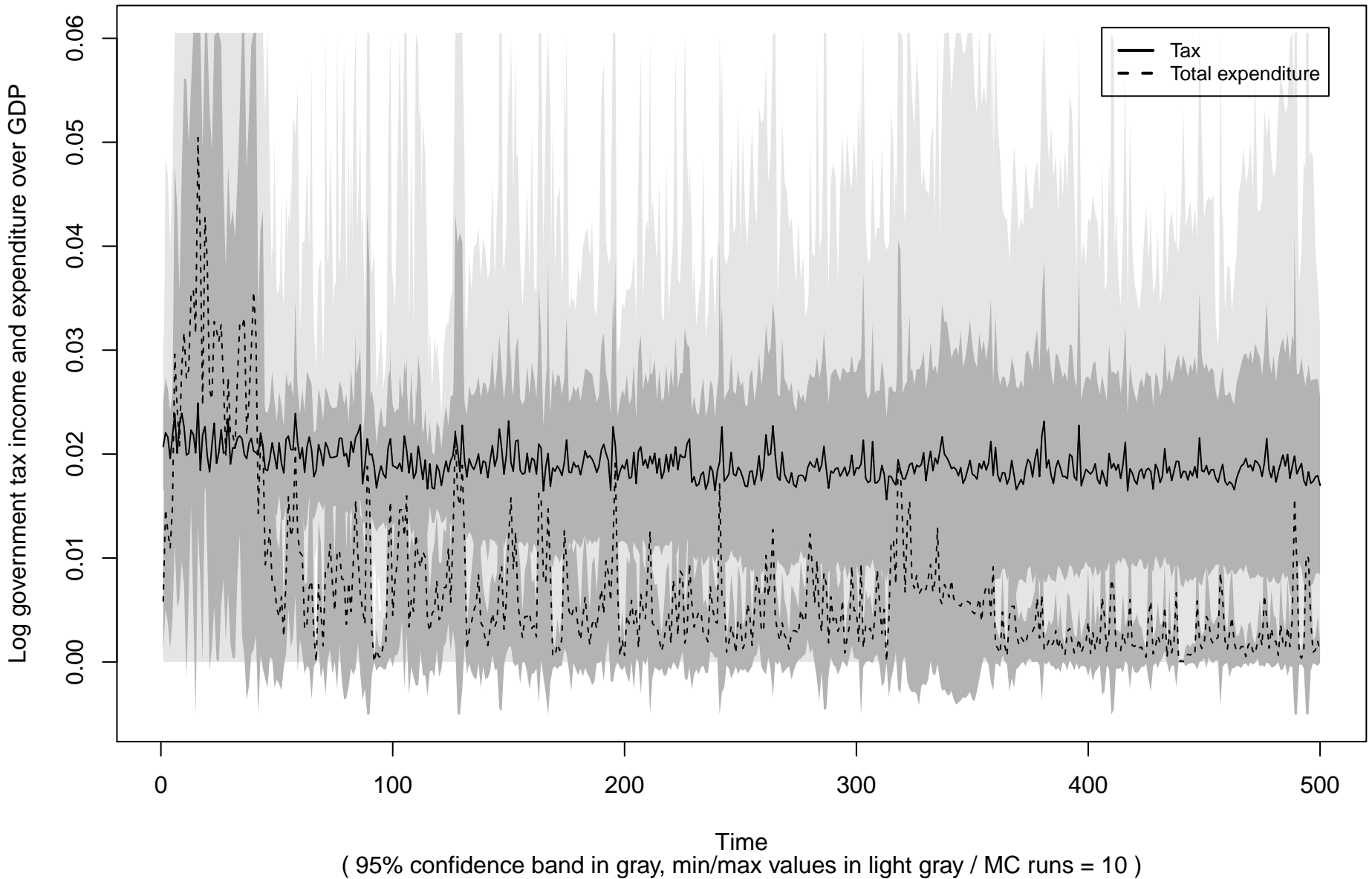
GDP (Free entry)



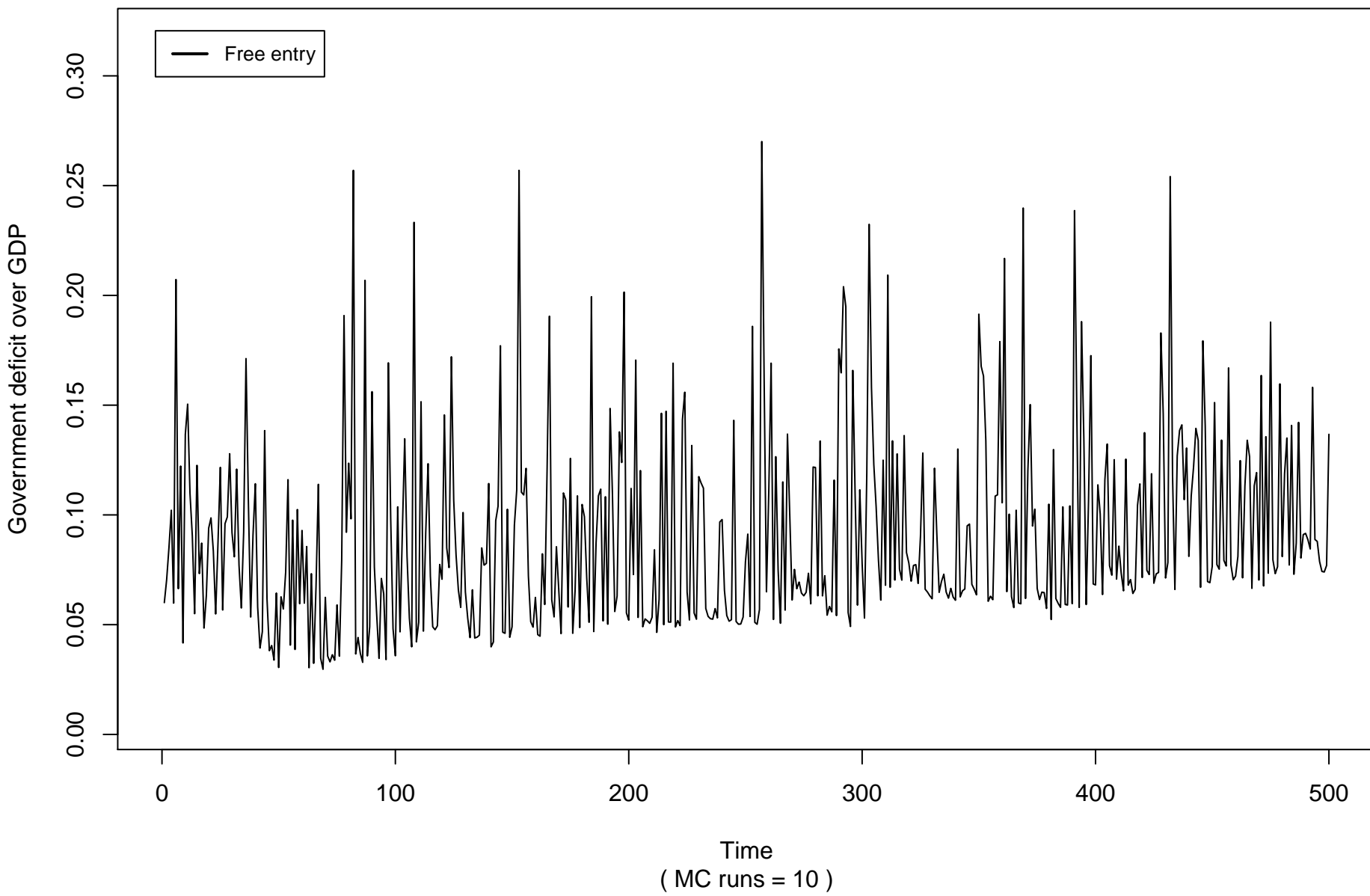
Government income and expenditure on GDP (all experiments)



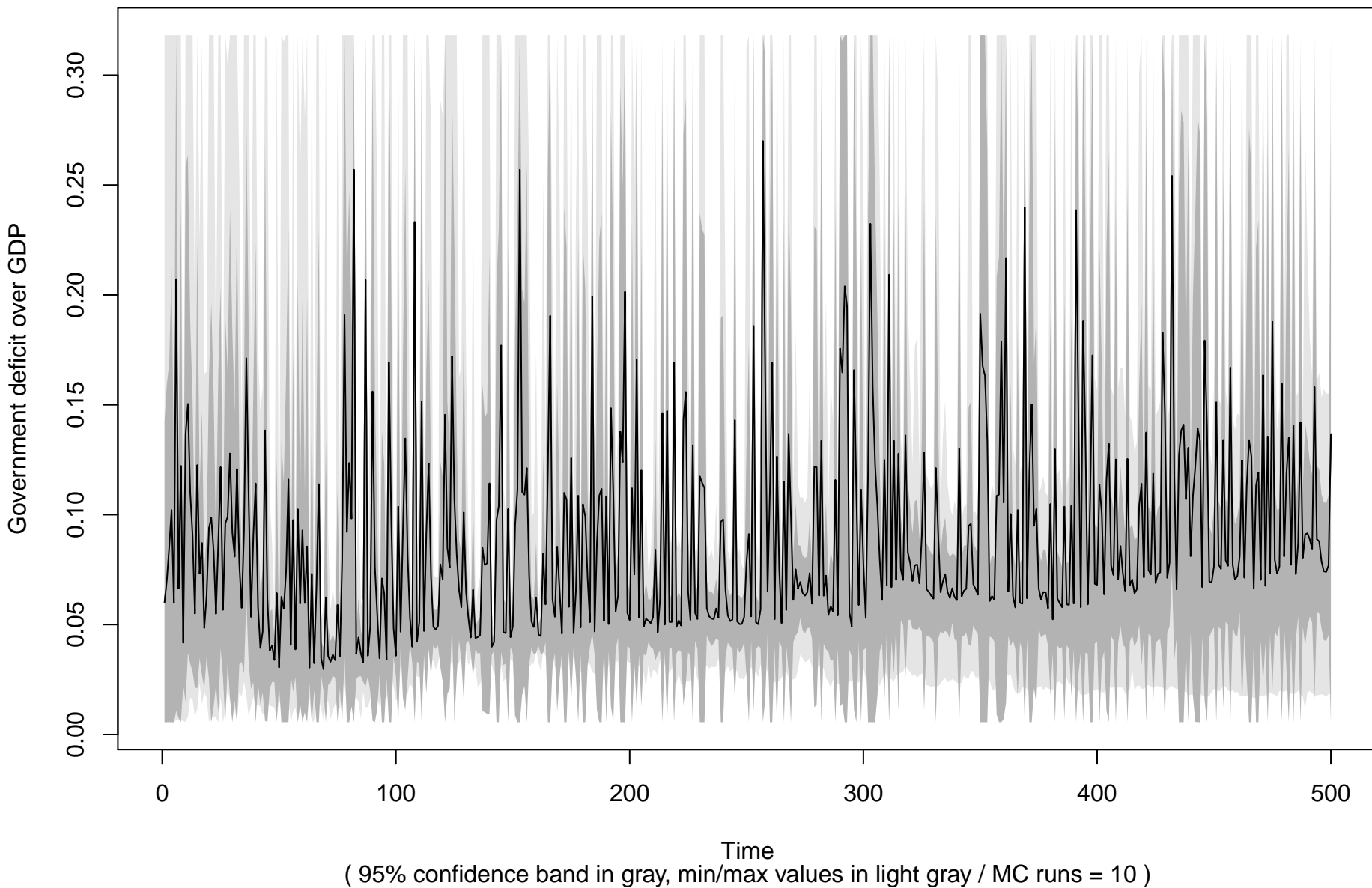
Government income and expenditure on GDP (Free entry)



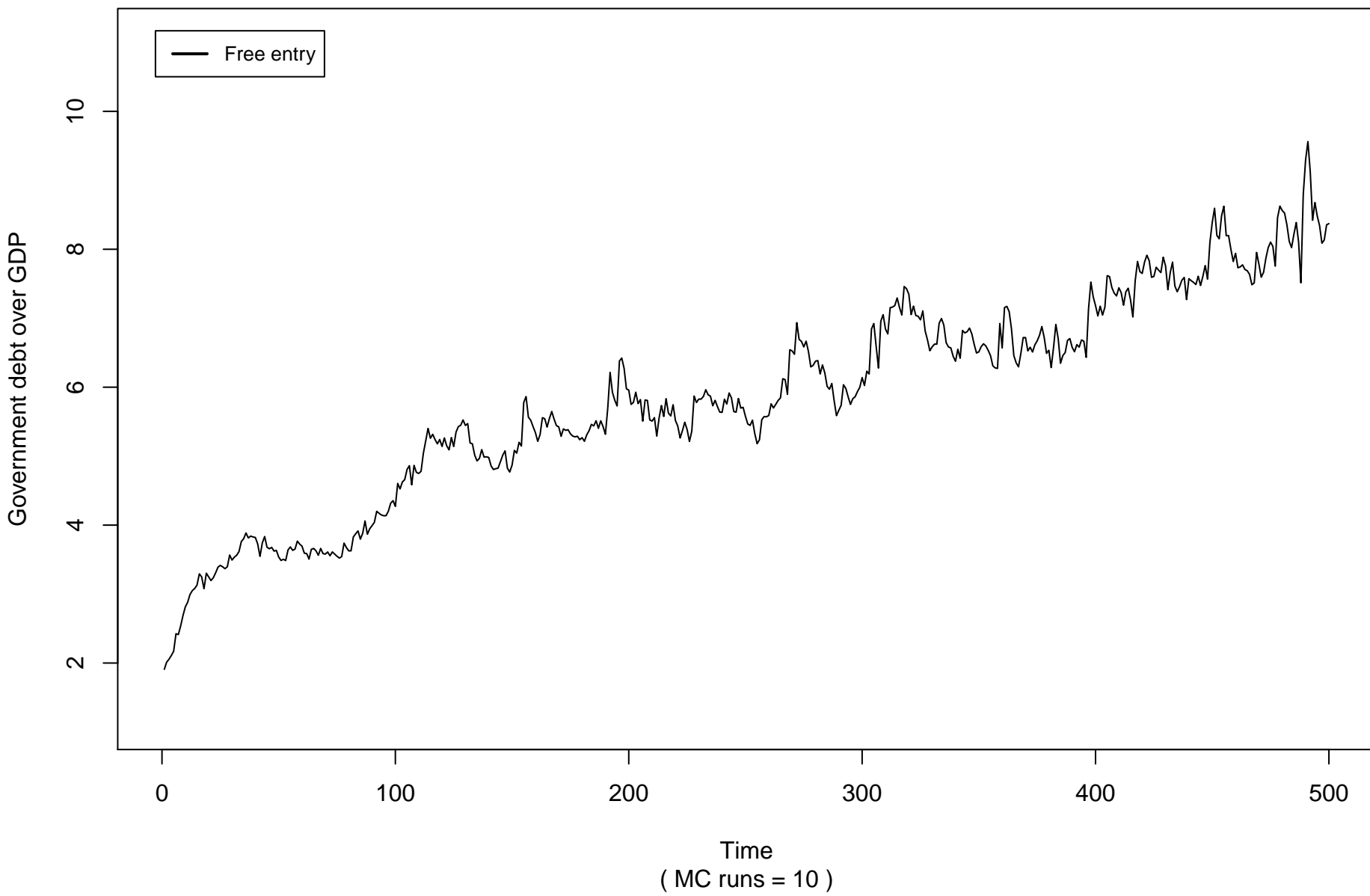
Government deficit on GDP (all experiments)



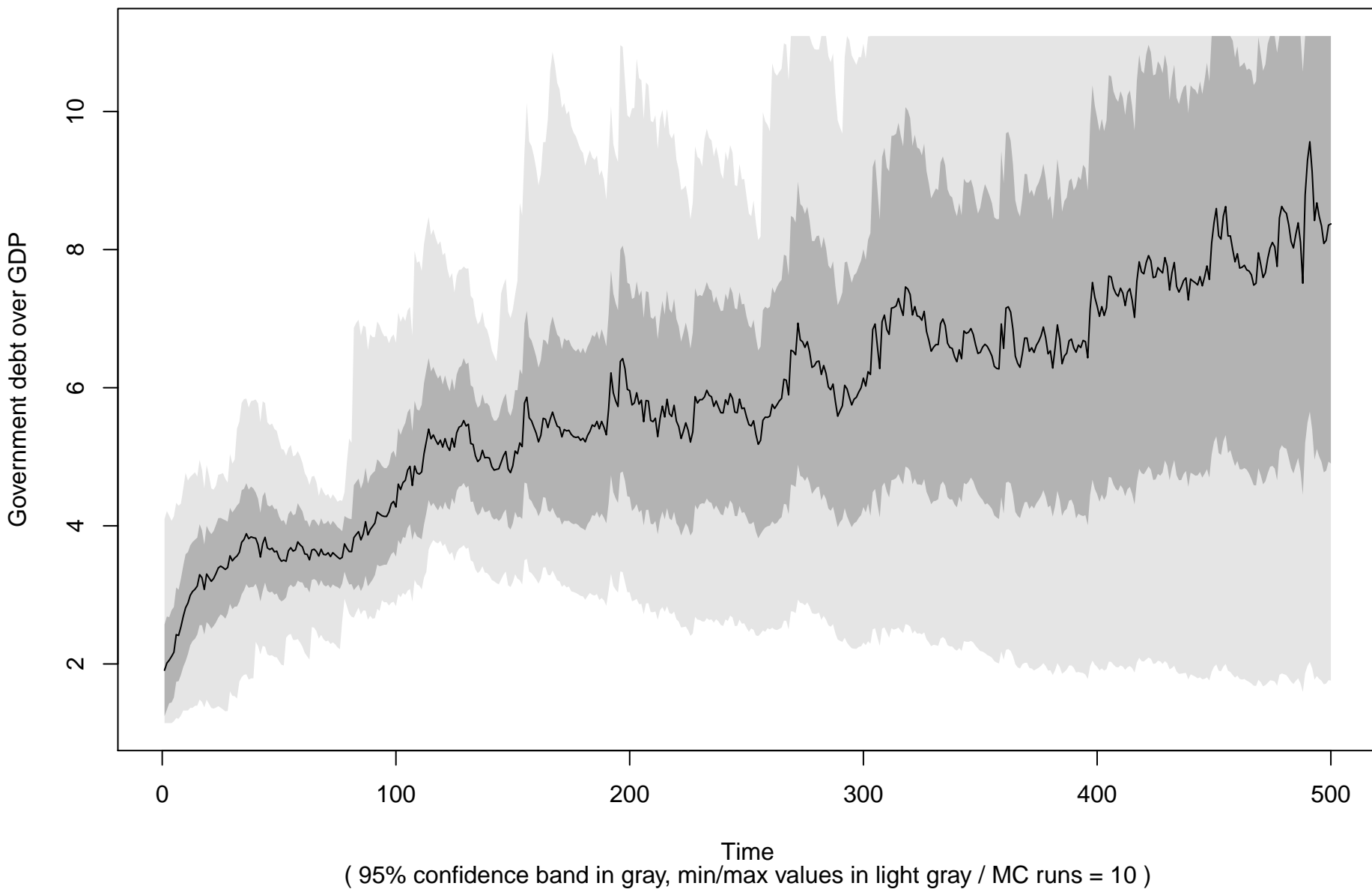
Government deficit on GDP (Free entry)



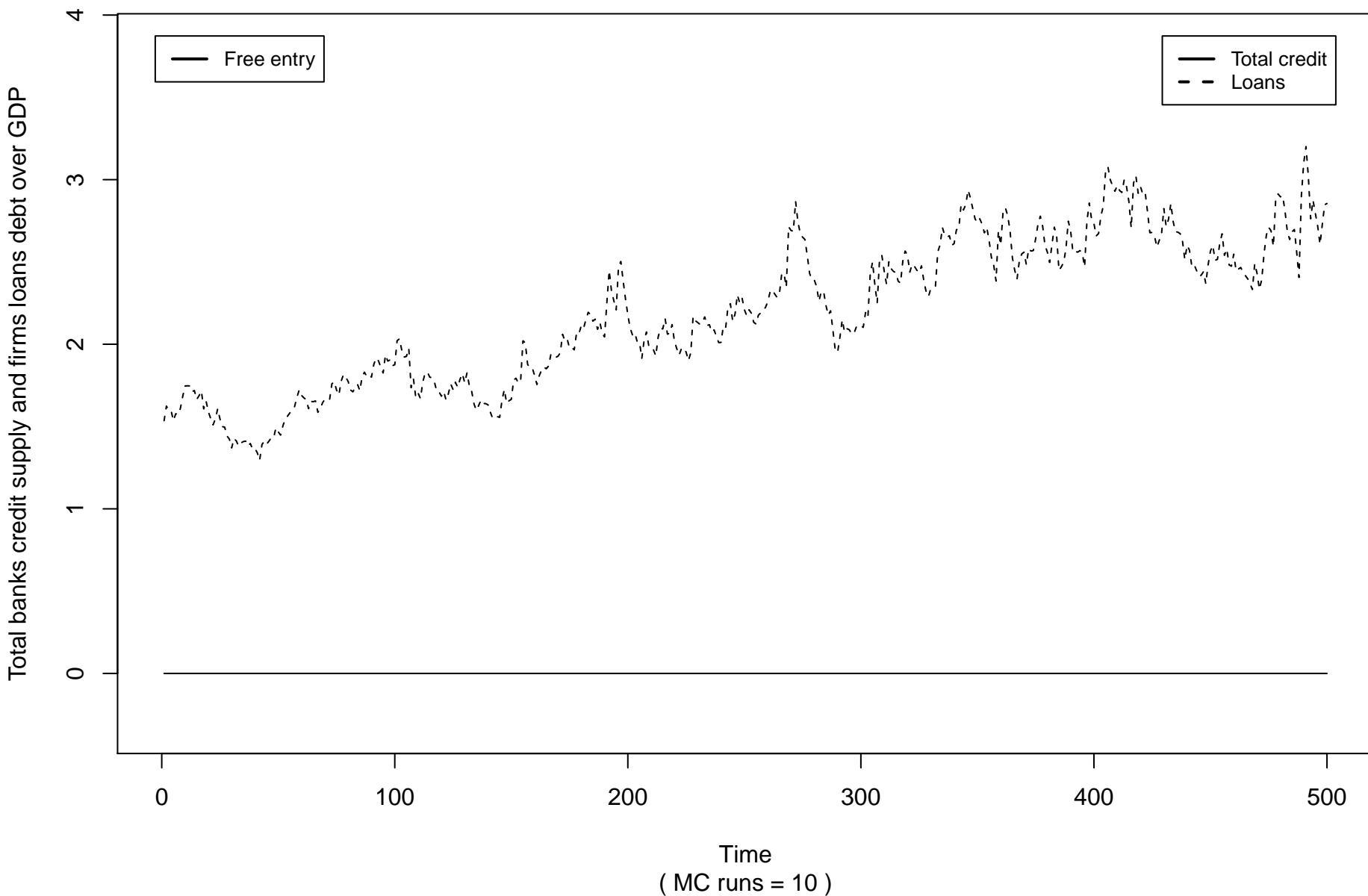
Government debt on GDP (all experiments)



