Read me: Programs for "Constrained Efficiency in a Human Capital Model"

In this zip file, there are two folders for the computation of the baseline model. Each folder has a fortran program for computing competitive equilibrium and planner's problem, respectively. First, run the program for the competitive equilibrium to get the calibrated parameters. Then, run the program for the planner's problem with the calibrated parameters.

Please see the *Computation Algorithm.pdf* for the detailed algorithm.

1 Folder: DHKR-CE-money-cal: Competitive Equilibrium

- This fortran program computes a competitive equilibrium and calibrate parameters.
- You need to place 6 txt files (dval1,dval2,polh,polk,polxh,polxhendold) in the same directory with the fortran program, which are used for a initial guess of the value functions and policy functions.

2 Folder: DHKR-SP-money-DKiter : Planner's Problem

- This fortran program computes the constrained efficient allocation which solves the planner's problem.
- The main program file *humanK.f90* solves the fixed point problem for Δ_k.
- To run this program, you need to place 6 txt files (dval1,dval2,polh,polk,polxh,polxhendold) in the same directory with the fortran program, which are used for a initial guess of the value functions and policy functions.
- I used the grid search for the initial guess of Δ_k. The fortran program in this zip file uses a very nice initial guess, which was found from the brute-force grid search over Δ_k.