Simulation | Model

Technology

The production function for log output y_{iht} is TL

$$y_{iht} = \omega_{it} + \gamma\alpha v_{iht} + \gamma(1-\alpha)k_{iht} + \gamma\frac{\alpha(1-\alpha)(\phi-1)}{2\phi}(v_{iht}^2 + k_{iht}^2 - 2k_{iht}v_{iht})$$

- v_{iht} is the log of the variable input, and k_{iht}, the log of the fixed input.
- ω_{it} is the log of (hicks-neutral) total factor productivity, γ returns to scale, α the weight of the variable input in the PF, and ϕ is the ES between flexible and fixed input.