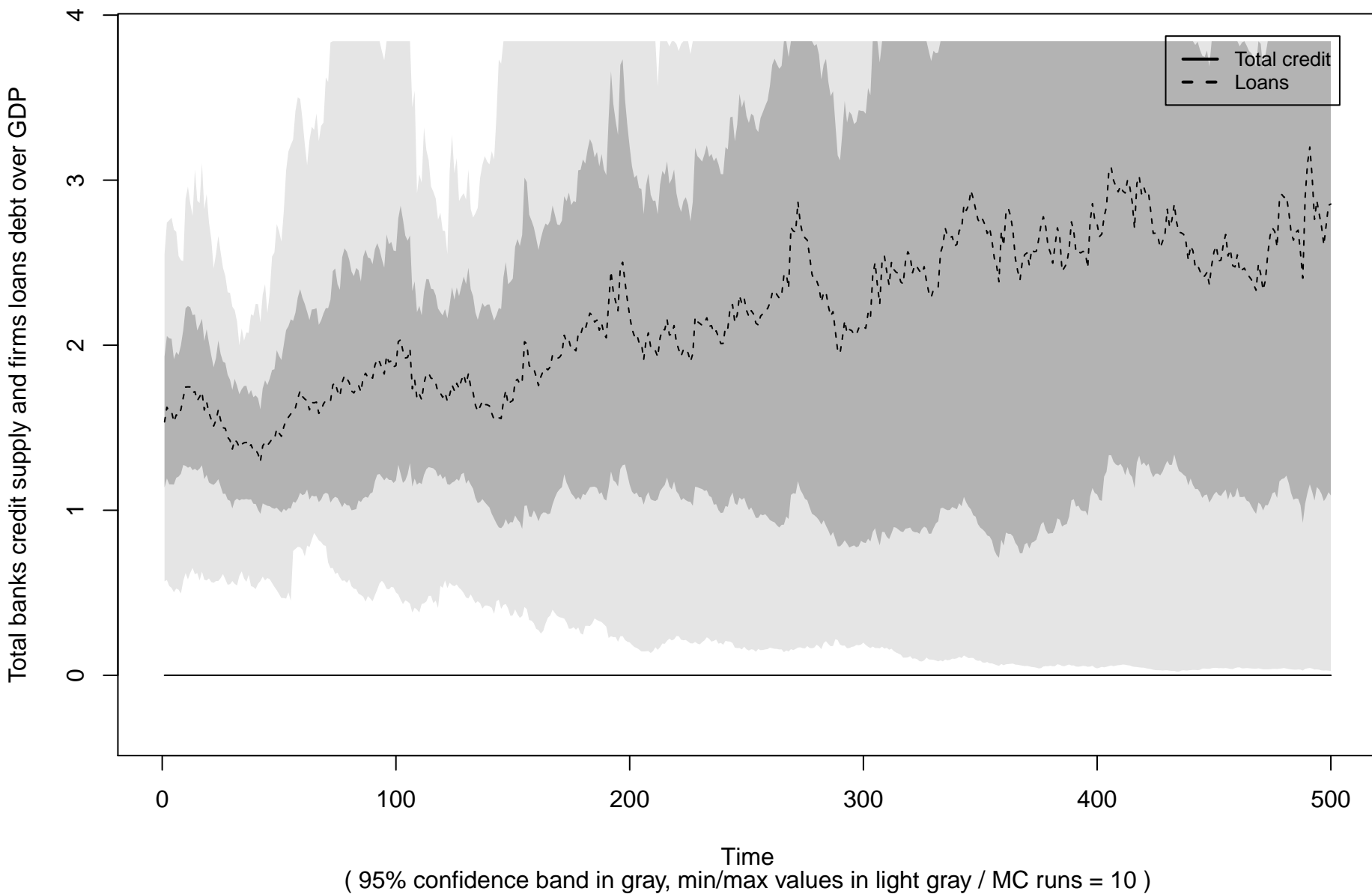
Government debt on GDP (Free entry)



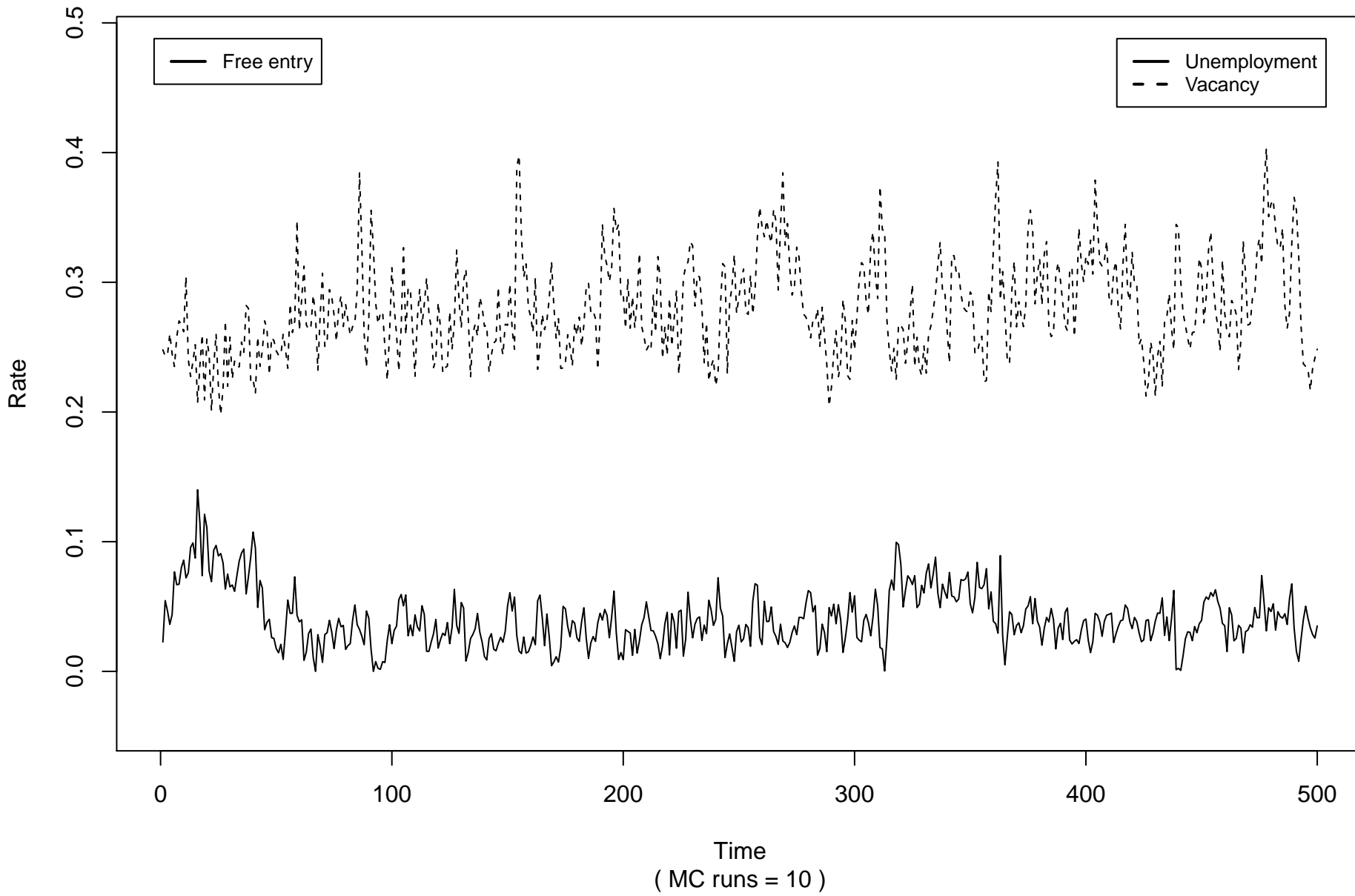
Total credit supply and loans on GDP (all experiments)



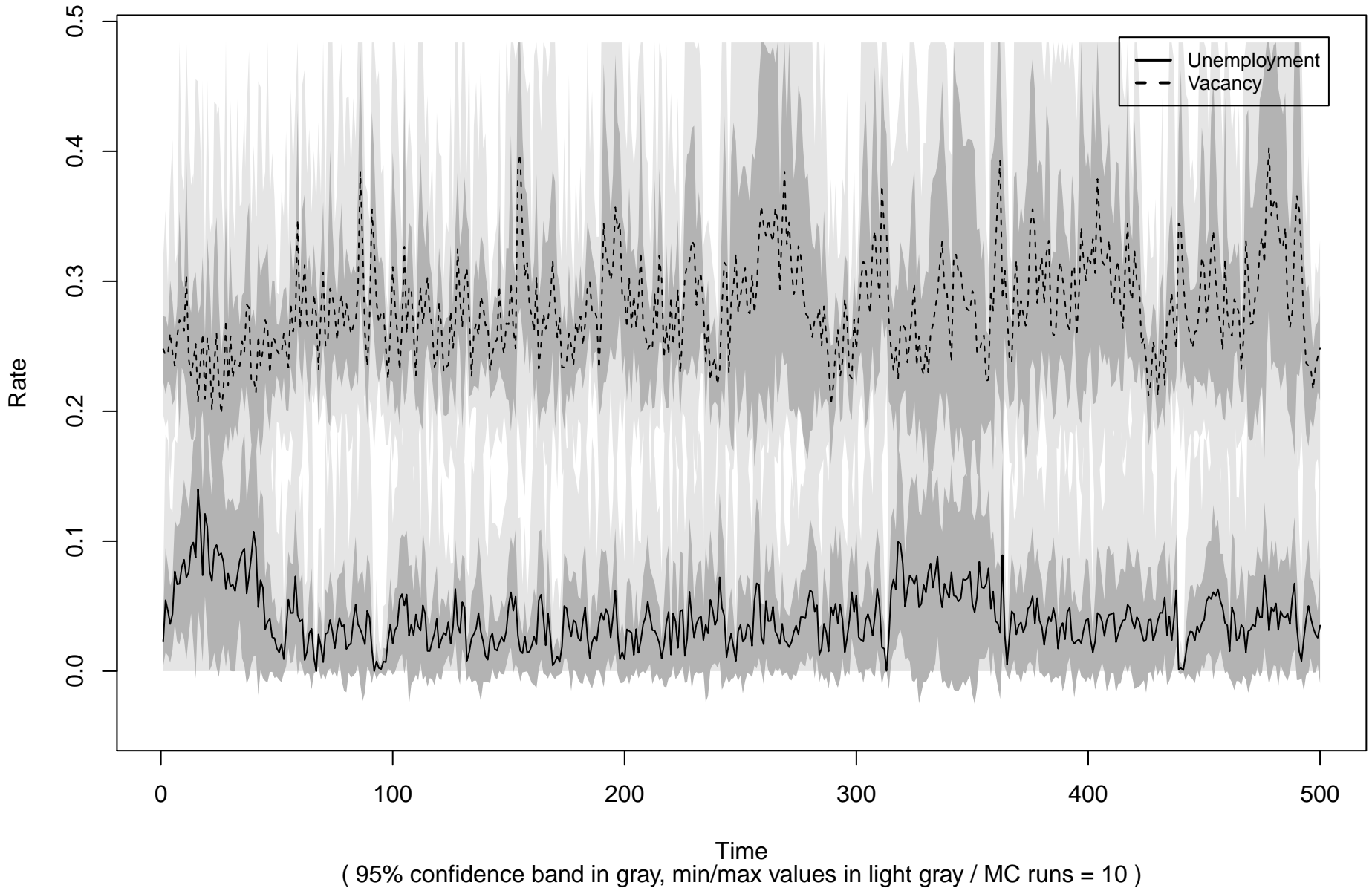
Total credit supply and loans on GDP (Free entry)



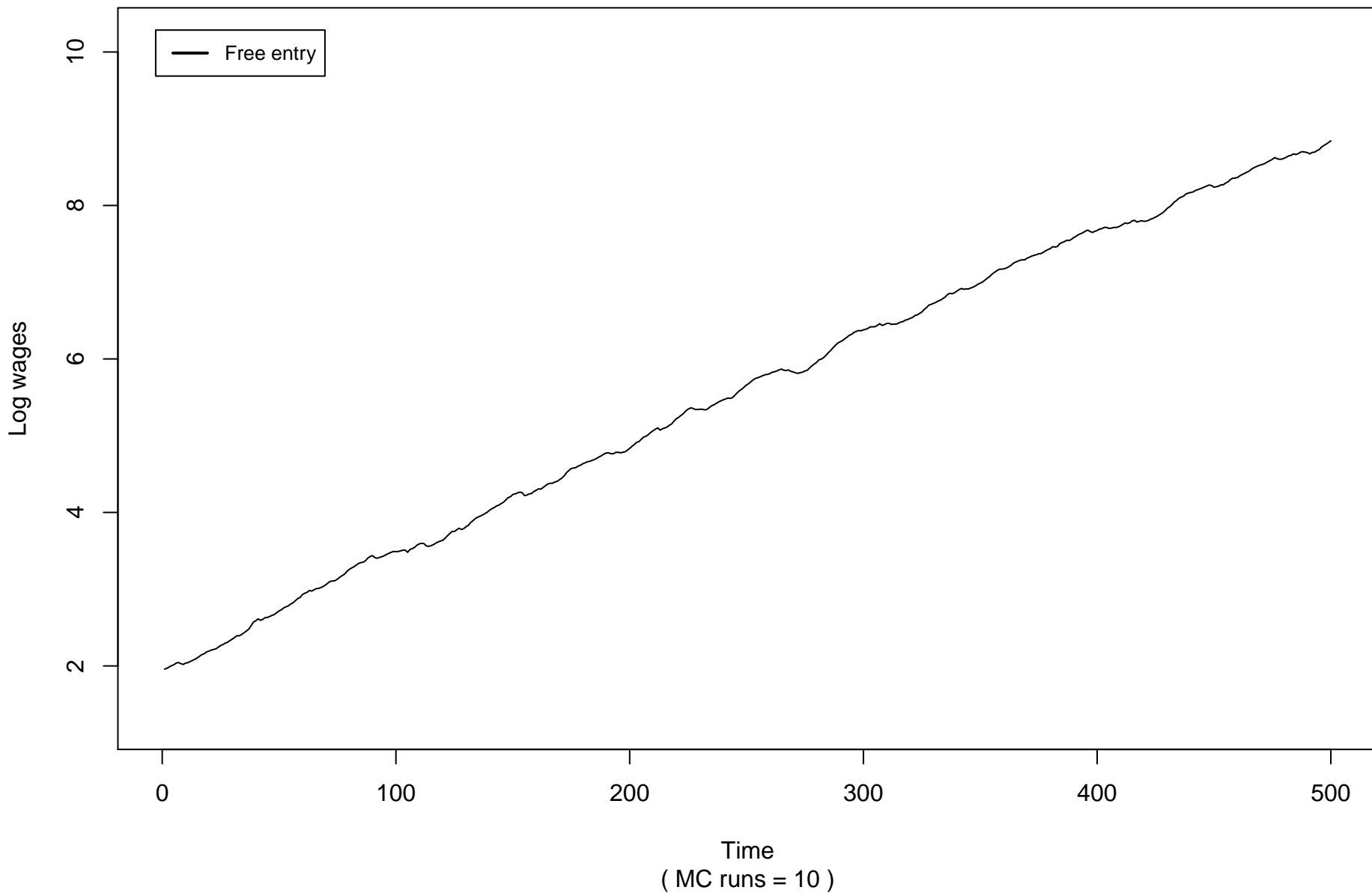
Unemployment and vacancy rates (all experiments)



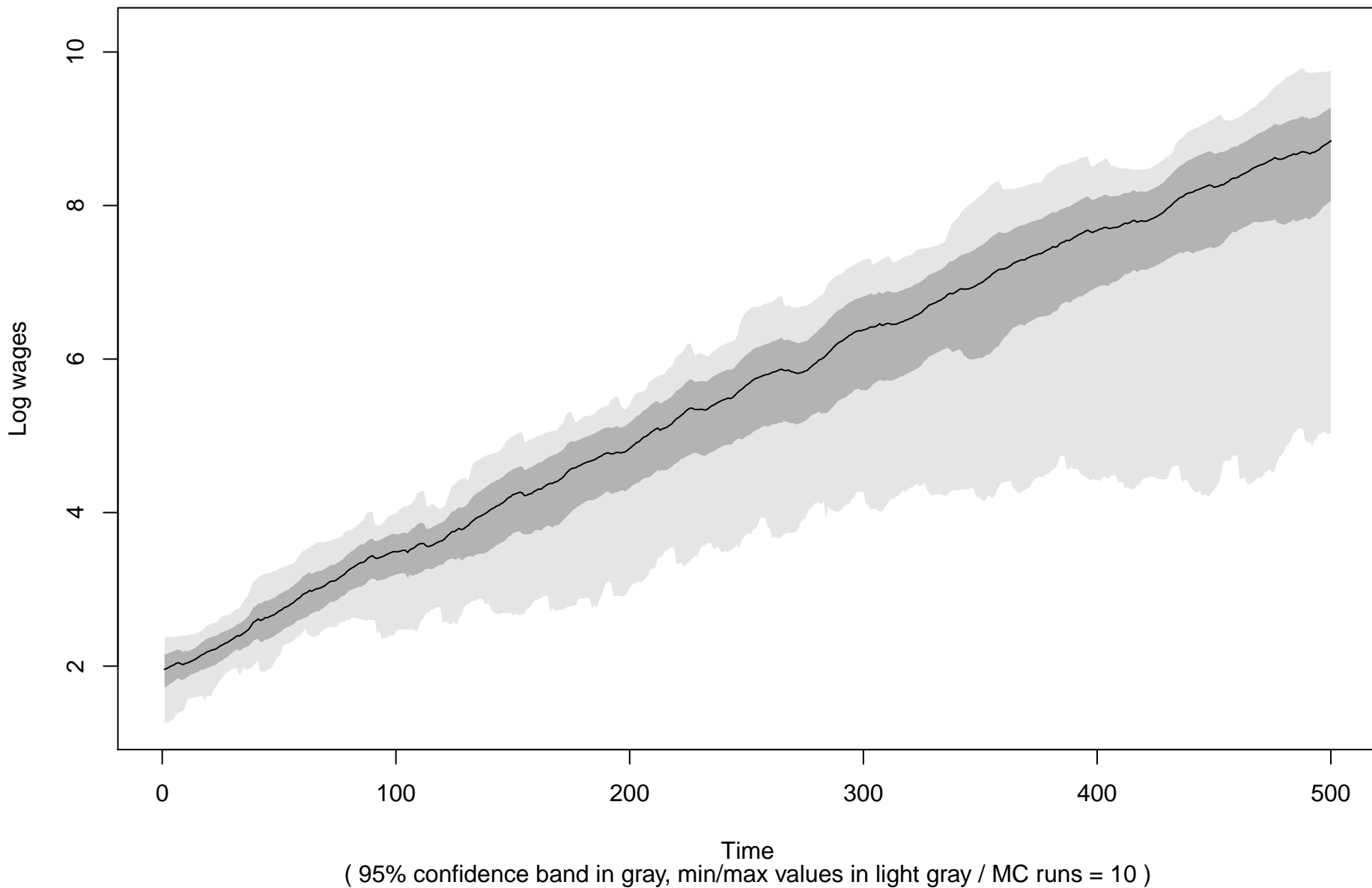
Unemployment and vacancy rates (Free entry)



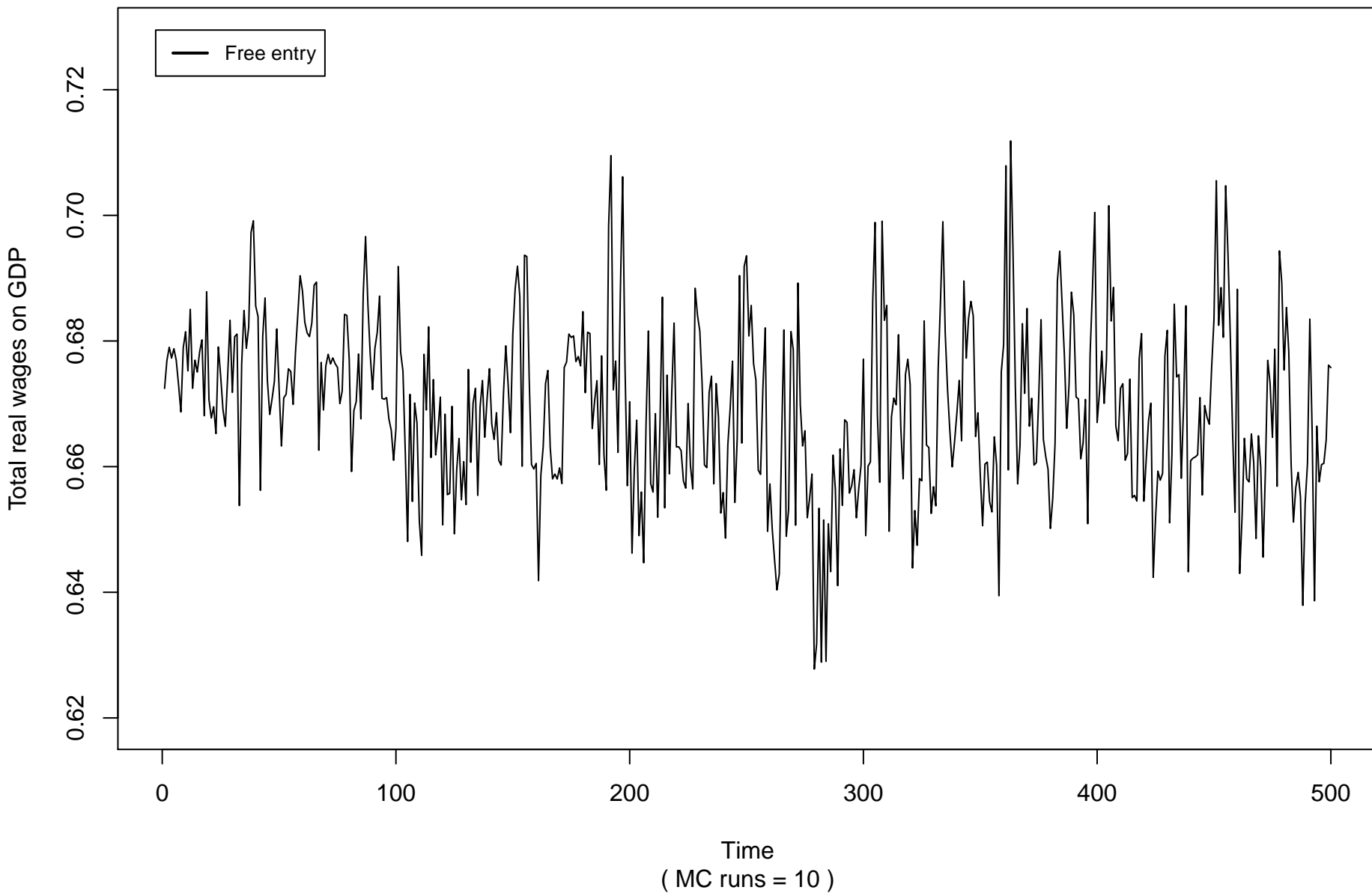
Real wages average (all experiments)



