

HJBs for Permanent non-competes case

Nicolas Fernandez-Arias

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Incumbent

HJB equation:

$$\begin{aligned} V(q, m) = & -gqV_q(q, m) \\ & + \max_{\ell} \left\{ -w(q, m; x)\ell + x\nu\ell V_m(q, m) \right. \\ & \left. + \ell\phi(\ell + L^E(q, m)) \left[V((1 + \lambda)q, 0) - V(q, m) \right] \right\} \end{aligned}$$

Boundary conditions:

Worker not bound by non-compete

HJB equation:

$$\begin{aligned} W(q, m) = & -gqW_q(q, m) \\ & + \max_{\ell} \left\{ -w(q, m; x)\ell \right. \\ & \left. + \ell\phi(L^I(q, m) + L^E(q, m)) \left[V((1 + \lambda)q, 0) - W(q, m) \right] \right\} \end{aligned}$$