

ECON 5110 Problem Set #2

Due: Thursday, March 1, 2012

Use Blanchard and Kahn's (1980) eigenvalue solution method and GAUSS to

1. replicate Christiano and Eichenbaum's (1992) results from the Establishment Survey with government spending and indivisible labor.
2. replicate the RBC standard deviations for output, consumption, investment and hours worked for a divisible labor economy without government spending.
3. confirm the eigenvalue and extended path (resolve.src) solutions for part #2 are equivalent.