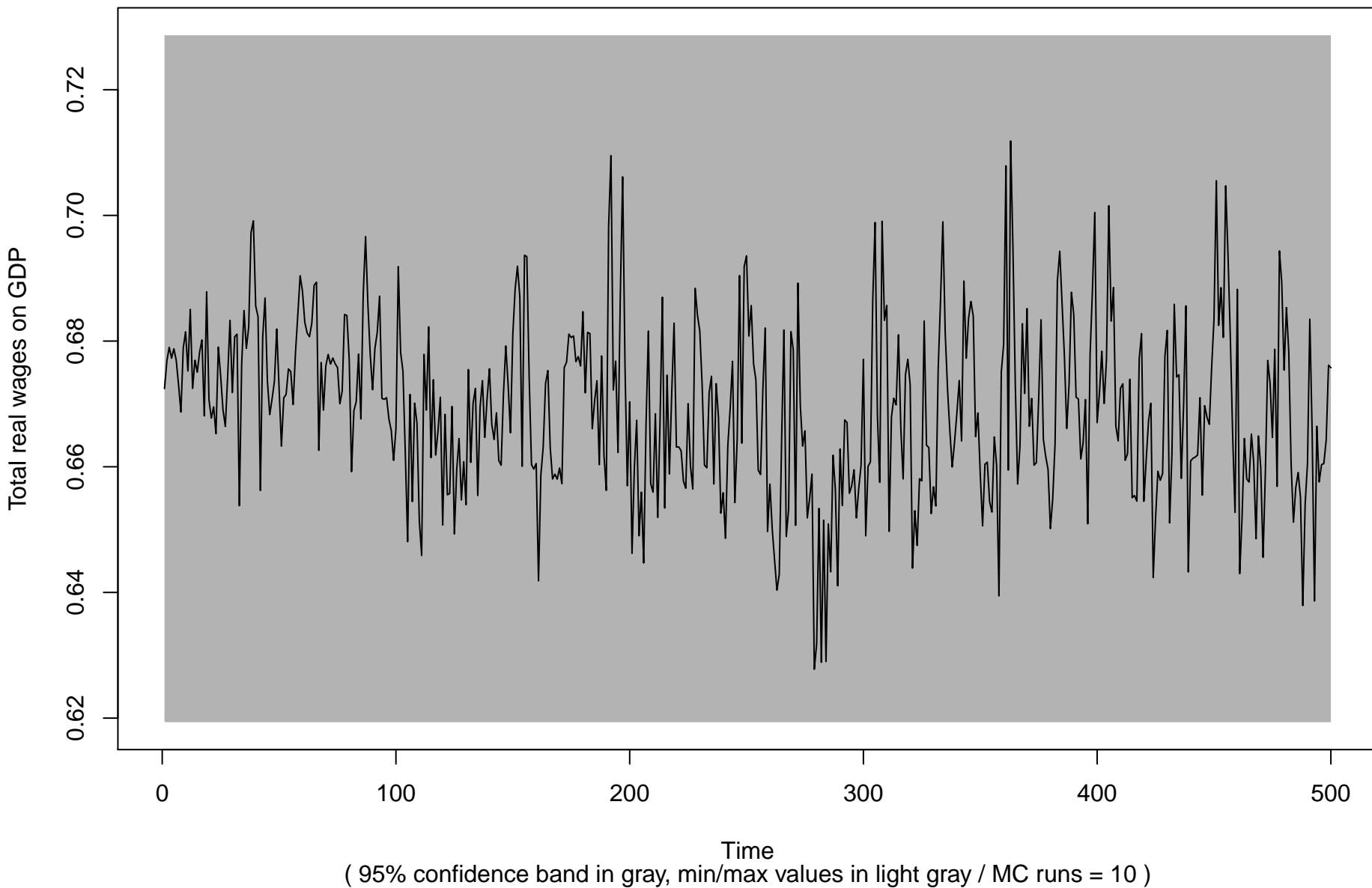
Real wages average (Free entry)



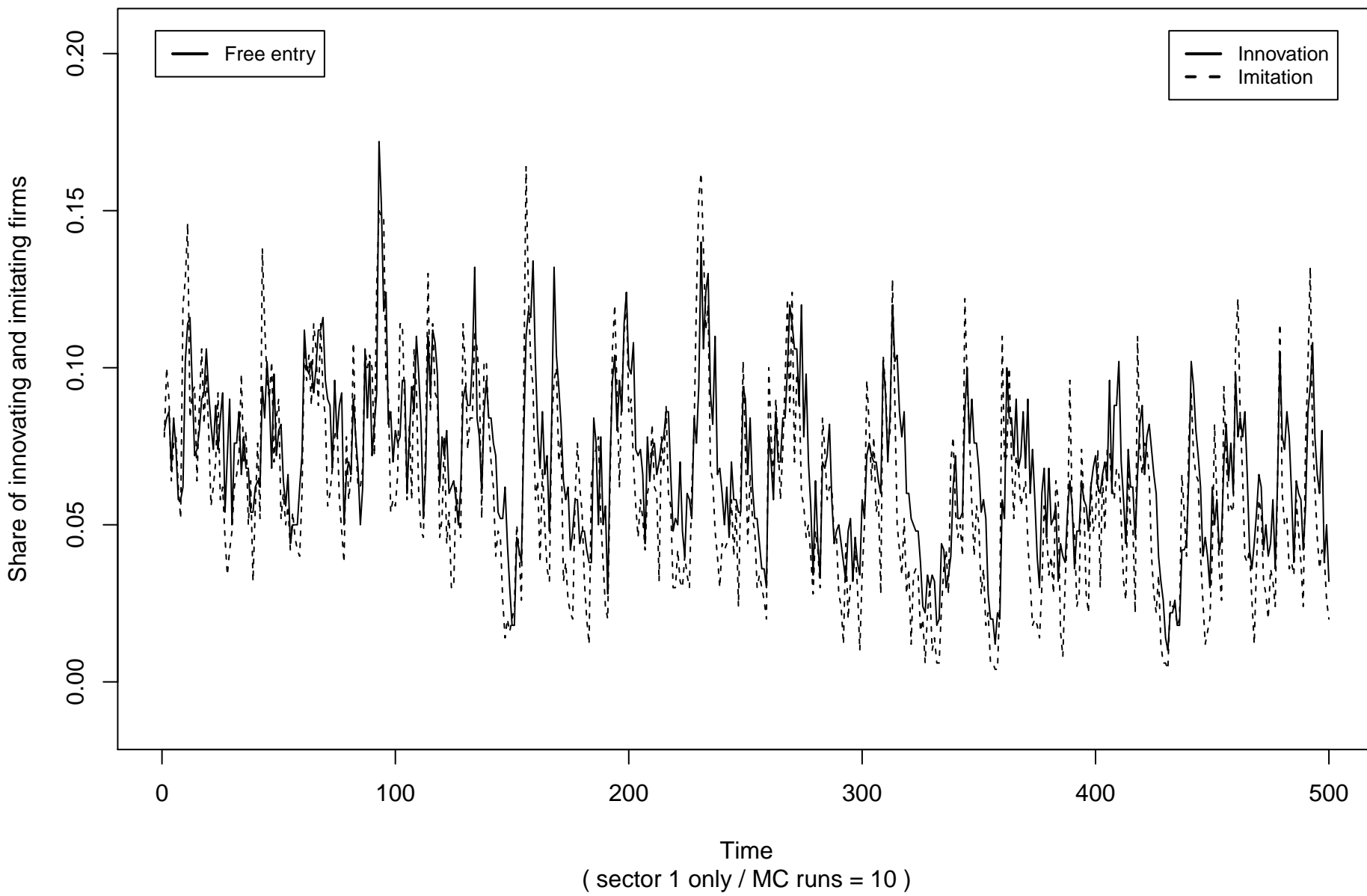
Wage share (all experiments)



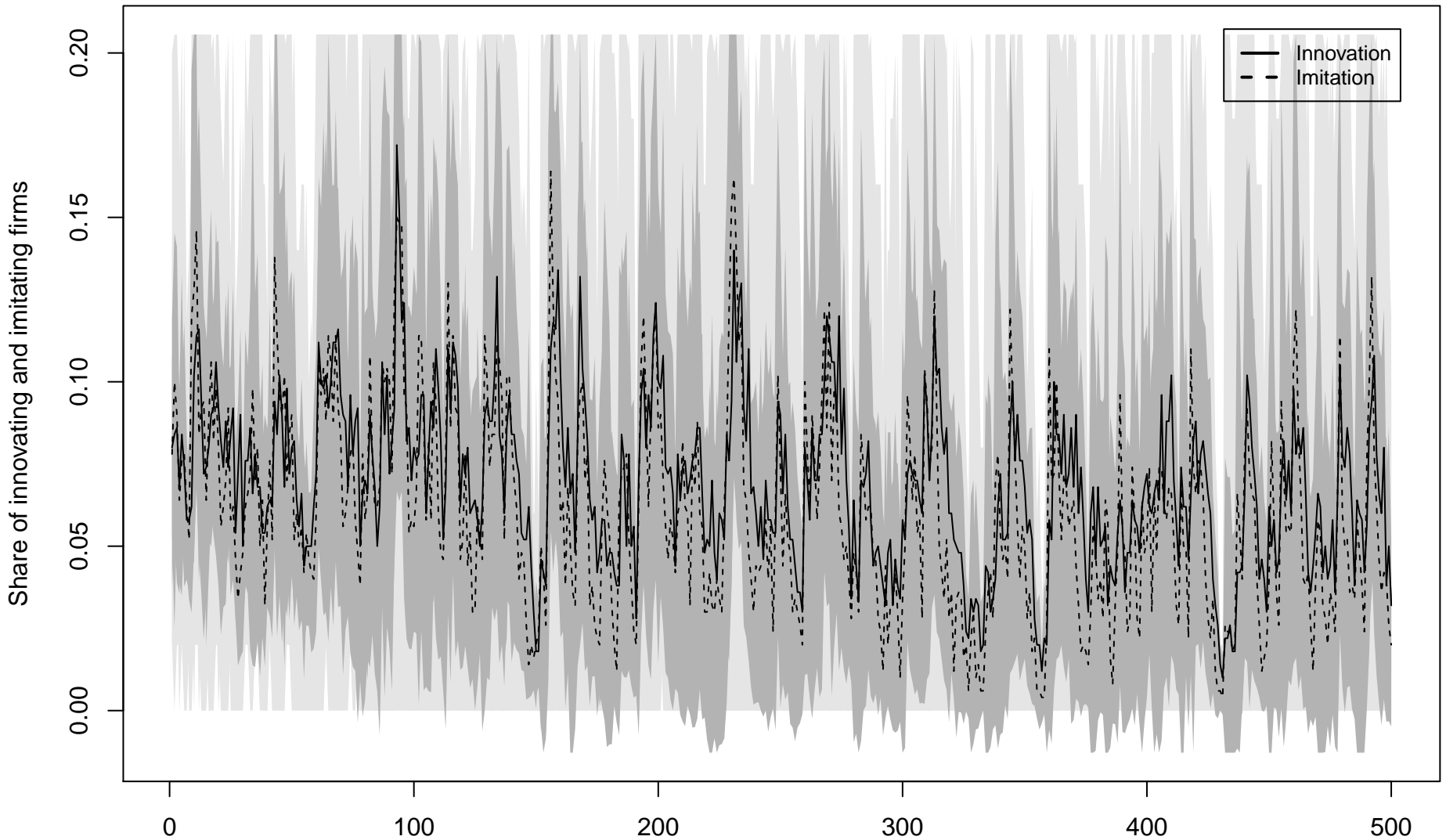
Wage share (Free entry)



Innovation and imitation (all experiments)

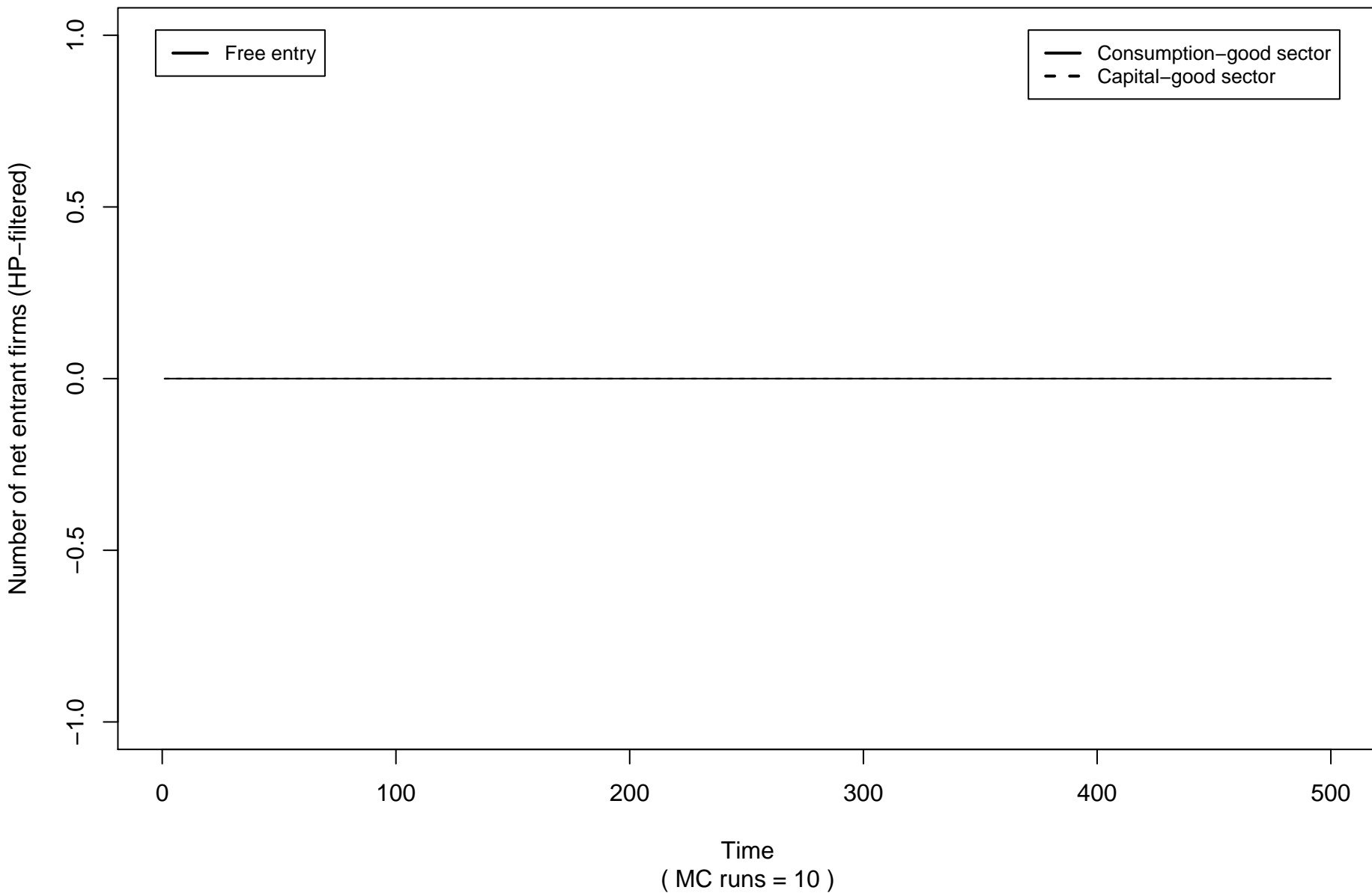


Innovation and imitation (Free entry)

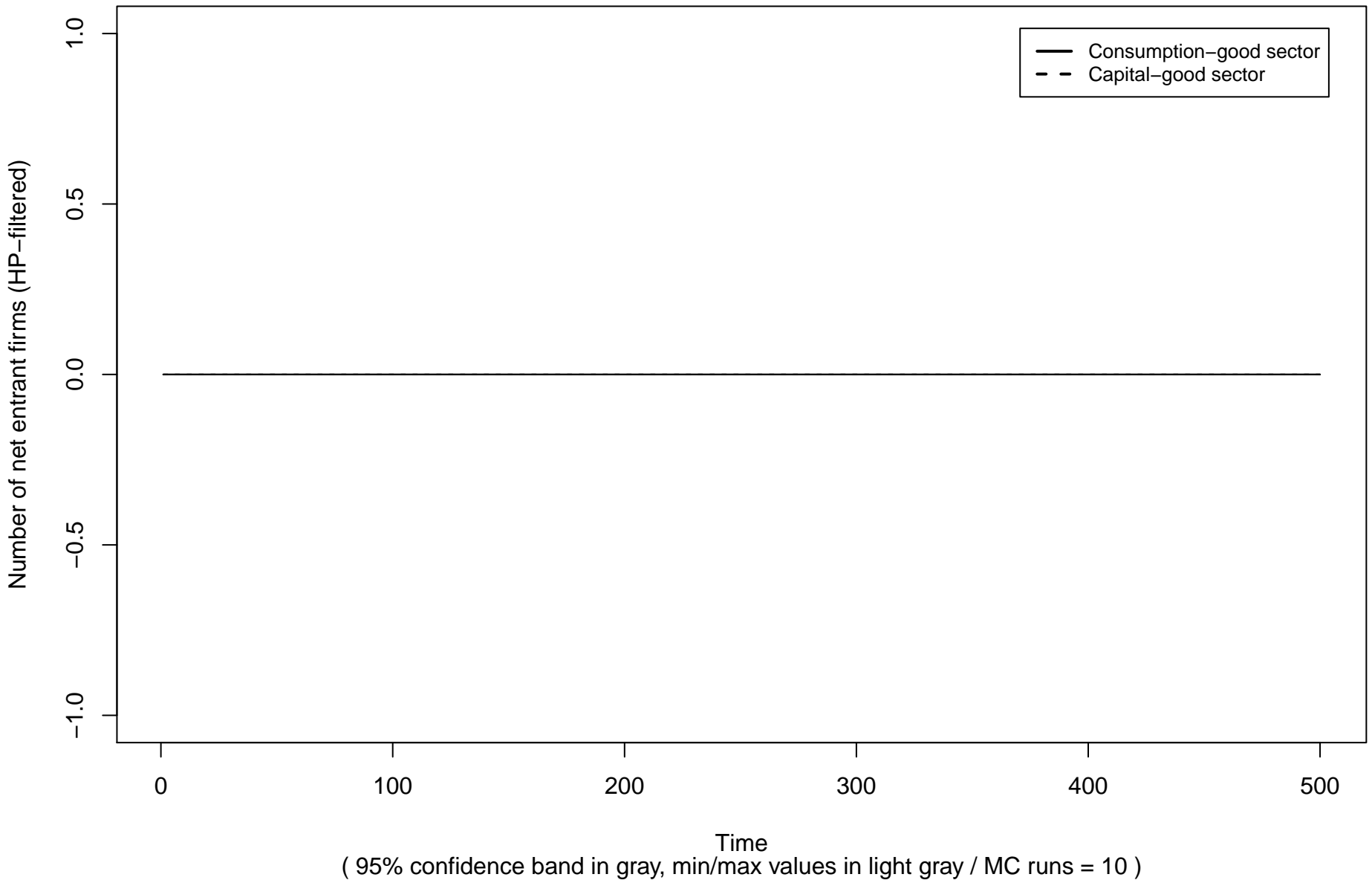


(95% confidence band in gray, min/max values in light gray / sector 1 only / MC runs = 10)

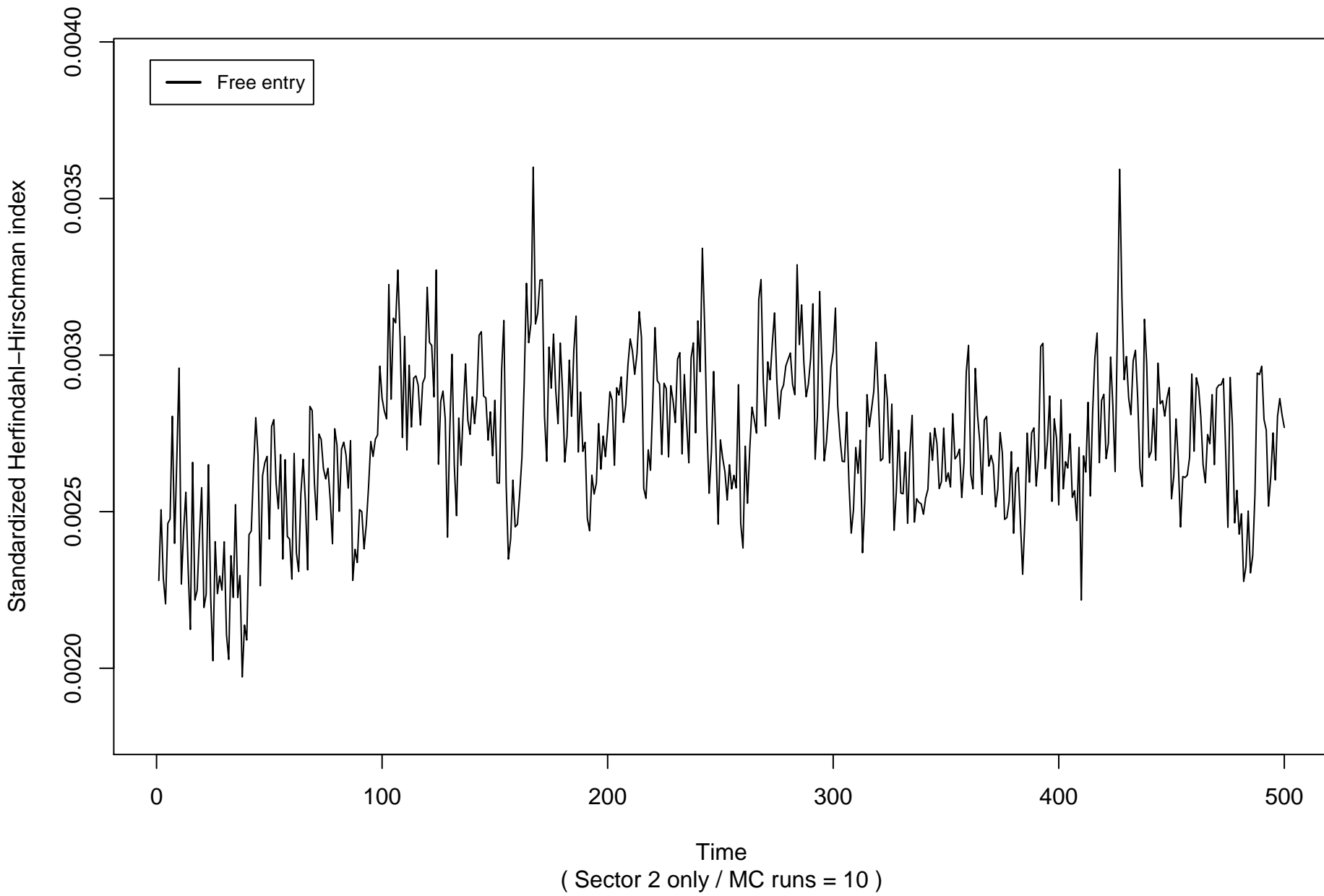
Net entry of firms trend (all experiments)



