README FOR THE REPLICATION CODES OF FINANCIAL BUSINESS CYCLES

Matteo Iacoviello, FRB

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Overview

The codes use Dynare version 4.3.3 and the files in the zipped folder to reproduce the main results in "Financial Business Cycles".

For the codes to run, you should add Dynare to the Matlab path.

Content of the Folders

Folder	Files	Description
basic_model_tiny	fbctiny.mod	mod file with equations of basic model
	ssiacov.m	function that solves for steady state
basic_model	fbc1basic.mod	mod file with equations of extended model
		calibrated to reproduce basic model
	fbc1basic_steadystate.m	analytical steady state of fbc1basic.mod
extended_model	fbc1.mod	mod file of extended model, calibrated as in paper
	fbc1_steadystate.m	analytical steady state of fbc1.mod
	fbc1_nobank.mod	mod file of extended model, calibrated to have no banks
	fbc1_nobank_steadystate.m	analytical steady state of fbc1_nobank.mod
	fbc1_rbc.mod	mod file of extended model, calibrated to mimic RBC
	fbc1_steadystate.m	analytical steady state of fbc1_rbc.mod
	stoch_simul.m	modified version of Dynare stoch_simul to make charts
	run_figure6.m	reproduces figure 6
	run_figure7.m	reproduces figure 7
estimation_codes	fbc2.mod	mod file with extended model for estimation
	fbc2_steadystate.m	analytical steady state of fbc2.mod
	MYDATA.mat	mat file with data used in estimation

List of Folders

1. `basic_model_tiny`

   This is the folder containing the core equations of basic model summarized in Appendix A of the paper. Upon running the file `fbctiny.mod` (by typing `"dynare fbctiny.mod"` in the command prompt) the code should generate Figure 1 in the paper. The code `fbctiny.mod` was written by Edoardo Maria Acabbi from University Bocconi.

2. `basic_model`

   This is the folder containing the extended model summarized in Appendix B of the paper, with parameters set so as to reproduce the basic model of Appendix A. Upon running the file `fbc1basic.mod` (typing `dynare fbc1basic.mod` in the command prompt) the code should generate (again) Figure 1 in the paper.

3. `extended_model`

   This is the folder containing the extended model calibrated at the estimated mean reported in Tables 2.a and 2.b.

   There are three mod files in the folder:

   (a) `fbc1.mod` (and `fbc1_steadystate`) contains the model with parameters set at values of the estimated model

   (b) `fbc1_nobank.mod` (and `fbc1_nobank_steadystate`) calibrates the model so as to exclude banks

   (c) `fbc1_rbc.mod` (and `fbc1_rbc_steadystate`) contains the model so as to exclude banks and to remove household and entrepreneurs' financial frictions

   Upon running the file `run_figure6`, a version of figure 6 should show up

   Upon running the file `run_figure7`, a simplified version of figure 7 should show up

   The folder contains a modified version of `stoch_simul` to allow flexibility in plotting multiple impulse responses at once.

4. `estimation_codes`

   This is the folder containing the model ready to be estimated (`fbc2.mod` and `fbc2_steadystate.m`). The data are contained in the file `MYDATA.mat`