

Variables (17)

VAR	DEFINITION	DYNARE
c_t^f	Formal consumption	cf
c_t^i	Informal consumption	ci
w_t	Wages (Only formal labour)	w
n_t^f	Formal labour	nf
n_t^i	Informal labour	ni
k_t	Capital	k
r_t	Interest rate on capital	r
T_t	Lump-sum transfer from the government	t
A_t	Formal production technology	a
B_t^i	Informal production technology	b
p_t	Probability of being audited by the fiscal authorities	p
q_t	Relative price of informal consumption	q
y_t^f	Formal production	yf
y_t^i	Informal production	yi
G_t	Government revenue	g
G_t^*	Government revenue after corruption seizure	gstar
g_t	Revenue from punishing informal labour	gsmall

Parameters (12) and shocks (2)

PAR	DEFINITION	DYNARE
τ	Tax on wages	tao
τ^*	Tax on capital	taostar
ϕ	Punishment for informal production	phi
χ	Fraction seized due to corruption	kai
α	Cobb-Douglas exp.	alpha
δ	Depreciation rate	delta
μ	Fraction invested on monitoring	miu
ν	Degree of decreasing returns	v
γ	Risk aversion coefficient	gamma
β^t	Discount factor	cbeta (to not get confused with matlab's beta function)
ρ_{At}	Markov's autoregressive coefficient for formal production technology	rhoa
ρ_{Bt}	Markov's autoregressive coefficient for informal production technology	rhob
ε_{At}	Shocks to A	ea
ε_{Bt}	Shocks to B	eb