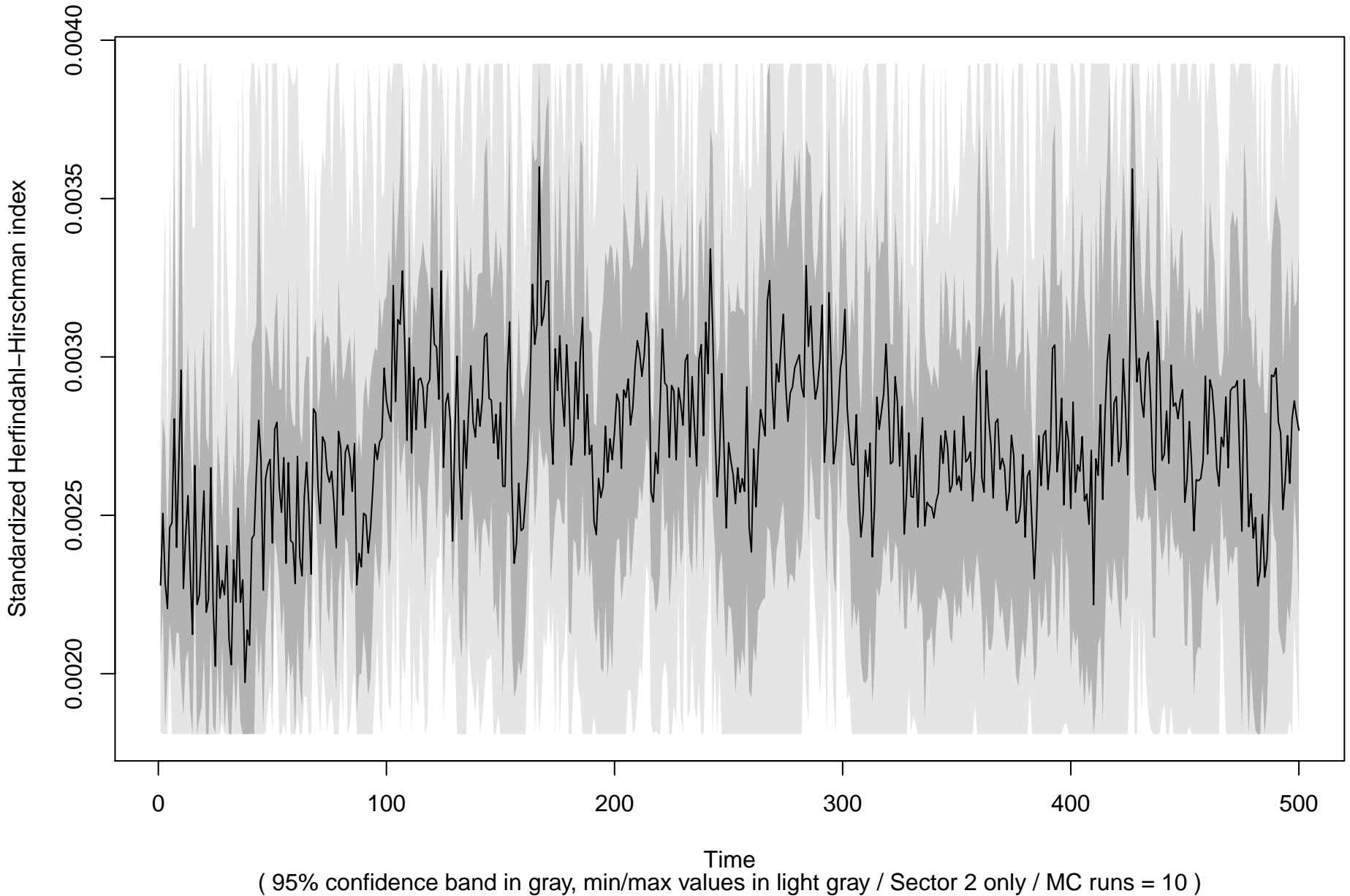
Net entry of firms trend (Free entry)



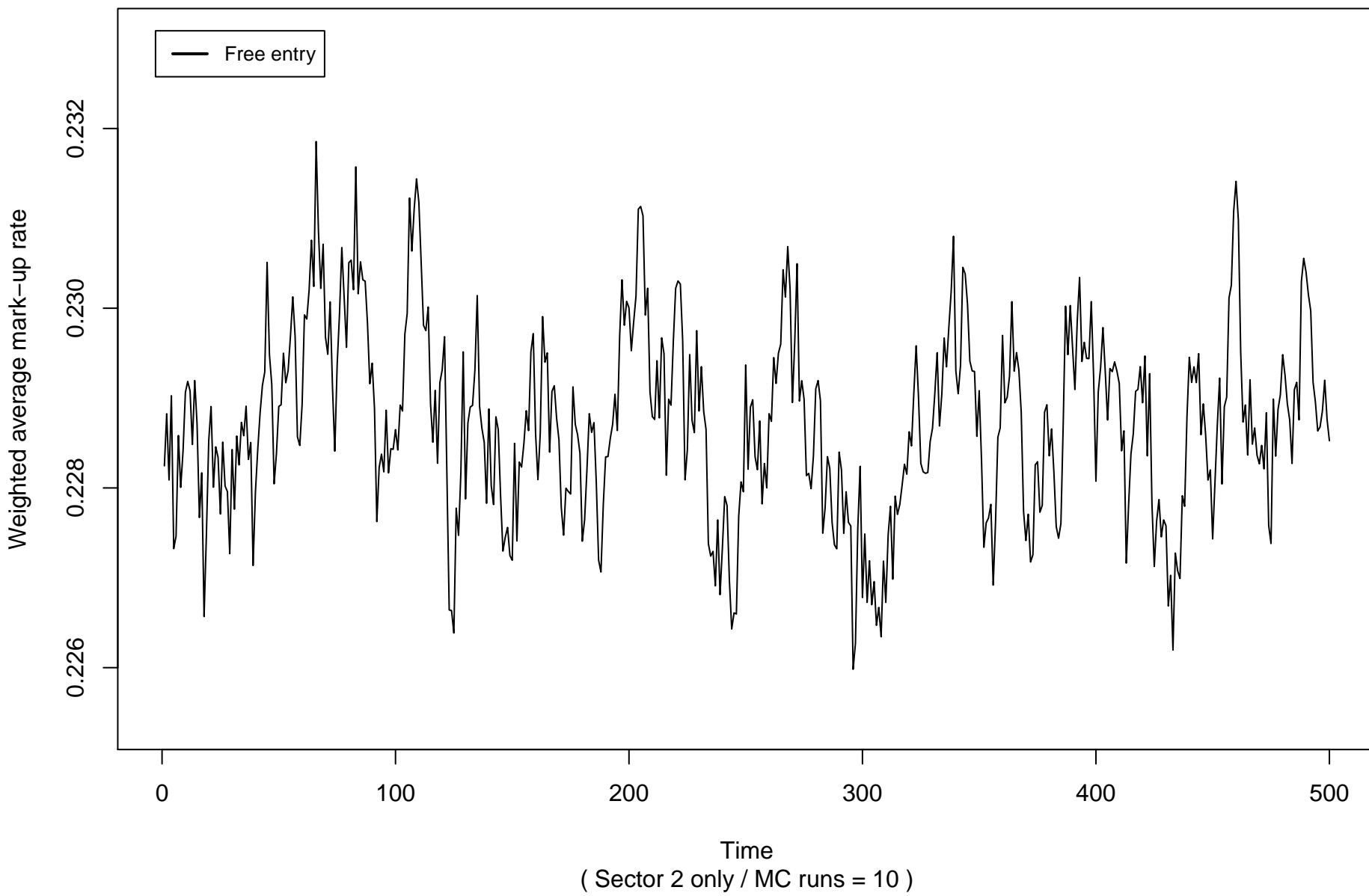
Market concentration (all experiments)



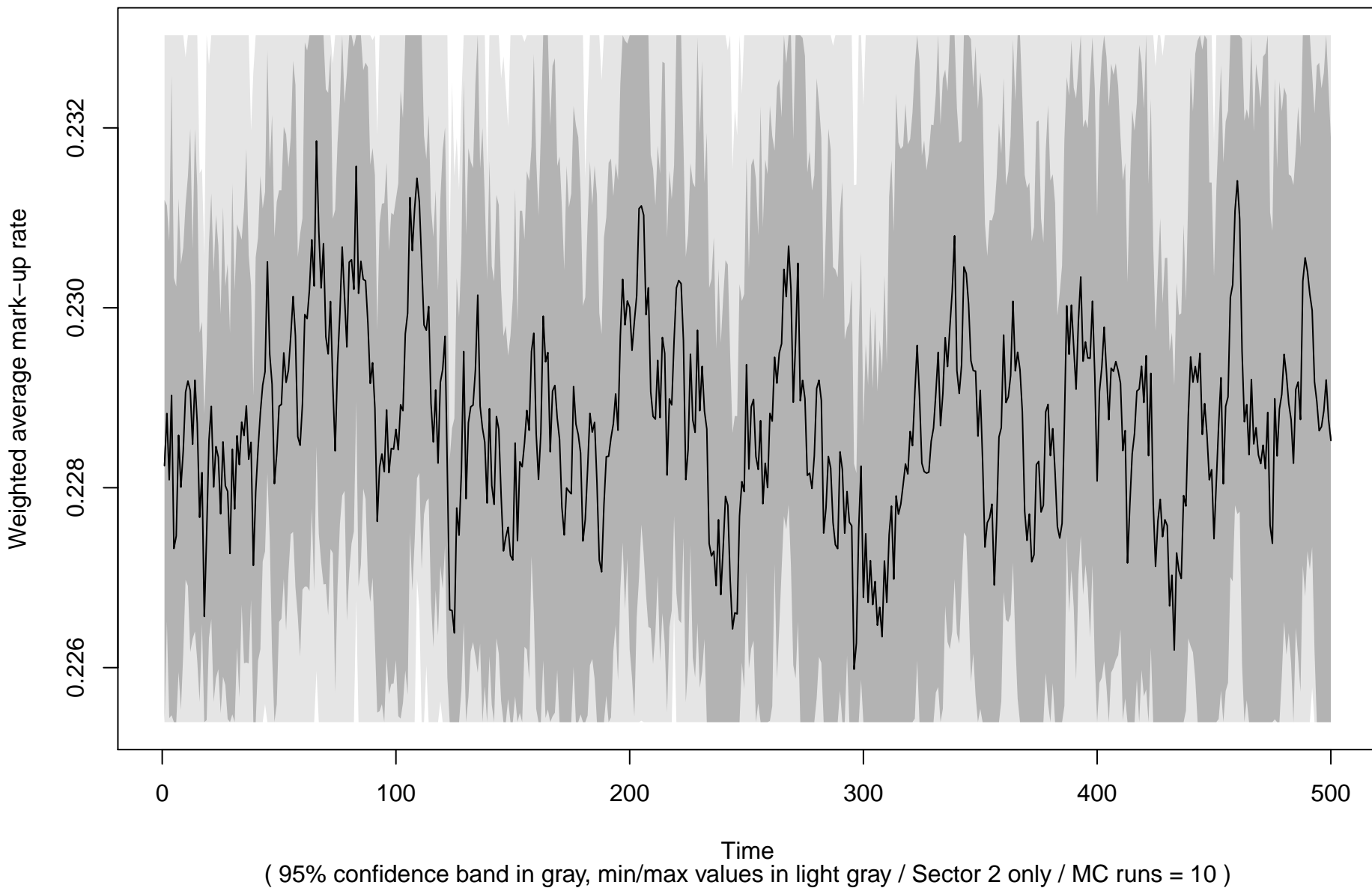
Market concentration (Free entry)



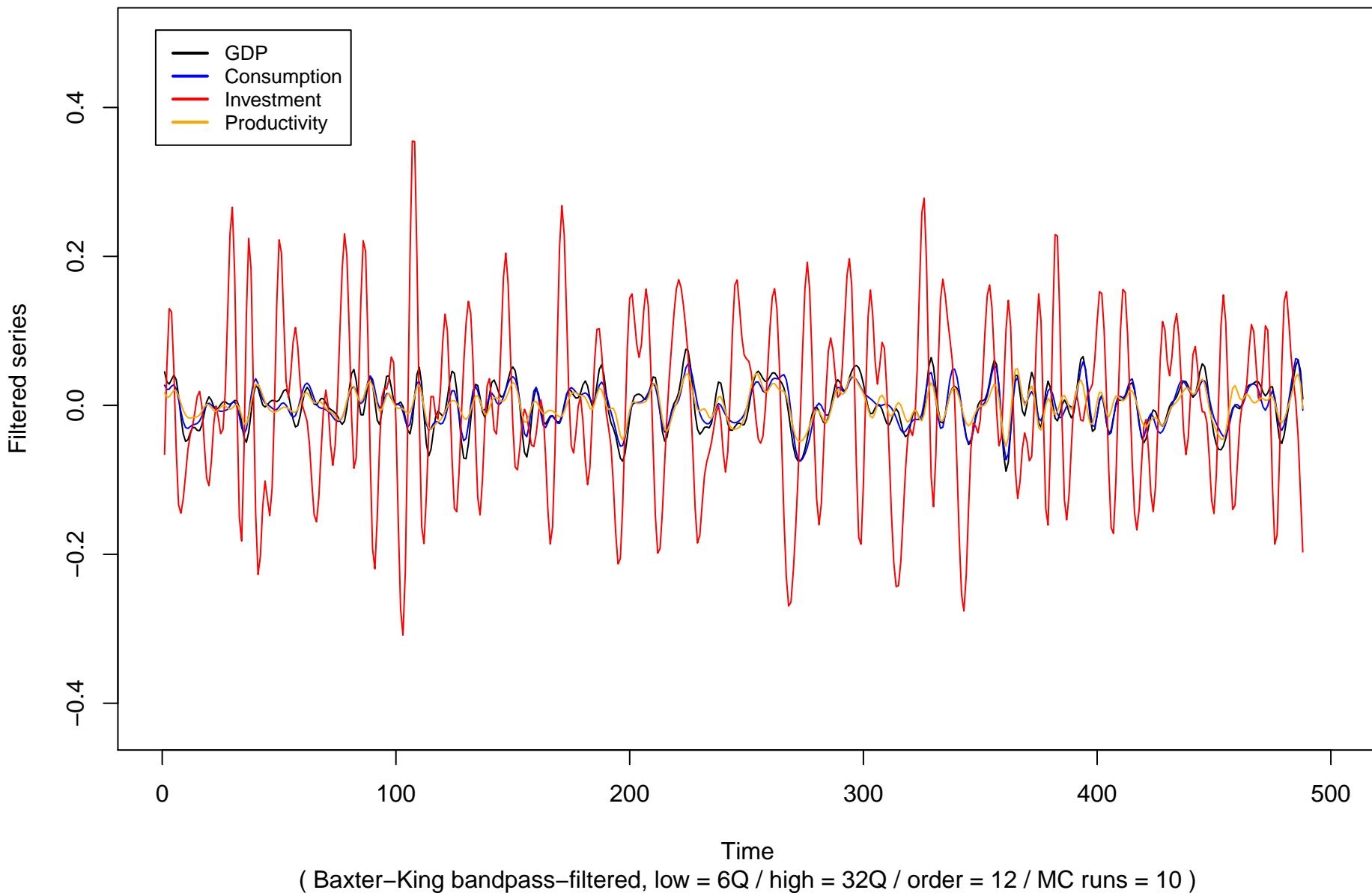
Mark-up average (all experiments)



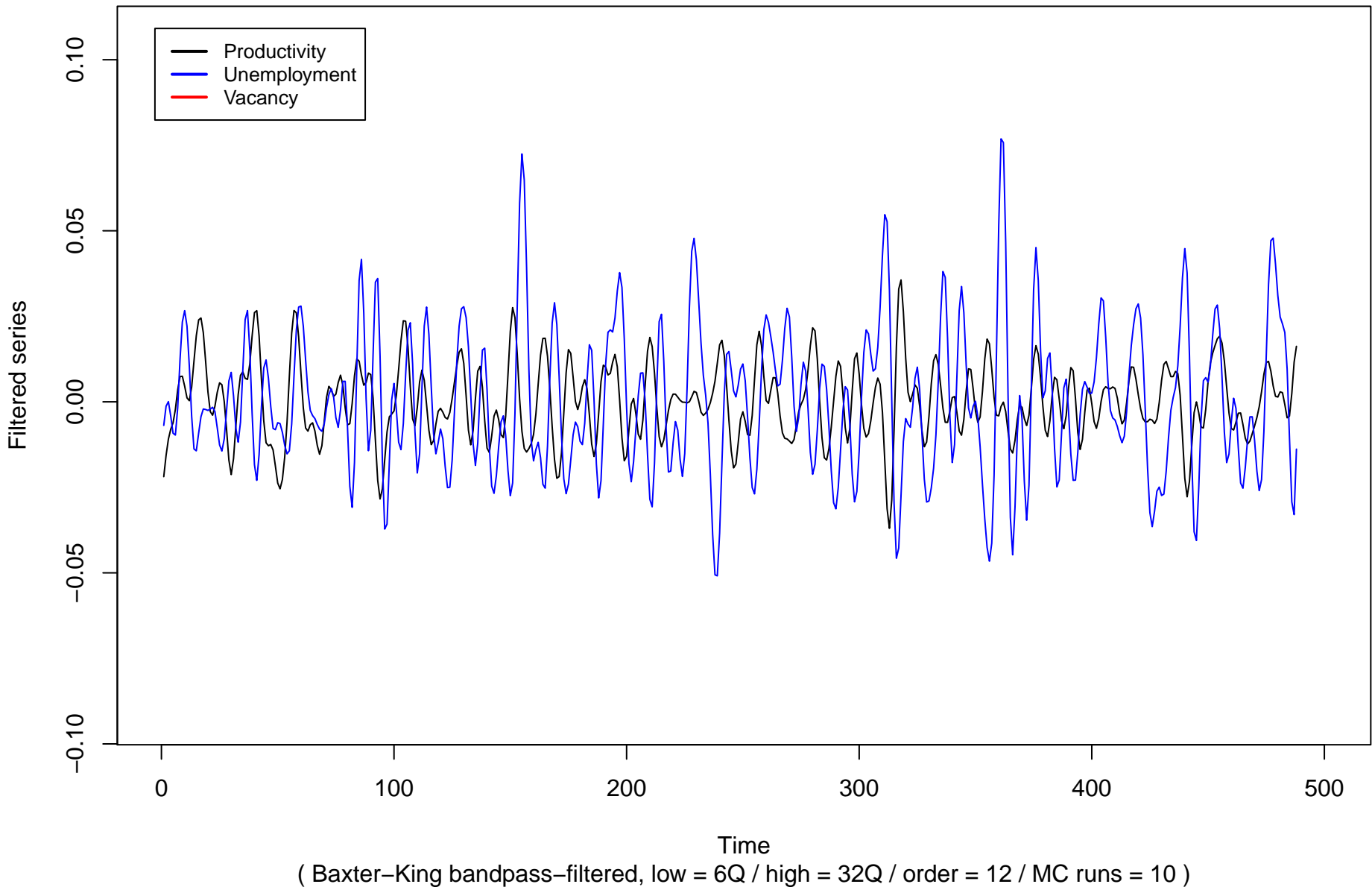
Mark-up average (Free entry)



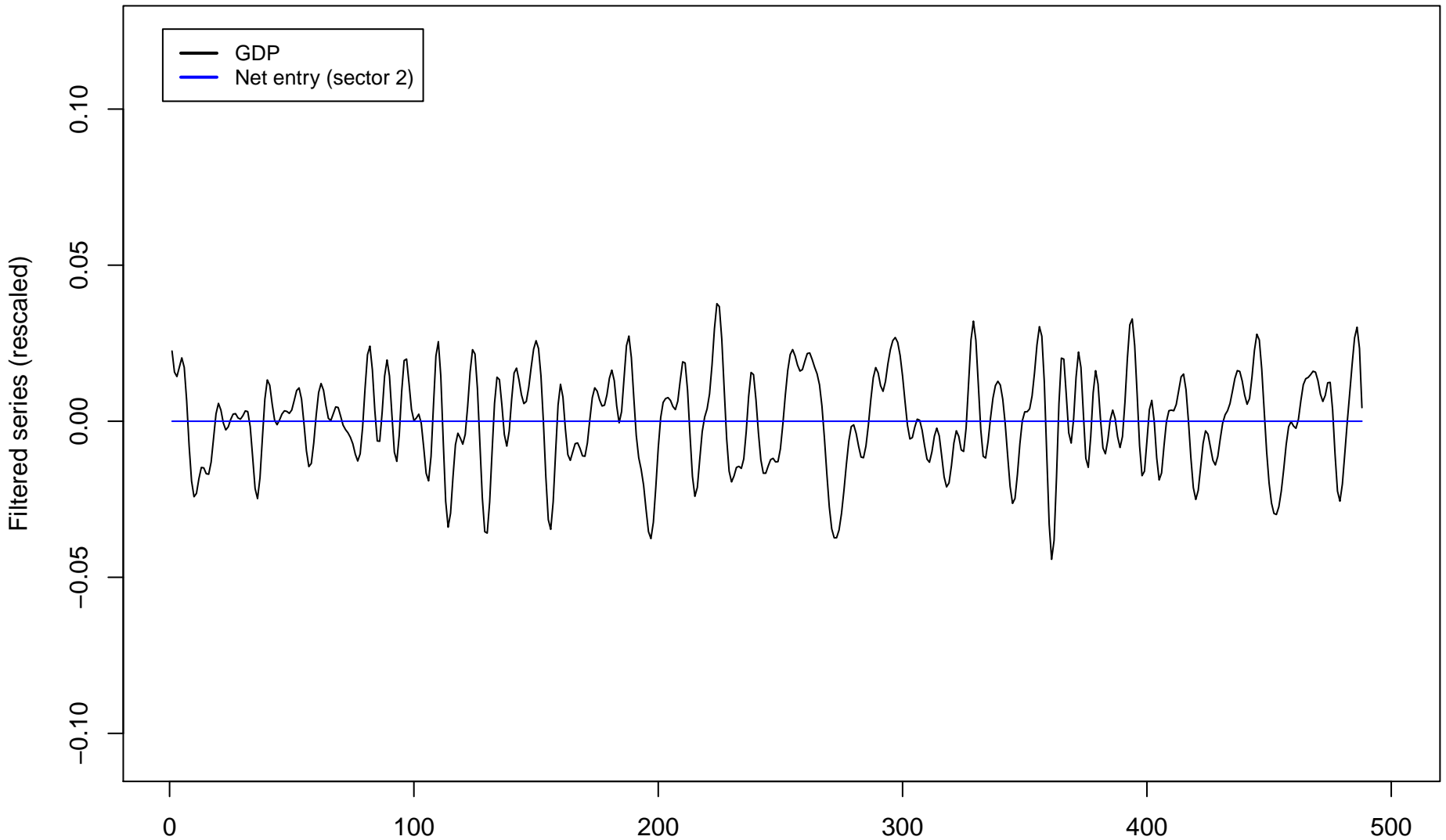
GDP cycles (Free entry)



