Endogenous state variables: k (18)

Exogenous state variables: z (23)

Jump variables: ell (19)

Definitions: w, r, T, c

Quasi code

Set up 2-dimensional arrays

Value-function – VF

New value function – VF2

Policy function – PF

Jump function – JF

Discretize k, ell, z

For z use rowen.py

Nconv = True

While (nconv):

For i1 in range (0, nk): over k(t)

For i2 in range(0, nz):n over z(t)

Max = -9999999999999

For i3 in range (0, nk): over k(t+1)

For i4 in range (0, nl): over ell(t)

Temp = 0

For i5 in range (0, nz): over z(t+1)

R = r(i1, i2)

W = w(i1, i2)

T = tau\*(w\*ell(i4) + r\*k(i1))

C = w\*ell + r\*K – k(i3)

Temp = Temp + (u(C) + beta\*VF(i3,i5))\*Pi(i2,i5)

If Temp > Max:

Max = Temp

VF2(i1, i2) = Temp

PF(i1, i2) = K(i3)

JF(i1, i2) = ell(i4)

Finished all i loops

If Sum(VF - V2)\*\*2 < .001 then nconv = FALSE

VF = VF2\*1.0