

Code Guide for 'Financial Development, Credit, and Business Cycles'

This guide briefly describes the code that generates the results in the paper 'Financial Development, Credit, and Business Cycles'. The code is written for Matlab use. The two main scripts are '*main_JMCB.m*' and '*decomposition_plots_JMCB.m*'. All scripts should be saved in the same folder.

The script '*main_JMCB.m*' generates the dynamic paths to steady-state after a 1% shock for different values of financial development θ . It saves the outputs in the mat file '**all_paths.mat**'. It then generates the plots for figures 2 and 3 in the article and figures 1 and 2 in Appendix. The script '*decomposition_plots_JMCB.m*' loads the mat file '**all_paths.mat**' and generates the plots in figures 4 and 5 in the article and in all figures in Appendix except in figure 1 and 2. It should be clear from this paragraph that the script '*main_JMCB.m*' has to be run once before running '*decomposition_plots_JMCB.m*'.

The complete code has other scripts. We offer a succinct description in the table below:

Scripts that compute the optimal path to the steady-state after an x% productivity shock and for a given set of parameters	<i>'path_param_JMCB.m'</i> <i>'path_dev_SS_JMCB.m'</i> <i>'optimal_dynamic_path_JMCB.m'</i> <i>'minq0_JMCB.m'</i> <i>'initial_conditions_JMCB.m'</i> <i>'future_var_JMCB.m'</i>
Scripts that compute the steady-state of the model for a given set of parameters	<i>'SS_JMCB.m'</i> <i>'SS_uncon_JMCB.m'</i> <i>'SS_k1_JMCB.m'</i> and <i>'gu_JMCB.m'</i>
Script that computes the elasticities of several variables of interest to a shock	<i>'shock_effects_JMCB.m'</i>