Shimer puzzle (Free entry)



Net entry dynamics and business cycle (Free entry)



Time
(Baxter–King bandpass–filtered, low = 6Q / high = 32Q / order = 12 / MC runs = 10)

Key statistics and unit roots tests for cycles (Free entry)

	GDP (output)	Consumption	Investment	Product.	Real wage
avg. growth rate	0.01146	0.01144	0.01057	0.01138	0.01153
(s.e.)	0.0009566	0.00094	0.001132	0.0009117	0.0009498
ADF test (logs)	-3.028	-2.806	-6.801	-2.876	-3.035
(s.e.)	0.2949	0.3189	0.2704	0.2994	0.346
(p-val.)	0.2339	0.3147	0.01	0.2819	0.2631
(s.e.)	0.07951	0.08954	0	0.0882	0.09012
ADF test (bpf)	-5.888	-5.876	-6.824	-5.819	-6.248
(s.e.)	0.1438	0.2002	0.1806	0.1833	0.2956
(p-val.)	0.01	0.01	0.01	0.01	0.01
(s.e.)	0	0	0	0	0
s.d. (bpf)	0.09074	0.07321	1.458	0.06349	0.07013
(s.e.)	0.003355	0.003859	0.1117	0.004242	0.0051
relative s.d. (GDP)	1	0.8068	16.07	0.6997	0.7728

(bpf: Baxter–King bandpass–filtered series, low = 6Q / high = 32Q / order = 12 / MC runs = 10 / period = 301 – 600)

(ADF test H0: there are unit roots / non–stationary at 5% level)

Correlation structure for GDP (Free entry)

	-4	-3	-2	-1	0	1	2	3	4
GDP (output)	0.01248	0.2727	0.6026	0.8858	1	0.8858	0.6026	0.2727	0.01248
(s.e.)	0.0387	0.03032	0.01771	0.005688	2.867e-17	0.005688	0.01771	0.03032	0.0387
(p-val.)	0.2064	6.608e-05	1.438e-10	1.106e-16	NA	1.106e-16	1.438e-10	6.608e-05	0.2064
Consumption	0.1482	0.3806	0.6496	0.8674	0.9427	0.829	0.5725	0.2681	0.01195
(s.e.)	0.02868	0.0227	0.01384	0.005798	0.00644	0.01523	0.02936	0.0437	0.05311
(p-val.)	0.02077	1.654e-07	7.376e-12	1.618e-16	1.83e-16	1.488e-12	2.133e-08	0.0009906	0.04962
Investment	-0.2116	-0.3499	-0.4588	-0.4373	-0.2371	0.0866	0.3953	0.5585	0.5284
(s.e.)	0.0318	0.03123	0.03049	0.03154	0.02983	0.02259	0.01668	0.01904	0.02194
(p-val.)	0.001265	5.932e-06	2.865e-07	6.276e-07	0.0002583	0.3887	7.46e-09	5.998e-10	3.758e-09
Net investment	-0.1492	-0.2781	-0.3919	-0.3944	-0.2319	0.05397	0.3397	0.501	0.4852
(s.e.)	0.02943	0.03336	0.04045	0.04713	0.04625	0.03467	0.0188	0.01403	0.02106
(p-val.)	0.009034	0.0001093	1.484e-05	4.579e-05	0.001362	0.4218	1.154e-07	1.236e-10	6.382e-09
Change in inventories	-0.3325	-0.2866	-0.09618	0.1627	0.3621	0.404	0.2914	0.119	-0.003604
(s.e.)	0.04992	0.04899	0.03825	0.0311	0.03495	0.03534	0.03021	0.02685	0.02584
(p-val.)	0.0003419	0.001125	0.01524	0.009934	1.029e-05	3.666e-06	3.17e-05	0.02859	0.9024
Unemployment rate	0.1885	0.2793	0.316	0.2641	0.1295	-0.03953	-0.1732	-0.227	-0.2011
(s.e.)	0.02663	0.02495	0.03742	0.05233	0.06173	0.06687	0.06993	0.06587	0.05205
(p-val.)	0.001394	1.119e-05	7.001e-05	0.003266	0.03135	0.008078	0.002597	0.006	0.002898
Productivity	0.1497	0.3321	0.5565	0.7612	0.8656	0.8115	0.6133	0.3381	0.07359
(s.e.)	0.03999	0.03604	0.02455	0.01879	0.02034	0.01725	0.01911	0.02827	0.03275
(p-val.)	0.007154	3.187e-05	5.911e-09	2.289e-11	1.3e-11	5.621e-12	2.371e-10	3.797e-06	0.2251
Mark-up (sector 2)	0.1336	0.0484	-0.06012	-0.1648	-0.2356	-0.2529	-0.2198	-0.1588	-0.09526
(s.e.)	0.06663	0.04471	0.03432	0.04588	0.05869	0.06338	0.06233	0.05949	0.05645
(p-val.)	0.01039	0.009342	0.2714	0.01477	0.0009088	9.397e-05	2.119e-05	0.0002768	0.02591
Total firm debt	0.1283	0.04424	-0.05185	-0.1355	-0.1848	-0.1913	-0.1686	-0.1372	-0.1128
(s.e.)	0.05332	0.05811	0.06358	0.06901	0.07267	0.07245	0.06882	0.06435	0.06178
(p-val.)	0.002146	0.02263	0.0365	0.02927	0.01435	0.01651	0.02645	0.02116	0.03281
Liquidity-to-sales ratio	0.1216	-0.09487	-0.3302	-0.5246	-0.6246	-0.6057	-0.4941	-0.3385	-0.188
(s.e.)	0.05544	0.04544	0.03581	0.03516	0.03813	0.03917	0.04016	0.04287	0.05026
(p-val.)	0.0304	0.01705	3.209e-05	2.461e-07	8.635e-08	1.475e-07	1.385e-06	9.77e-05	0.0191
Bankruptcy rate	0.3977	0.4676	0.4141	0.2349	-0.00136	-0.1923	-0.265	-0.2225	-0.1268
(s.e.)	0.03949	0.04431	0.0632	0.07644	0.07444	0.06174	0.04587	0.03082	0.02434
(p-val.)	1.059e-05	5.382e-06	0.0002512	0.006716	0.009936	0.01496	0.001482	0.0006232	0.01045

(non-rate/ratio series are Baxter-King bandpass-filtered, low = 6Q / high = 32Q / order = 12 / MC runs = 10 / period = 301 – 600)

(test H0: lag coefficient is not significant at 5% level)

Correlation structure for GDP (Free entry)

	-4	-3	-2	-1	0	1	2	3	4
GDP (output)	0.01248	0.2727	0.6026	0.8858	1	0.8858	0.6026	0.2727	0.01248
(s.e.)	0.0387	0.03032	0.01771	0.005688	2.867e-17	0.005688	0.01771	0.03032	0.0387
(p-val.)	0.2064	6.608e-05	1.438e-10	1.106e-16	NA	1.106e-16	1.438e-10	6.608e-05	0.2064
Consumption	0.1482	0.3806	0.6496	0.8674	0.9427	0.829	0.5725	0.2681	0.01195
(s.e.)	0.02868	0.0227	0.01384	0.005798	0.00644	0.01523	0.02936	0.0437	0.05311
(p-val.)	0.02077	1.654e-07	7.376e-12	1.618e-16	1.83e-16	1.488e-12	2.133e-08	0.0009906	0.04962
Investment	-0.2116	-0.3499	-0.4588	-0.4373	-0.2371	0.0866	0.3953	0.5585	0.5284
(s.e.)	0.0318	0.03123	0.03049	0.03154	0.02983	0.02259	0.01668	0.01904	0.02194
(p-val.)	0.001265	5.932e-06	2.865e-07	6.276e-07	0.0002583	0.3887	7.46e-09	5.998e-10	3.758e-09
Productivity	0.1497	0.3321	0.5565	0.7612	0.8656	0.8115	0.6133	0.3381	0.07359
(s.e.)	0.03999	0.03604	0.02455	0.01879	0.02034	0.01725	0.01911	0.02827	0.03275
(p-val.)	0.007154	3.187e-05	5.911e-09	2.289e-11	1.3e-11	5.621e-12	2.371e-10	3.797e-06	0.2251
Net entry	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN	NaN
(s.e.)	NA	NA	NA	NA	NA	NA	NA	NA	NA
(p-val.)	1	1	1	1	1	1	1	1	1
Entry	-0.1938	-0.03927	0.1915	0.4467	0.6406	0.6936	0.5941	0.395	0.1822
(s.e.)	0.0302	0.03196	0.03051	0.02496	0.01841	0.01509	0.01386	0.01762	0.02683
(p-val.)	0.002217	0.5563	0.002115	6.756e-08	1.089e-10	8.205e-12	1.871e-11	1.217e-08	0.002084
Wage	0.3225	0.5282	0.7201	0.8326	0.8148	0.6585	0.4181	0.1682	-0.02922
(s.e.)	0.03917	0.02434	0.0109	0.01672	0.02372	0.02035	0.01826	0.03035	0.04341
(p-val.)	8.035e-05	9.389e-09	3.033e-13	3.3e-12	9.332e-11	2.006e-10	8.931e-09	0.008691	0.1948
Unemployment rate	0.1885	0.2793	0.316	0.2641	0.1295	-0.03953	-0.1732	-0.227	-0.2011
(s.e.)	0.02663	0.02495	0.03742	0.05233	0.06173	0.06687	0.06993	0.06587	0.05205
(p-val.)	0.001394	1.119e-05	7.001e-05	0.003266	0.03135	0.008078	0.002597	0.006	0.002898
Vacancy rate	0.2752	0.08572	-0.2004	-0.4788	-0.6332	-0.6016	-0.4263	-0.2093	-0.04733
(s.e.)	0.05436	0.04555	0.03375	0.02557	0.02698	0.0291	0.02831	0.02875	0.03142
(p-val.)	0.0002298	0.02557	0.003021	4.013e-08	3.646e-09	1.19e-08	3.275e-07	0.0007472	0.4409

(non-rate/ratio series are Baxter–King bandpass-filtered, low = 6Q / high = 32Q / order = 12 / MC runs = 10 / period = 301 – 600)

(test H0: lag coefficient is not significant at 5% level)

Stationarity, i.i.d. and ergodicity tests (Free entry)

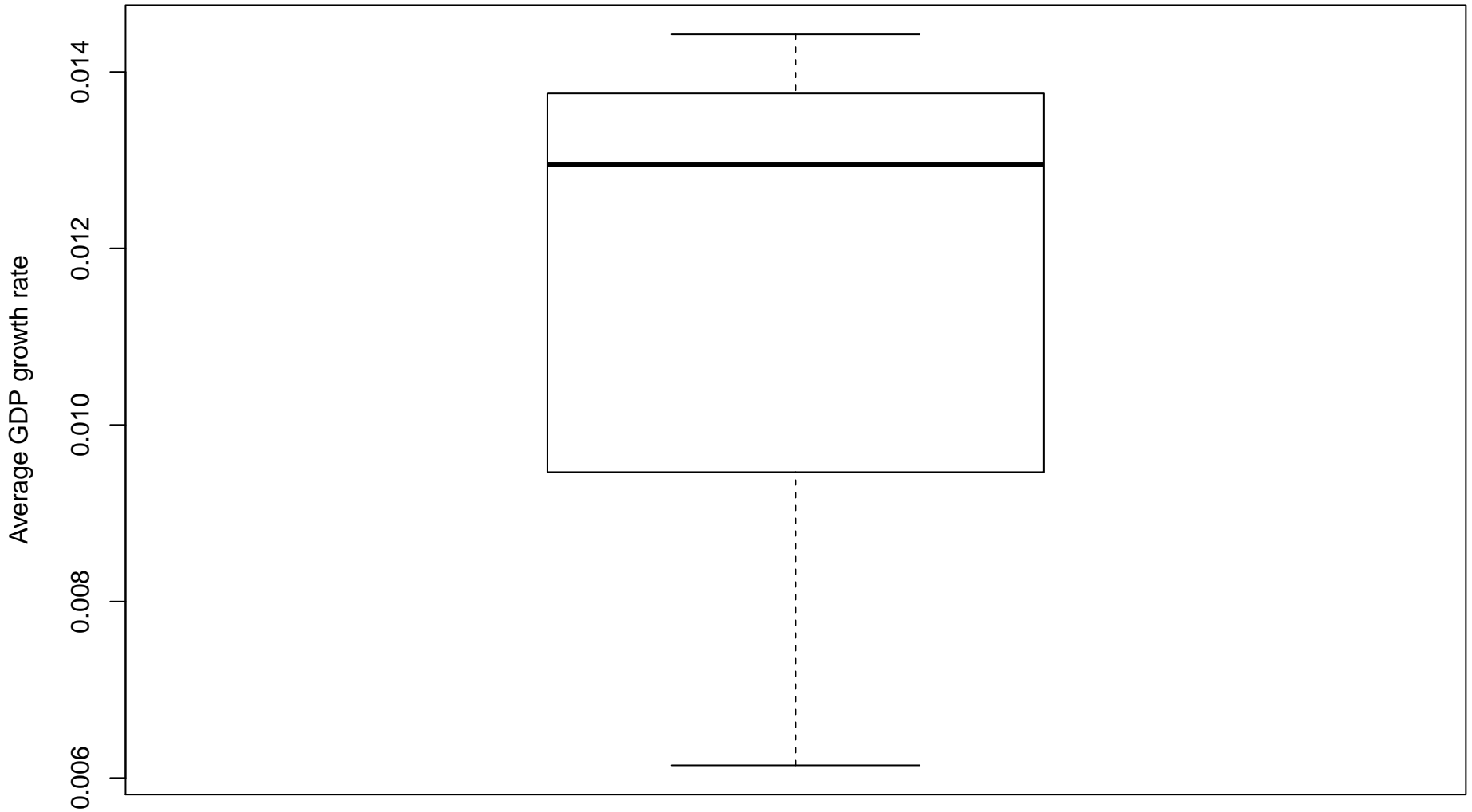
	avg.ADF	rej.ADF	avg.PP	rej.PP	avg.KPSS	rej.KPSS	avg.BDS	rej.BDS	avg.KS	rej.KS	AD	V
dGDP	0.01	1.00	0.01	1.00	0.10	0.00	0.05	0.80	0.36	0.22	0.01	C
dA	0.01	1.00	0.01	1.00	0.10	0.00	0.01	0.80	0.16	0.69	0.00	C
dw	0.01	1.00	0.01	1.00	0.10	0.00	0.01	0.90	0.16	0.71	0.00	C
V	0.03	0.90	0.01	1.00	0.08	0.20	0.00	1.00	0.07	0.82	0.00	C
U	0.03	0.90	0.01	1.00	0.07	0.40	0.03	0.90	0.16	0.78	0.00	C
mu2avg	0.09	0.60	0.01	1.00	0.05	0.50	0.00	1.00	0.02	0.93	0.00	C
HH1	0.01	1.00	0.01	1.00	0.10	0.00	0.00	1.00	0.26	0.56	0.00	C
HH2	0.02	0.90	0.01	1.00	0.07	0.30	0.00	1.00	0.05	0.89	0.00	C

(average p-values for testing H0 and rate of rejection of H0 / MC runs = 10 / period = 301 – 600)

(ADF/PP H0: non-stationary, KPSS H0: stationary, BDS H0: i.i.d., KS/AD/WW H0: ergodic)

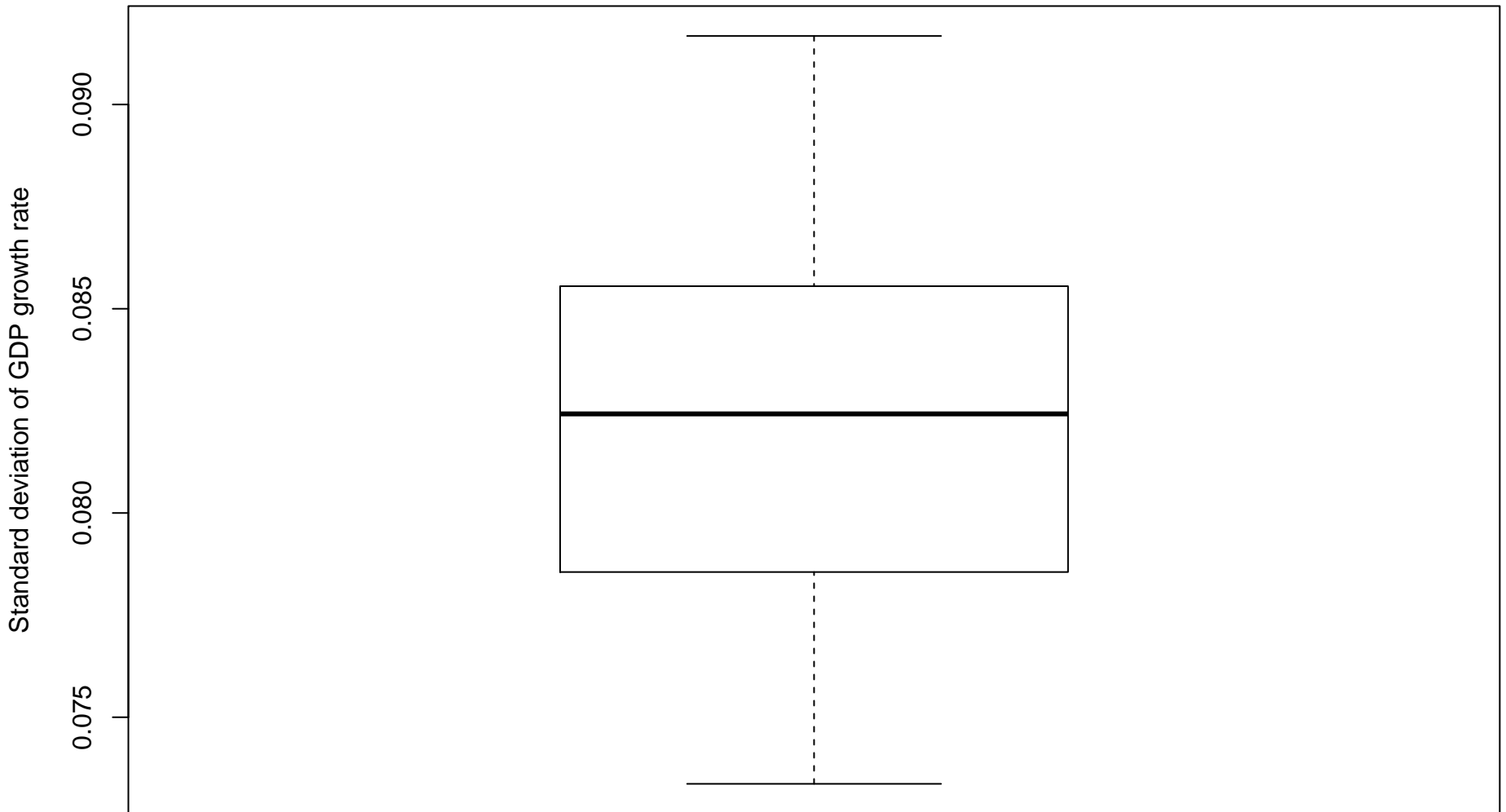
(significance = 0.05)

GDP growth



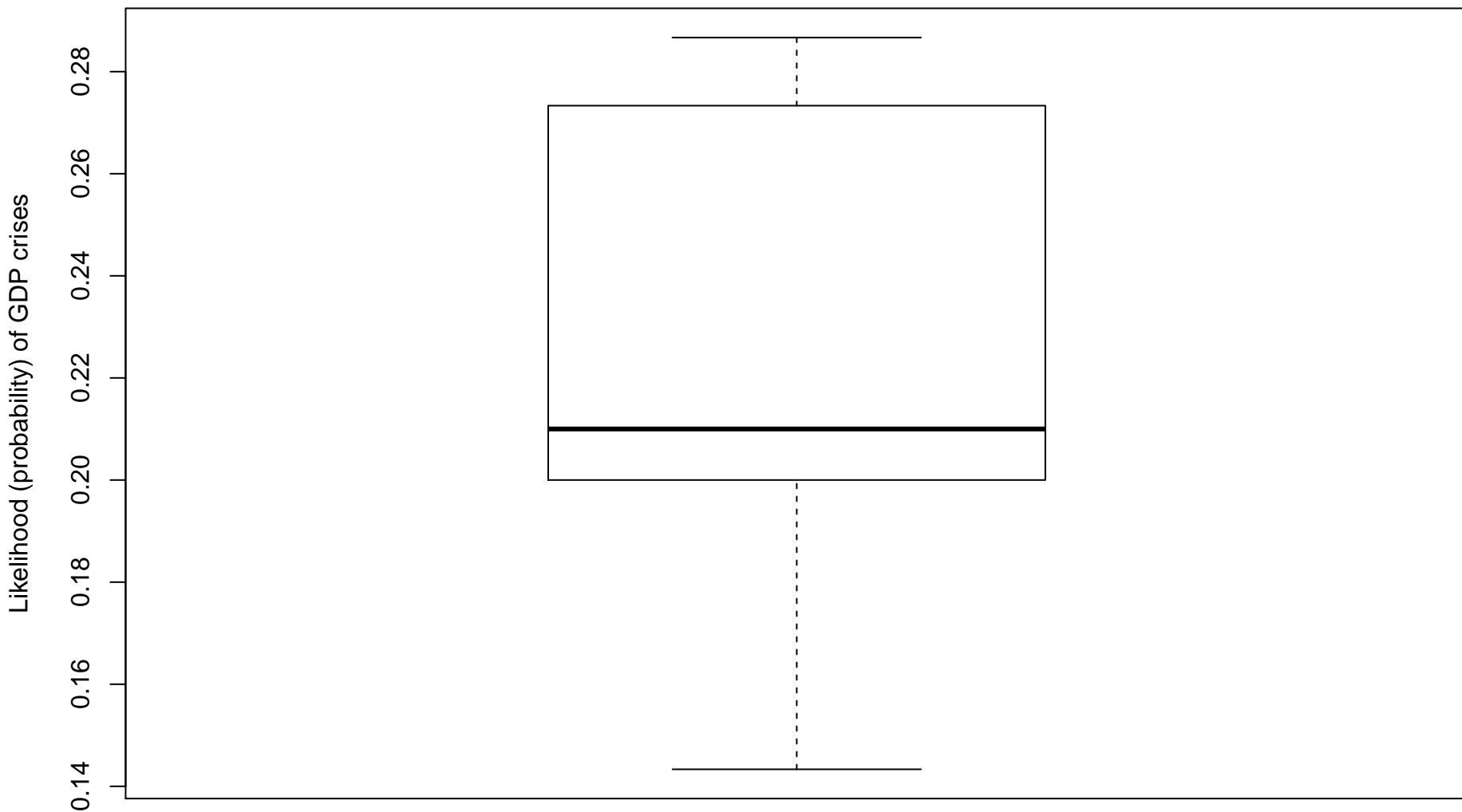
(bar: median / box: 2nd–3rd quartile / whiskers: max–min / points: outliers / MC runs = 10 / period = 301 – 600)

