

DYNARE COURSE

Application 3

1. Use the macro-language to write the different models from Rabanal and Rubio-Ramirez (application 2) in a single *.mod file
2. Modify `premium.m` to explore the effect of consumption in previous period (keeping stock of capital constant) on the expected risk premium.
3. If you are familiar with 3-D graphs in Matlab explore the joint effect of stock of capital and previous consumption level on the expected risk premium.
4. Compare the 3rd and 4th order approximation with the above plots.
5. Explore the effects of changing some parameter values on the above results. Does it match your expectations?