

Macroeconomics II

Problem Set 8

Sergio Ocampo Díaz

The solution of this problem consists of a PDF with all mathematical derivations and all graphs as well as julia script that produces the results. The solution must be posted in the student's github repository.

Choose one or both of the problems below (I recommend both)

1. Solve Hugget's model. Match a standard deviation of log-earnings of 0.8.
2. Solve the Aiyagari-OLG model with at least 20 years in the lifetime of an agent.
3. Simulate one of the models (or the Aiyagari model). You need to simulate a cross-section of at least 100.000 agents. Make sure your sample has converged to the stationary distribution (simulate for at least 5000 periods).
 - (a) Compute the first four moment of labor earnings, and assets.
 - (b) Compute the top shares of income and wealth.