Volatility of GDP growth



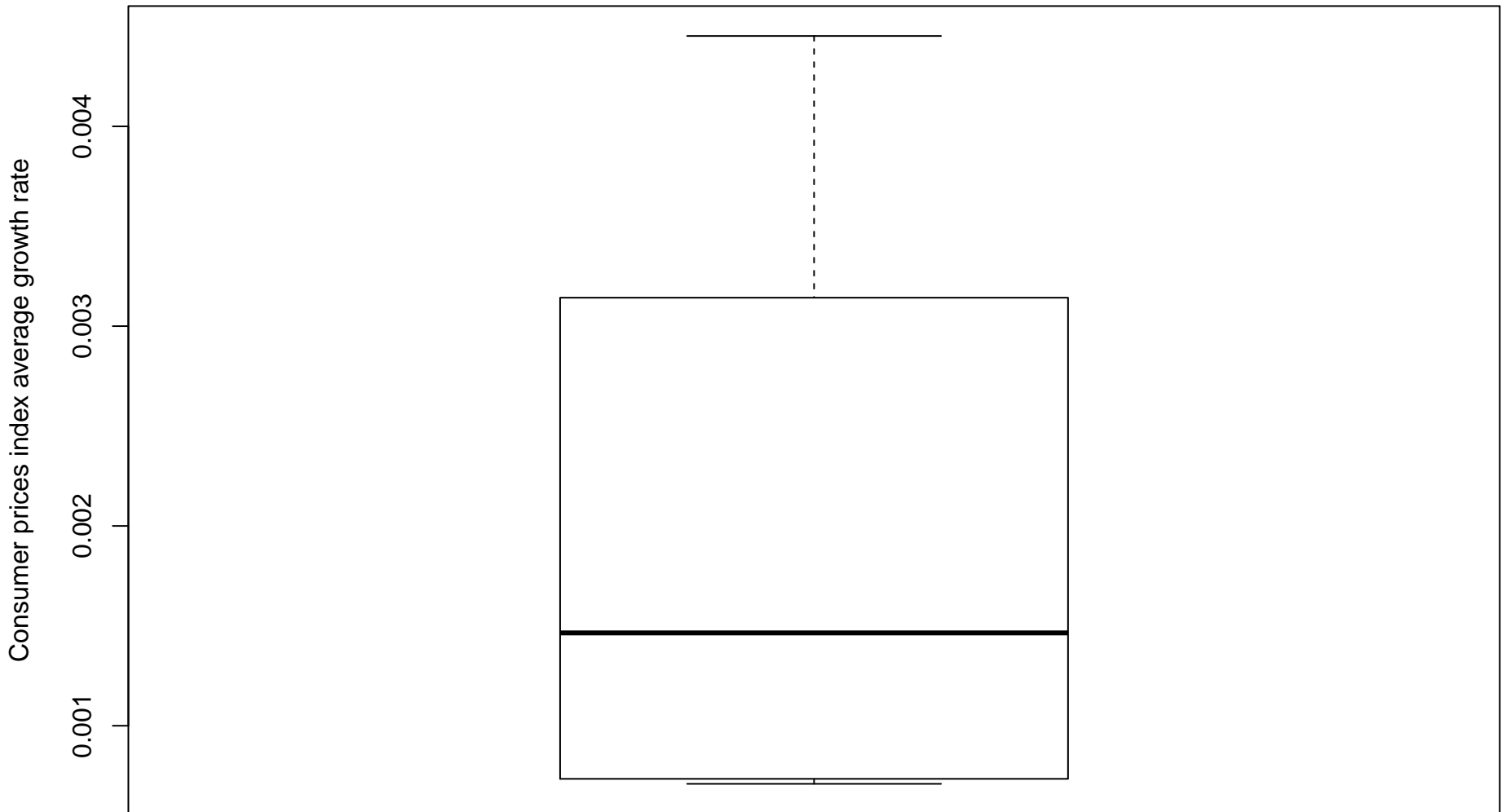
(bar: median / box: 2nd–3rd quartile / whiskers: max–min / points: outliers / MC runs = 10 / period = 301 – 600)

Likelihood of GDP crises

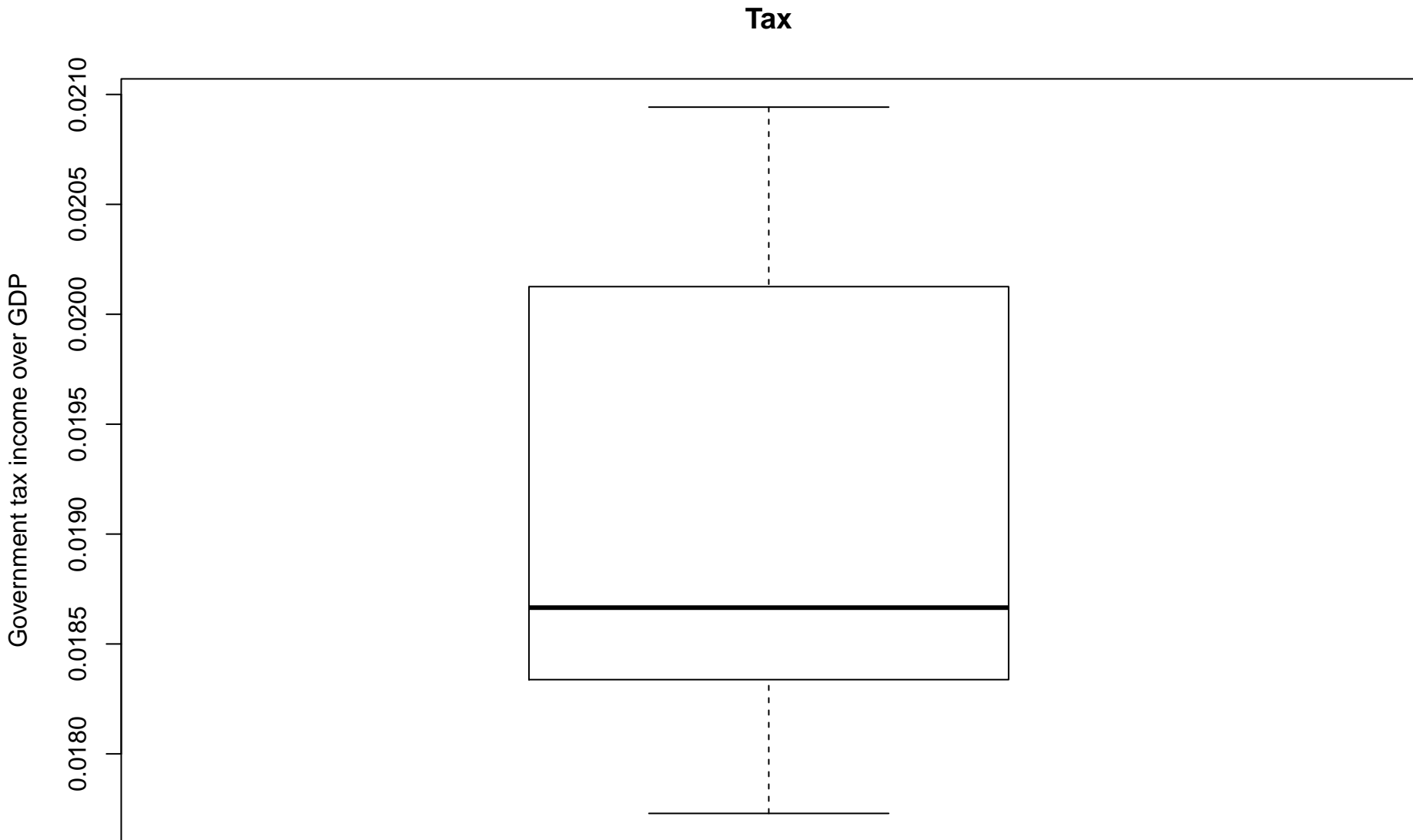


(bar: median / box: 2nd–3rd quartile / whiskers: max–min / points: outliers / MC runs = 10 / period = 301 – 600)

Inflation

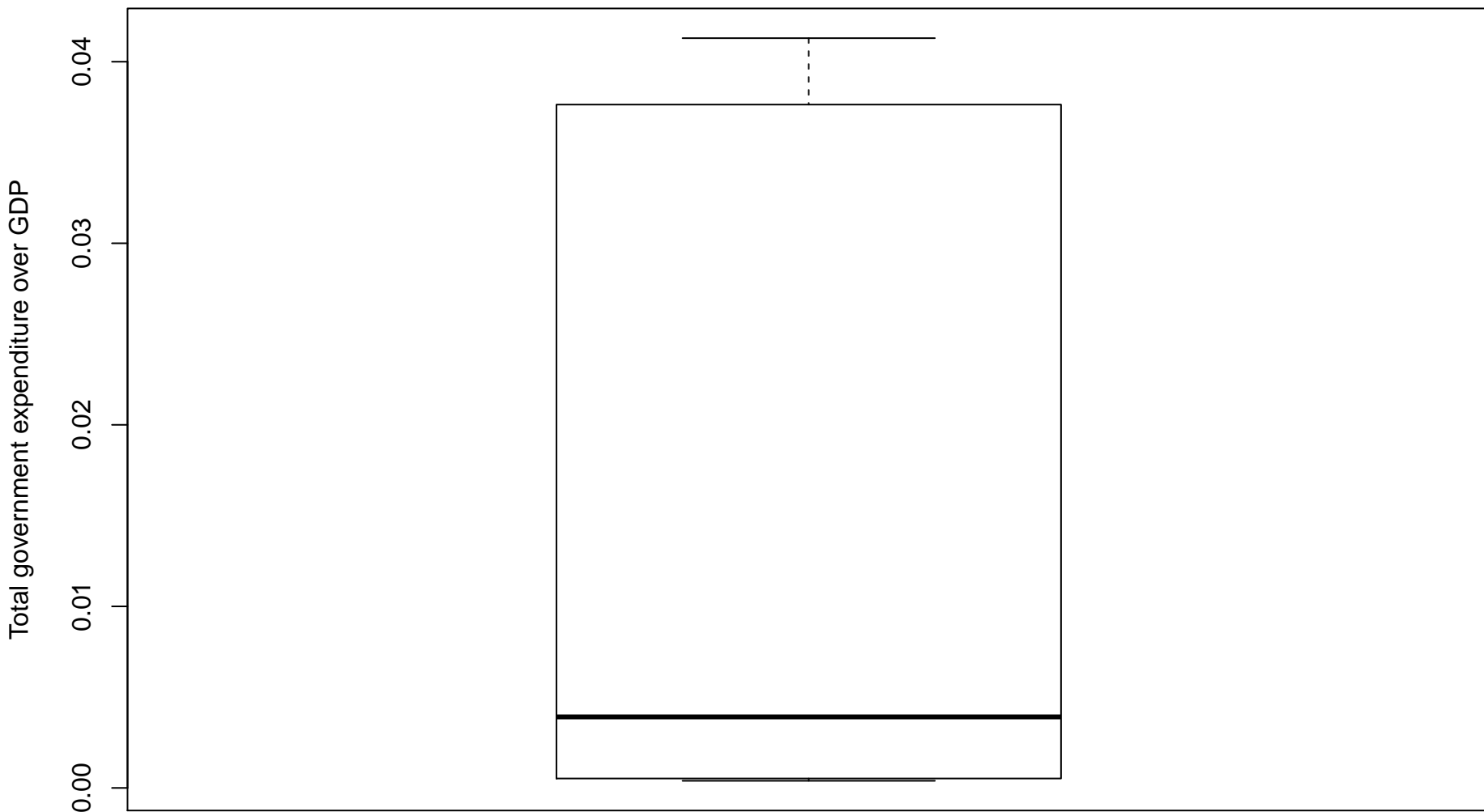


(bar: median / box: 2nd–3rd quartile / whiskers: max–min / points: outliers / MC runs = 10 / period = 301 – 600)



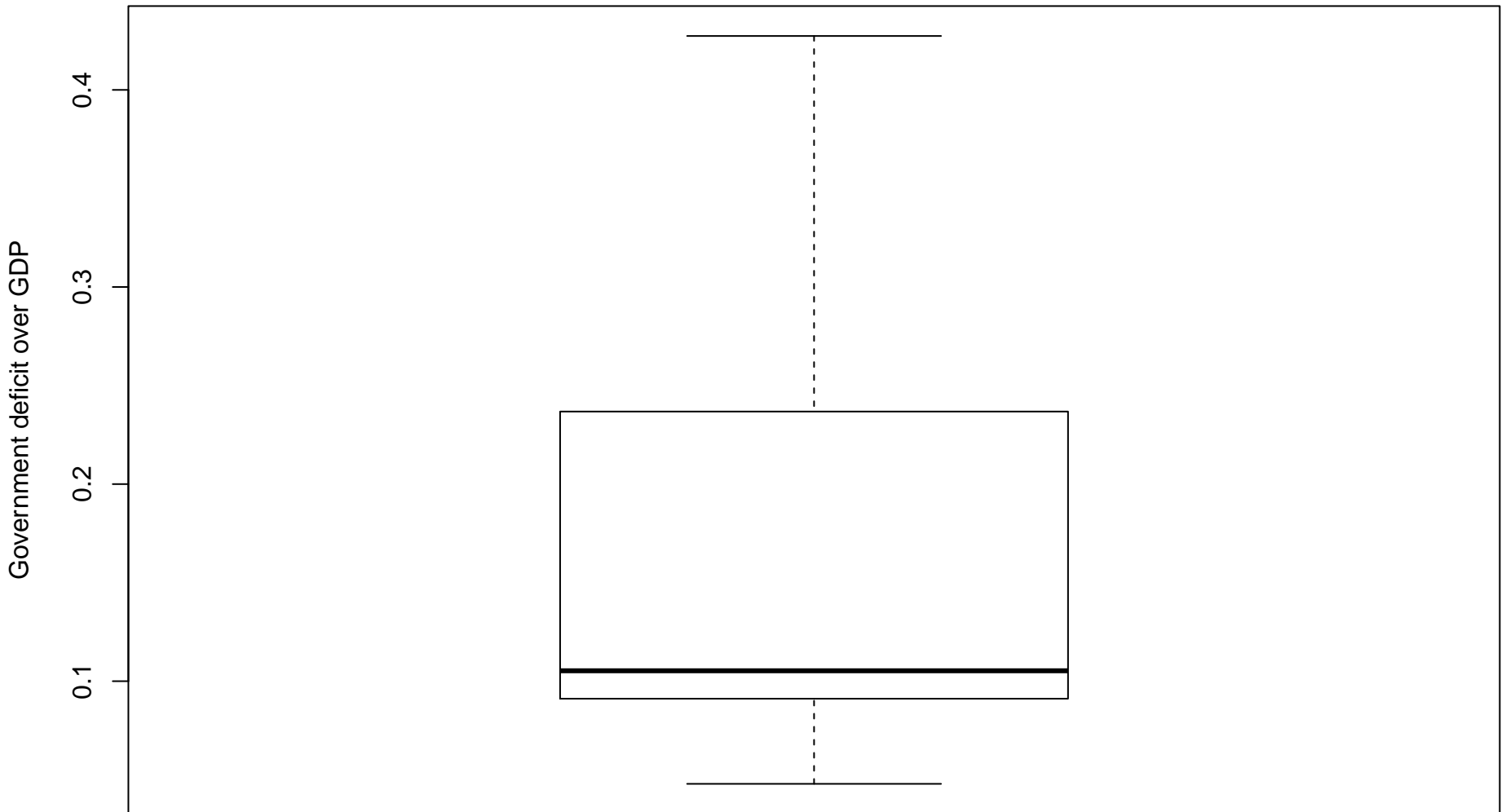
(bar: median / box: 2nd–3rd quartile / whiskers: max–min / points: outliers / MC runs = 10 / period = 301 – 600)

Government total expenditure



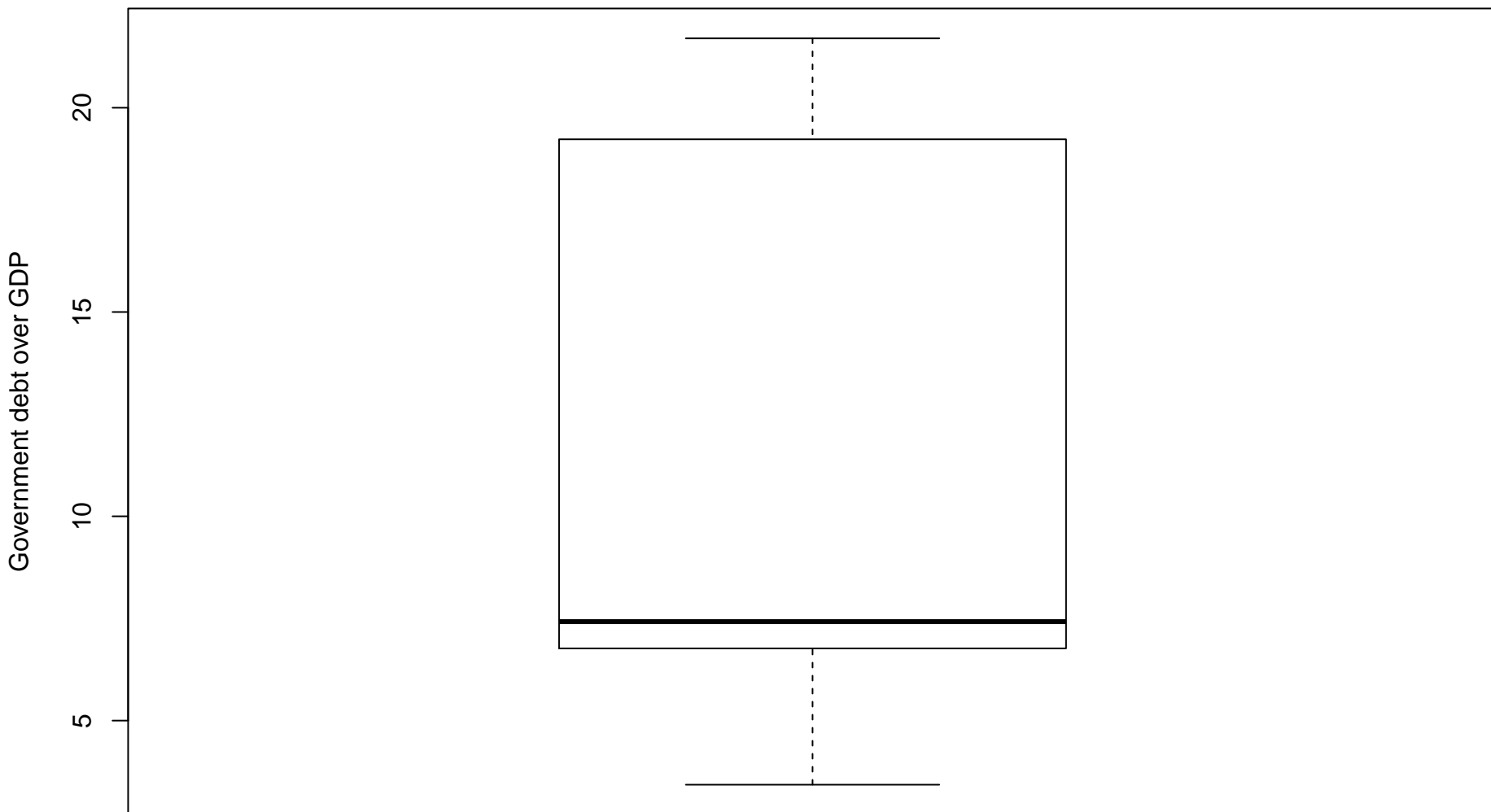
(bar: median / box: 2nd–3rd quartile / whiskers: max–min / points: outliers / MC runs = 10 / period = 301 – 600)

Government deficit



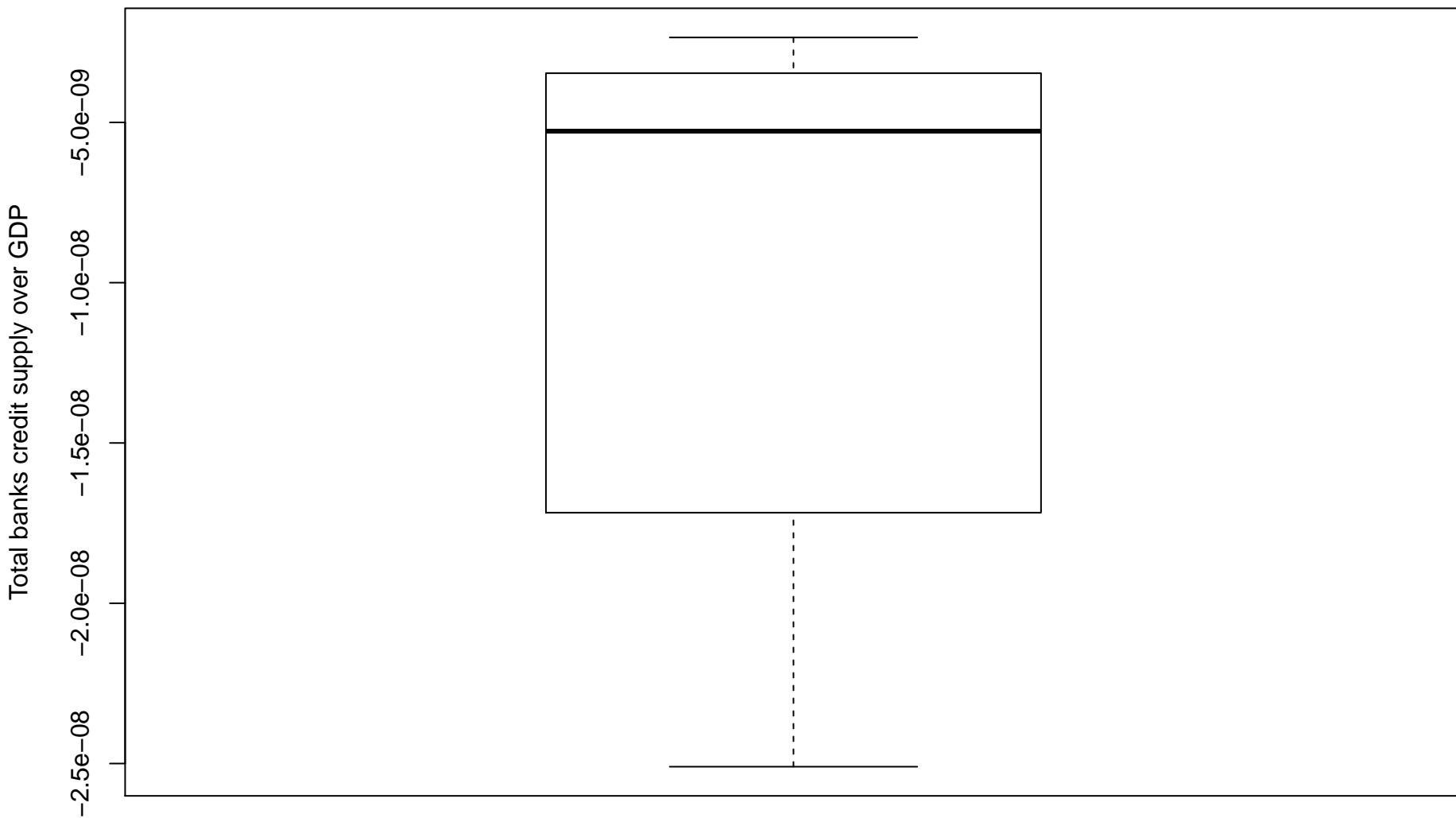
(bar: median / box: 2nd–3rd quartile / whiskers: max–min / points: outliers / MC runs = 10 / period = 301 – 600)

