

# Notes on implementation

Karol Bednarski

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## 1 Introduction

The model is an implementation of the theory provided in the Project Liquidity and Risk file. FOC conditions were derived and simplified. First-order approximation has been applied. The subscript of  $R_{t-1}^T$  has been changed in the following equation to solve the model using Blanchard-Khan:

$$c_t + \mathbf{1}^\top \mathbf{b}_t = y + \mathbf{R}_t^\top \mathbf{b}_t - T_t$$