Firms Dynamics

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logY logC 0.5 0.2 20 40 40 60 80 logi logL 0.2 0.1 0 20 60 60 80 logW r_annual 0.6 0.1 0.4 0.05 0.2 0

Figure 1: "Impulse responses with $\alpha = 0.5$ "

Solving Representative agent RBC model with Dynare

60

80

Change a parameter value

Changing α from $\frac{1}{3}$ to 0.5 in the production function decreases the share of labor in the production. Therefore labor is less responsive to productivity shocks.

Figure 2: "Impulse responses with $\alpha = \frac{1}{3}$ "