Government debt



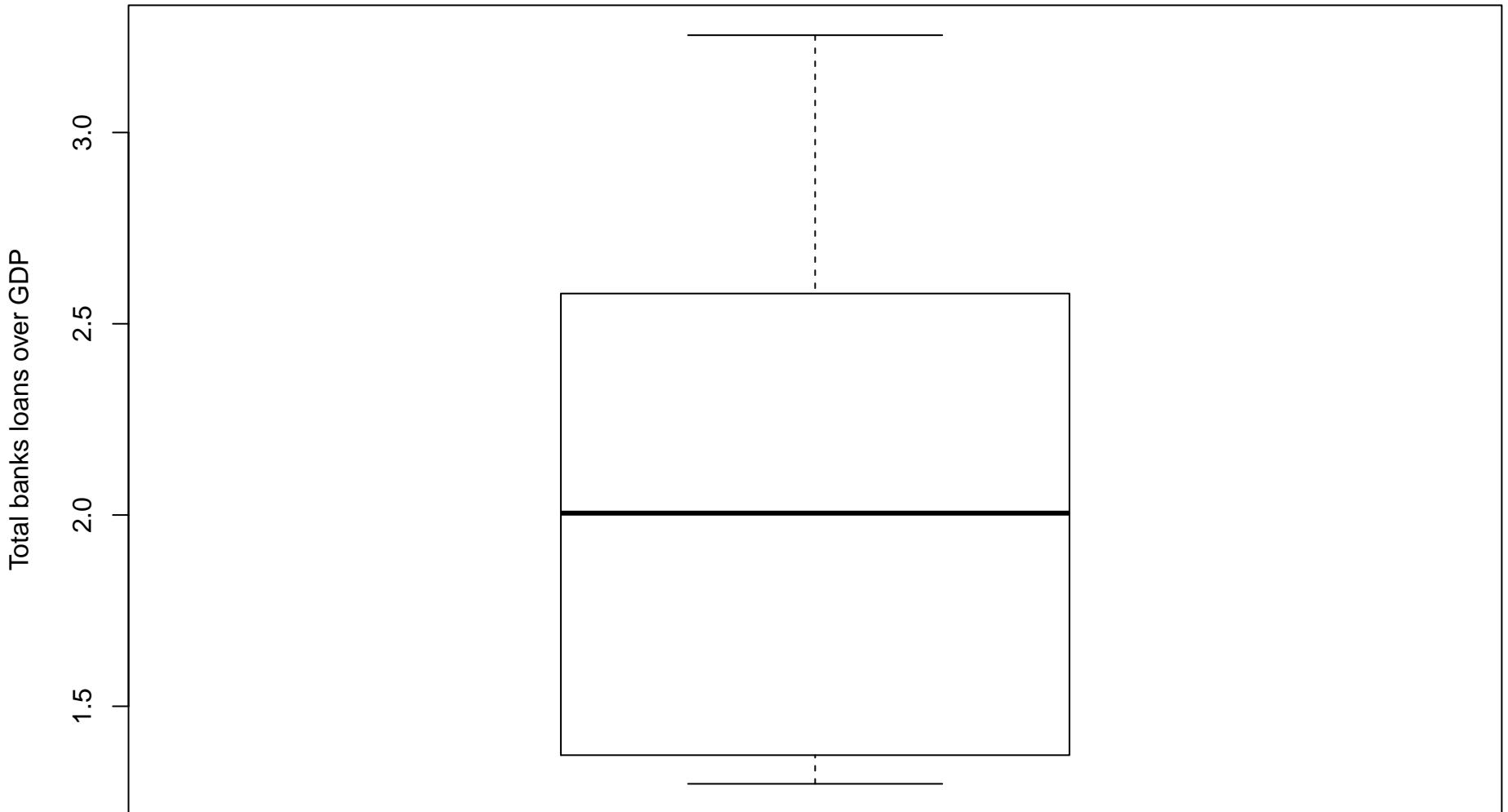
(bar: median / box: 2nd–3rd quartile / whiskers: max–min / points: outliers / MC runs = 10 / period = 301 – 600)

Credit supply



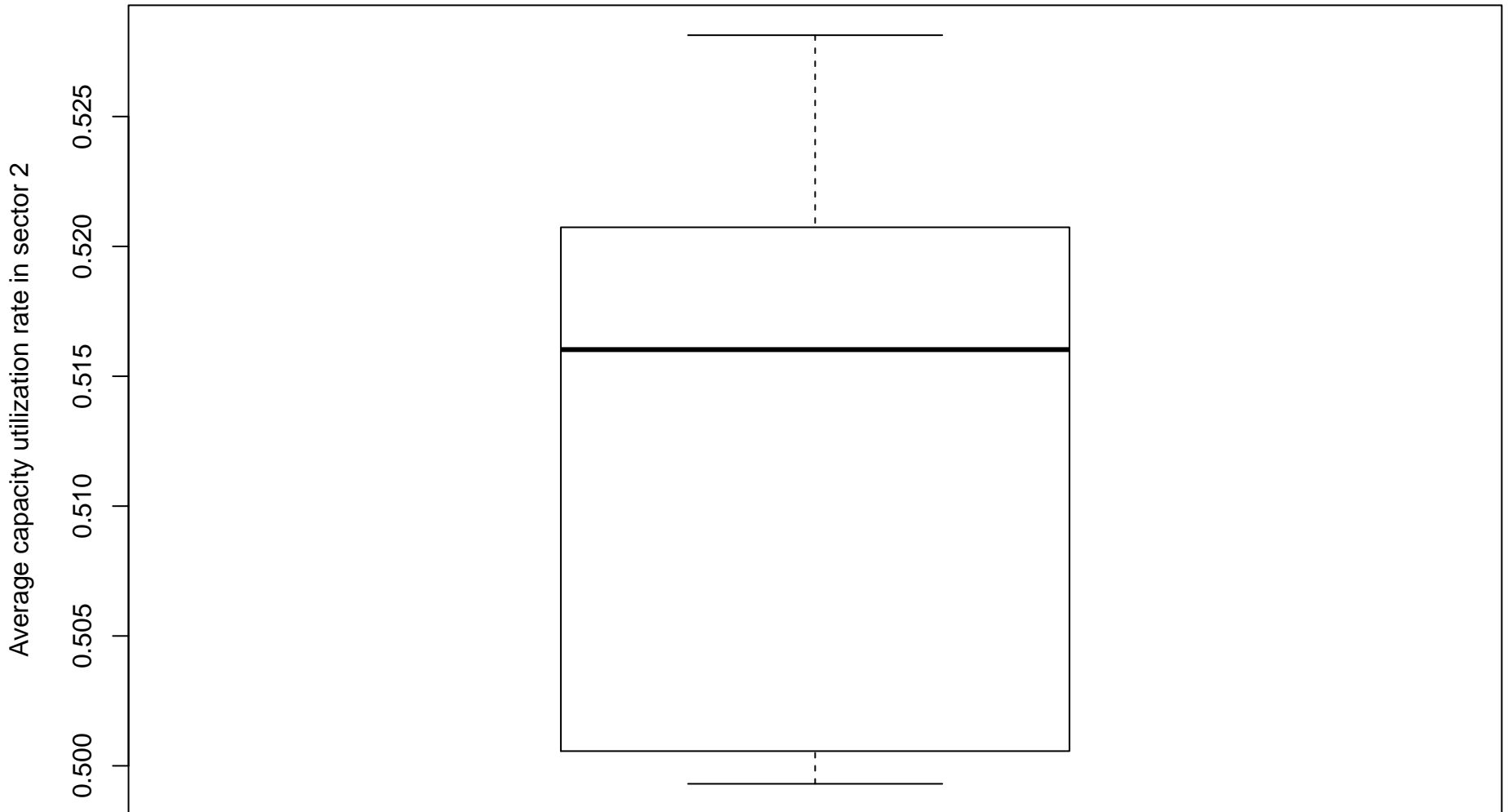
(bar: median / box: 2nd–3rd quartile / whiskers: max–min / points: outliers / MC runs = 10 / period = 301 – 600)

Loans



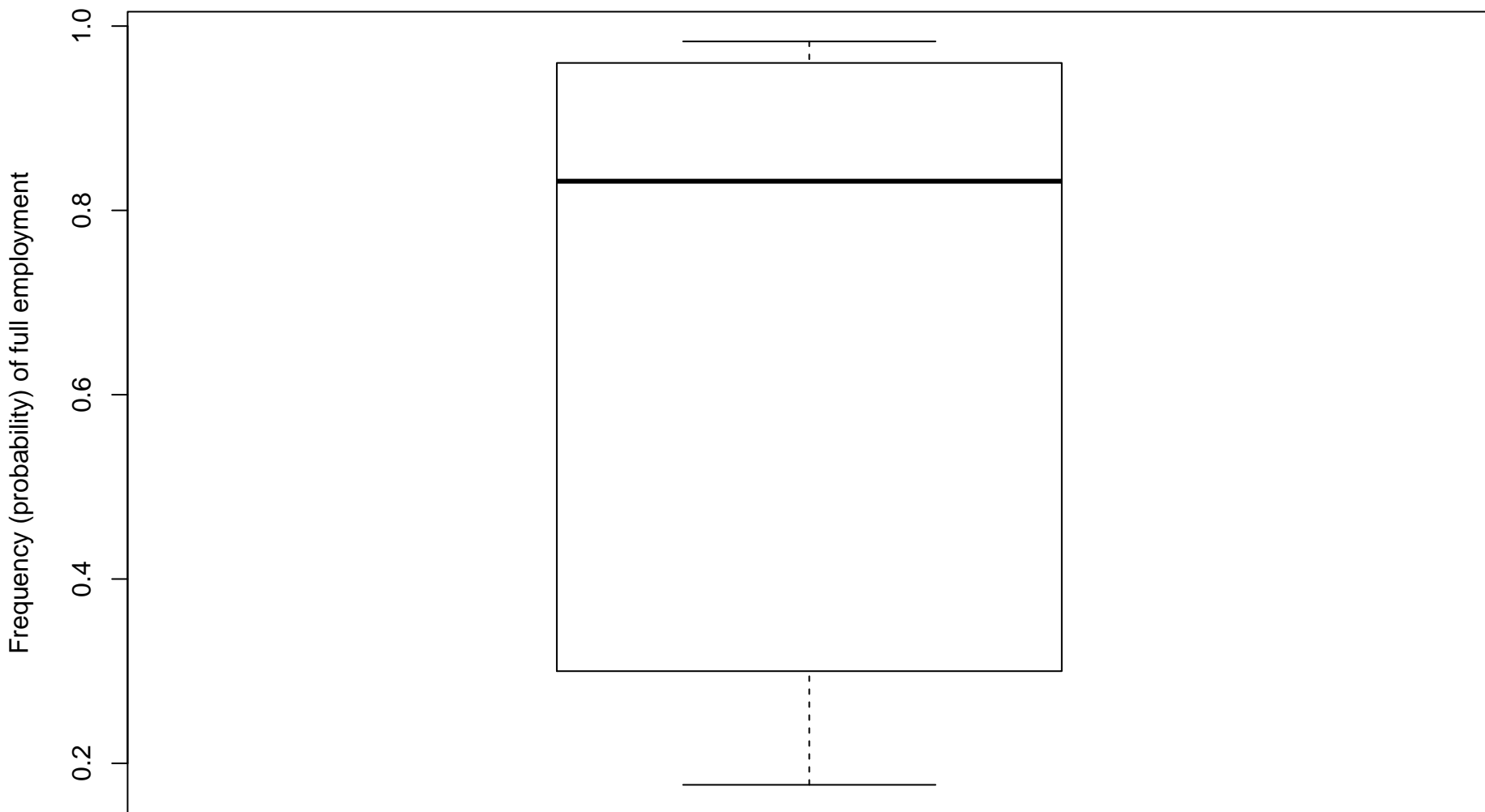
(bar: median / box: 2nd–3rd quartile / whiskers: max–min / points: outliers / MC runs = 10 / period = 301 – 600)

Capacity utilization



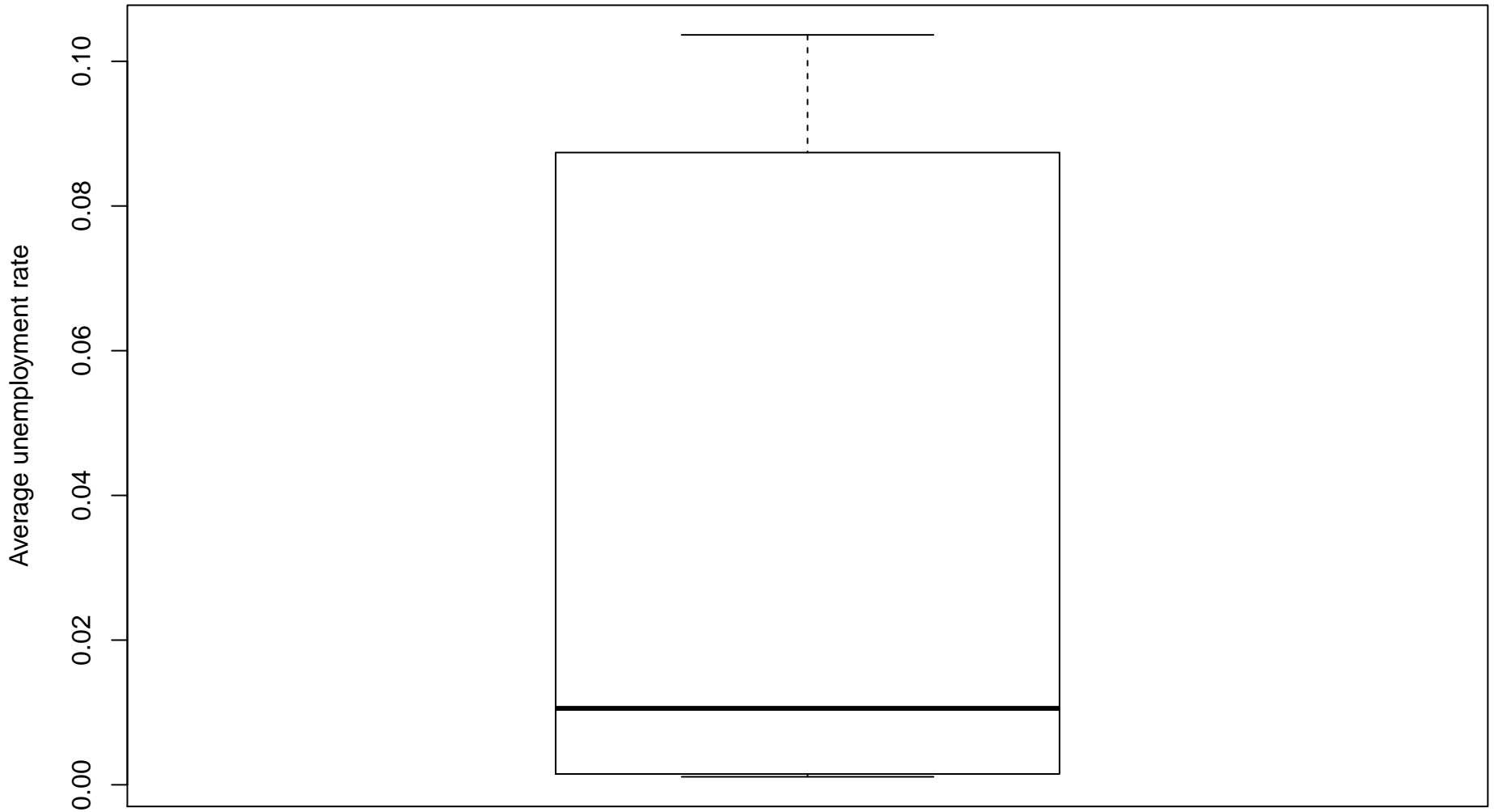
(bar: median / box: 2nd–3rd quartile / whiskers: max–min / points: outliers / MC runs = 10 / period = 301 – 600)

Full employment frequency



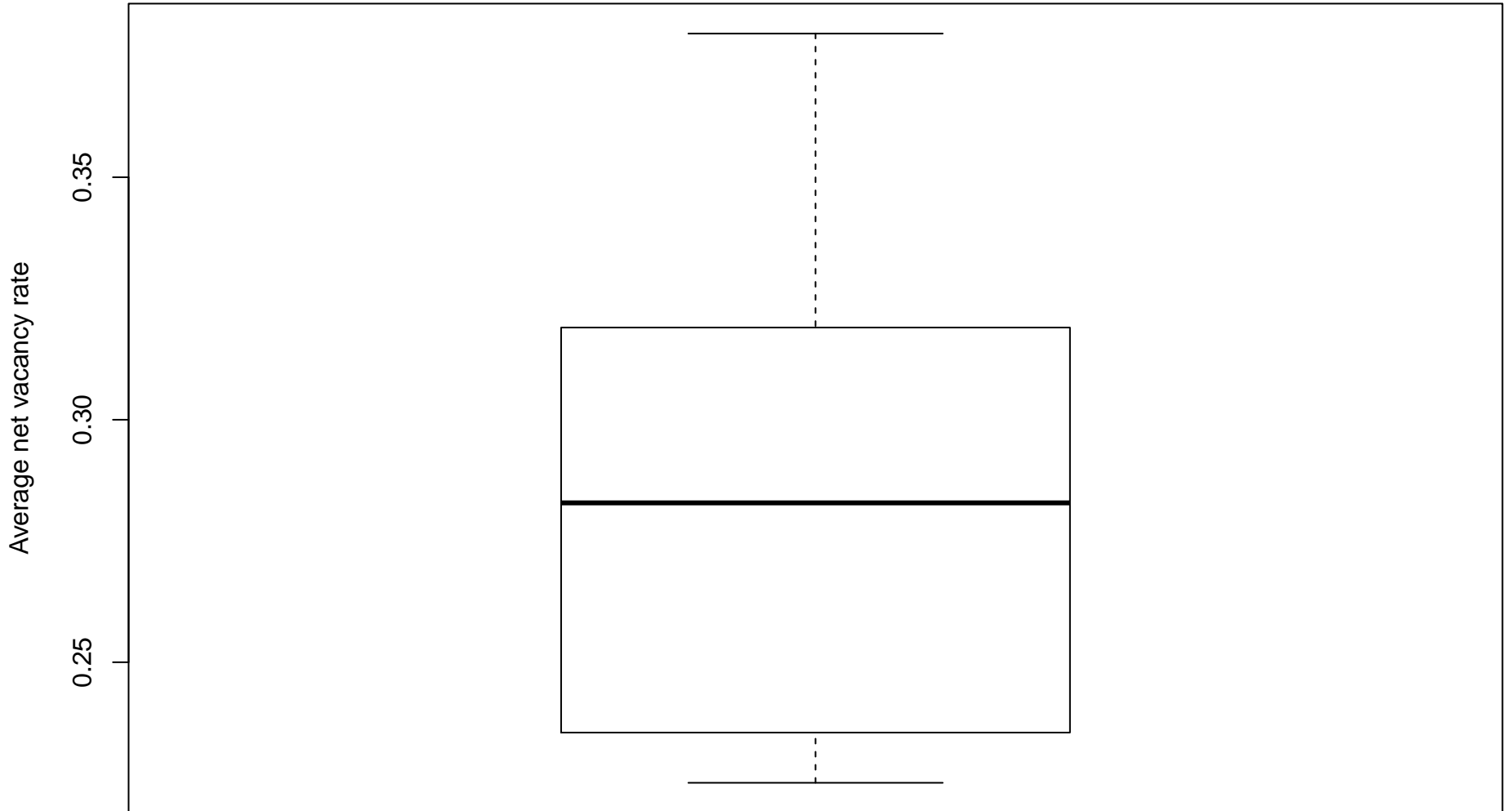
(bar: median / box: 2nd–3rd quartile / whiskers: max–min / points: outliers / MC runs = 10 / period = 301 – 600)

Unemployment



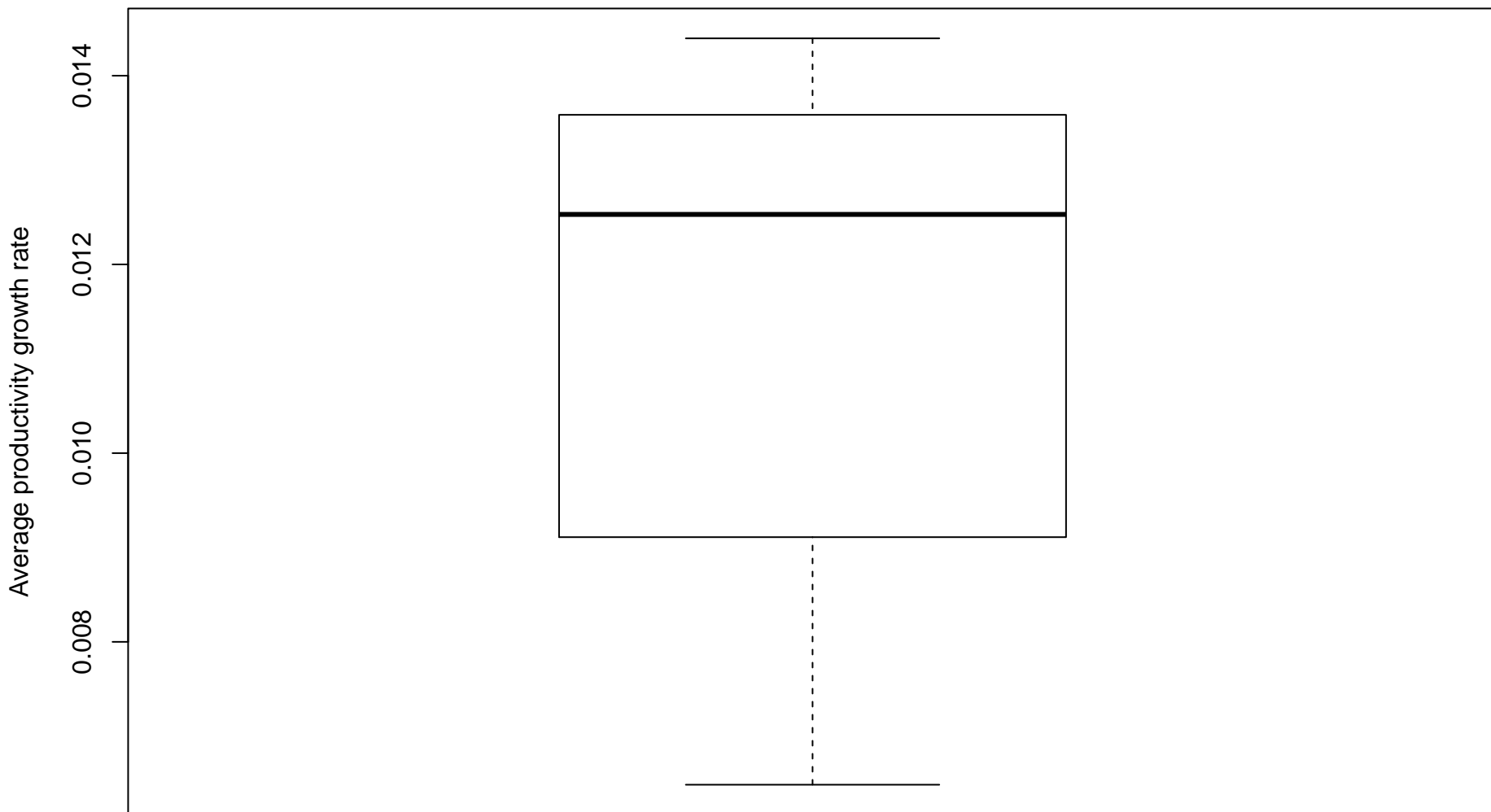
(bar: median / box: 2nd–3rd quartile / whiskers: max–min / points: outliers / MC runs = 10 / period = 301 – 600)

Vacancy



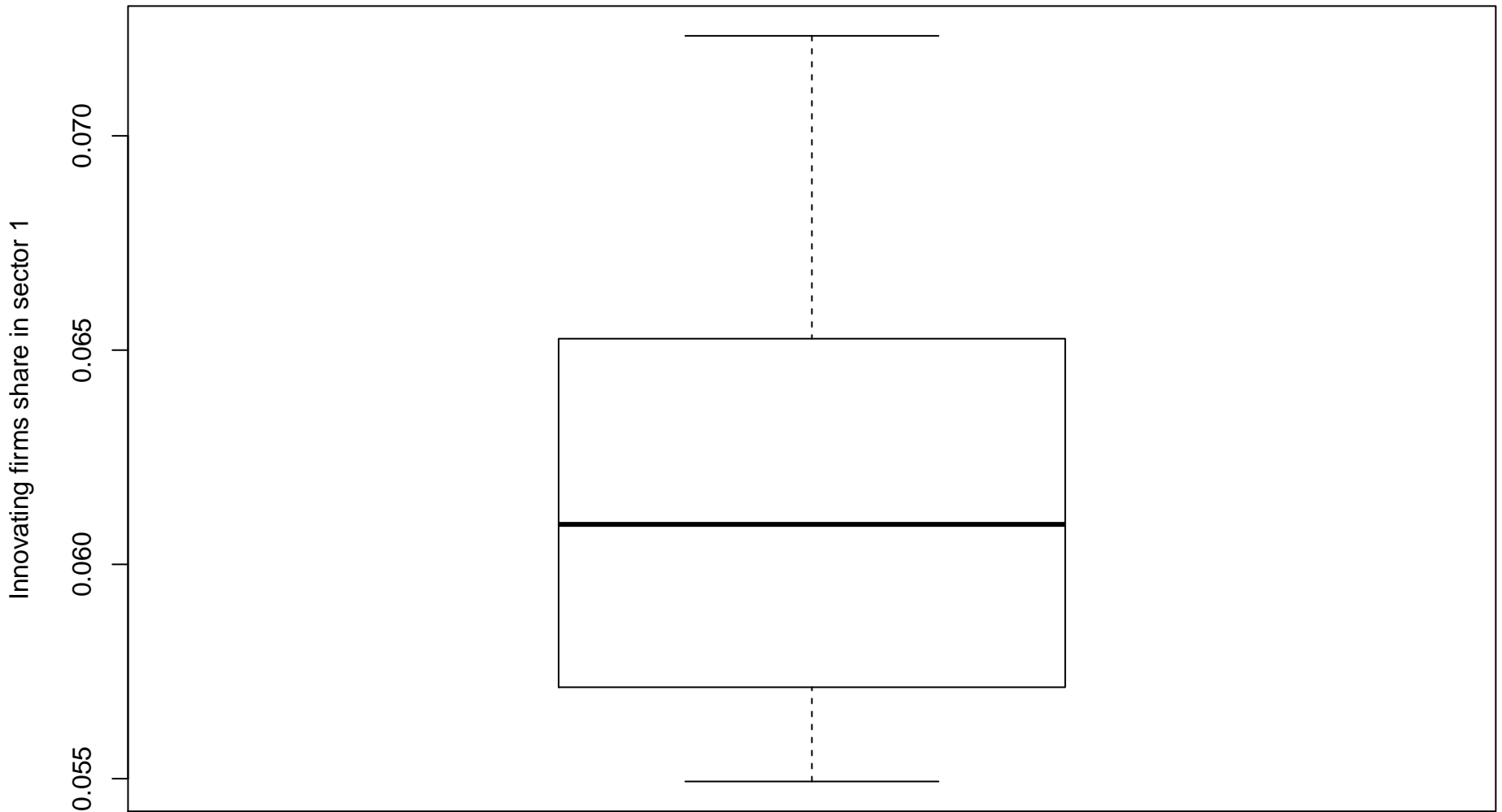
(bar: median / box: 2nd–3rd quartile / whiskers: max–min / points: outliers / MC runs = 10 / period = 301 – 600)

Productivity growth



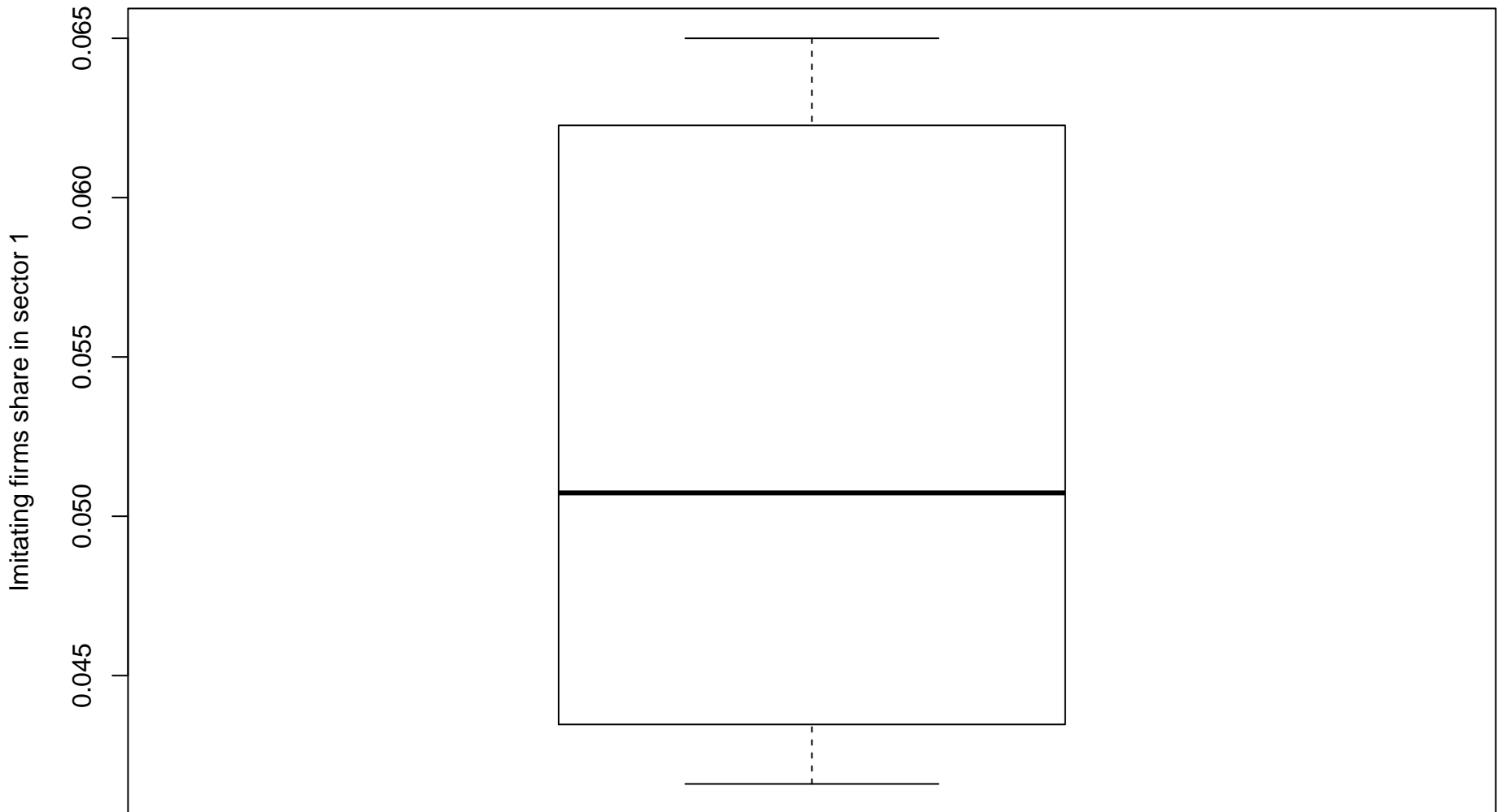
(bar: median / box: 2nd–3rd quartile / whiskers: max–min / points: outliers / MC runs = 10 / period = 301 – 600)

Innovation



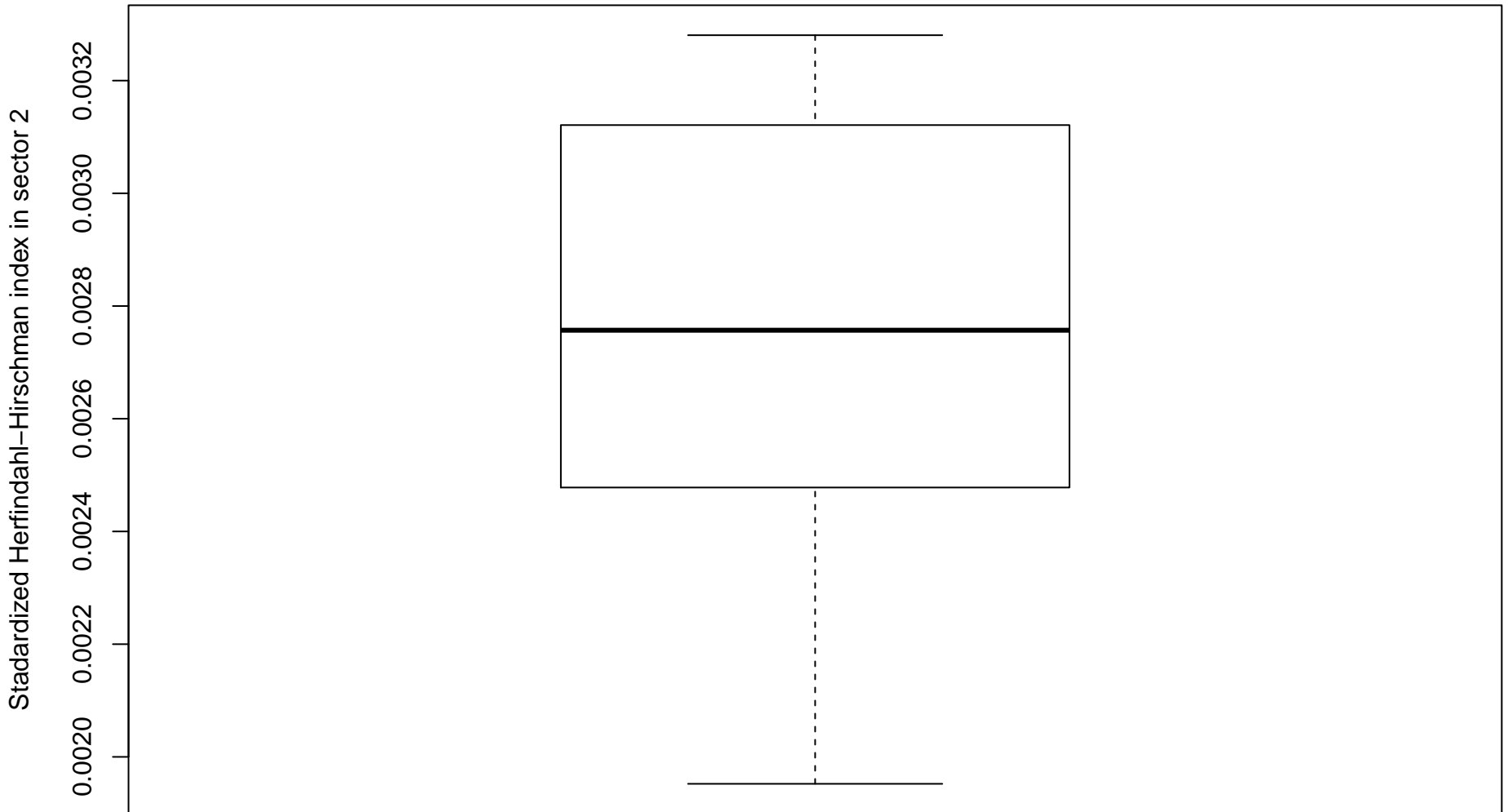
(bar: median / box: 2nd–3rd quartile / whiskers: max–min / points: outliers / MC runs = 10 / period = 301 – 600)

Imitation



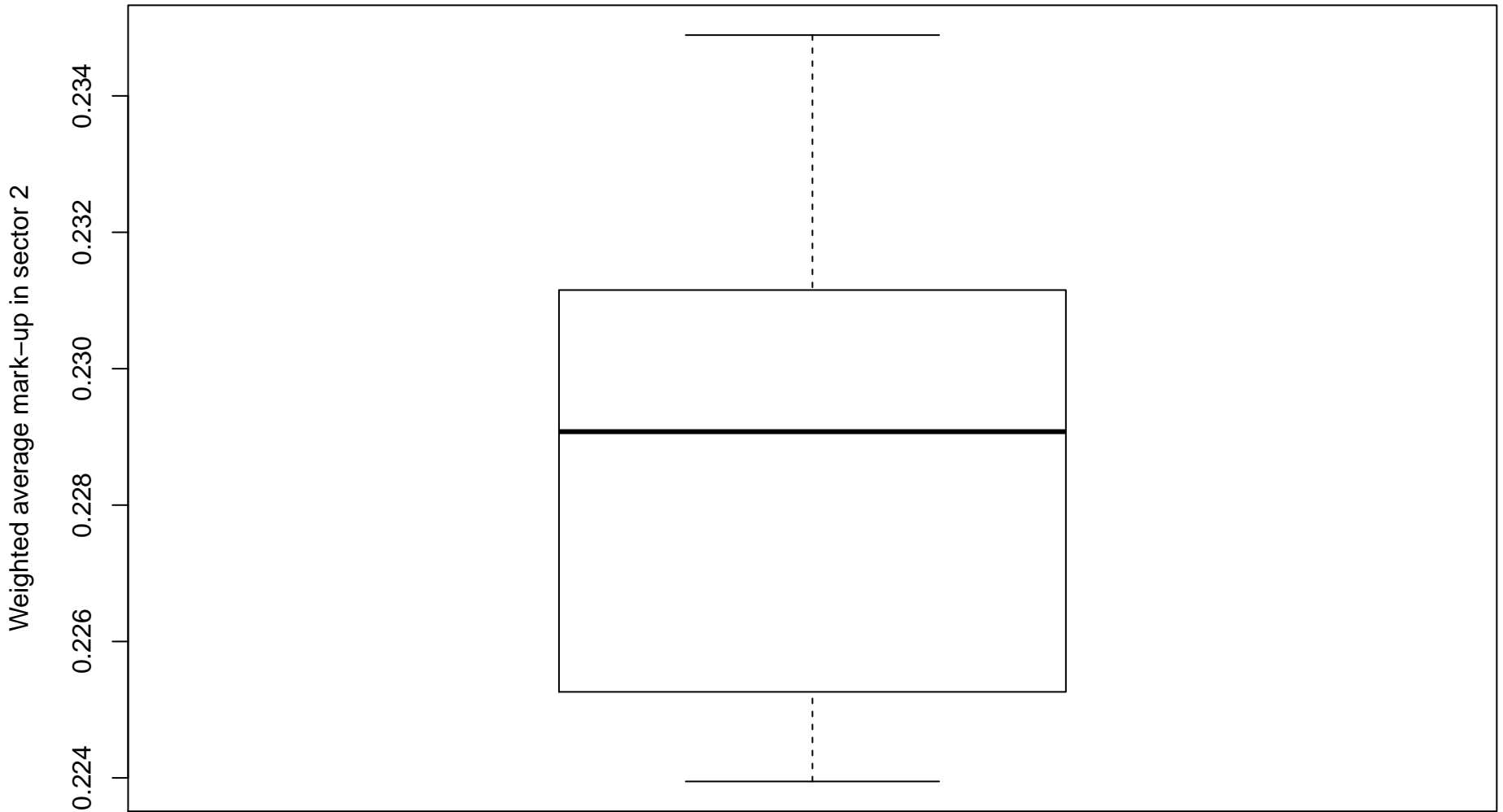
(bar: median / box: 2nd–3rd quartile / whiskers: max–min / points: outliers / MC runs = 10 / period = 301 – 600)

Market concentration



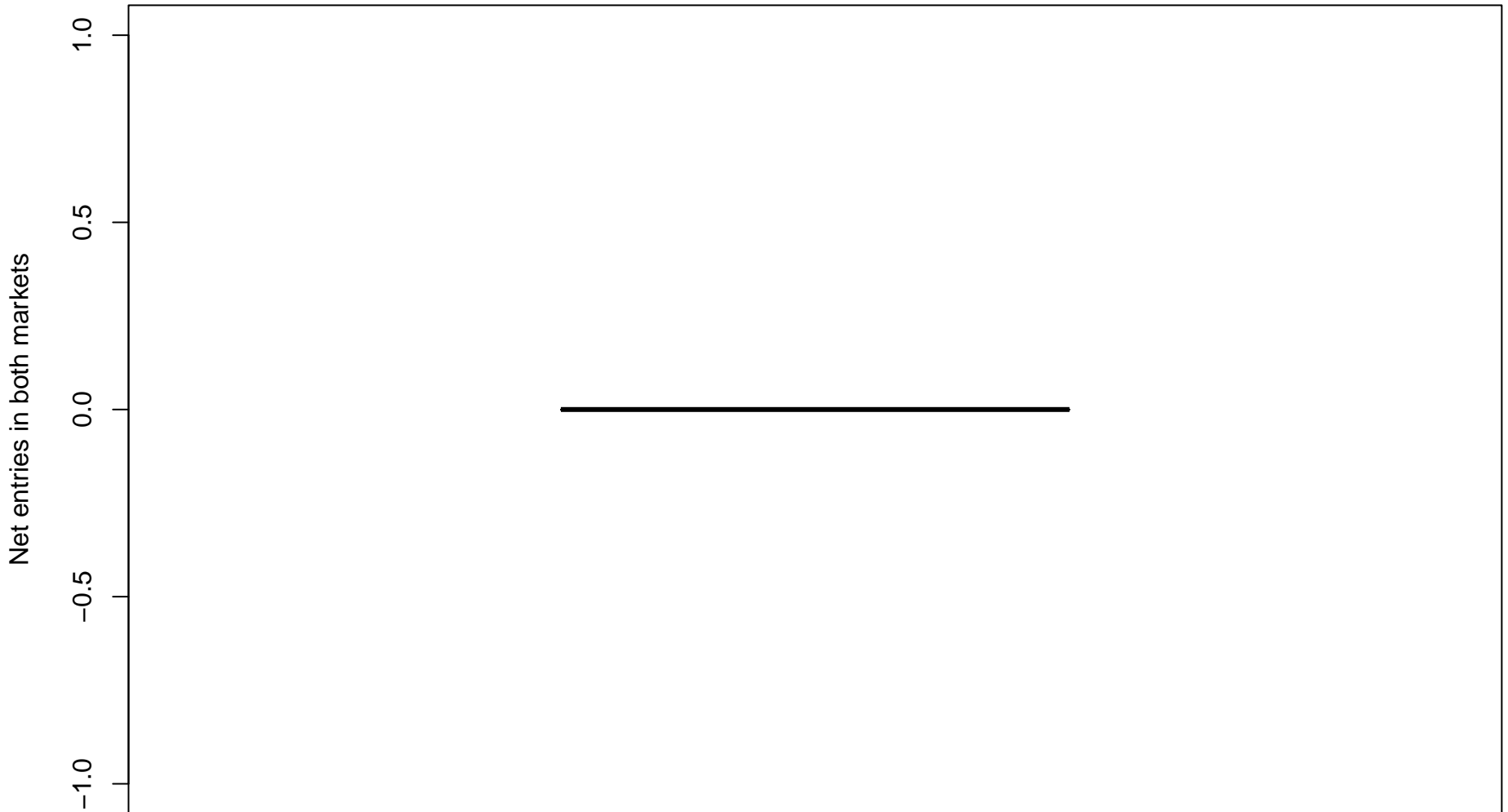
(bar: median / box: 2nd–3rd quartile / whiskers: max–min / points: outliers / MC runs = 10 / period = 301 – 600)

Mark-ups



(bar: median / box: 2nd–3rd quartile / whiskers: max–min / points: outliers / MC runs = 10 / period = 301 – 600)

Net entry of firms



(bar: median / box: 2nd–3rd quartile / whiskers: max–min / points: outliers / MC runs = 10 / period = 301 – 600)

Monte Carlo descriptive statistics (all experiments)

	Avg[1]	SD[1]	Min[1]	Max[1]
GDP growth	0.01149	0.002974	0.006143	0.01443
Volatility of GDP growth	0.08264	0.005496	0.07337	0.09168
Likelihood of GDP crises	0.2227	0.05084	0.1433	0.2867
Inflation	0.002018	0.001456	0.0007092	0.004452
Tax	0.01916	0.001107	0.01773	0.02094
Government total expenditure	0.01627	0.01873	0.000392	0.0413
Government deficit	0.1666	0.1152	0.04792	0.4274
Government debt	13.46	10.99	3.431	39.26
Credit supply	-1.267e-08	1.401e-08	-4.582e-08	-2.351e-09
Loans	2.082	0.7427	1.297	3.254
Capacity utilization	0.5153	0.01648	0.4993	0.5524
Full employment frequency	0.6473	0.3534	0.1767	0.9833
Unemployment	0.04041	0.04604	0.001106	0.1037
Vacancy	0.2868	0.05483	0.2251	0.3796
Productivity growth	0.01136	0.0029	0.006486	0.0144
Innovation	0.06269	0.007789	0.05493	0.0786
Imitation	0.05196	0.00889	0.0416	0.065
Market concentration	0.00276	0.0004208	0.001952	0.003281
Mark-ups	0.2286	0.003605	0.2239	0.2349
Net entry of firms	0	0	0	0

Experiments: [1] Free entry

(numbers in brackets indicate the experiment number / MC runs = 10 / period = 301 – 600)