

Instructions for replicating the core results in “Macroeconomic Effects of Credit Deepening in Latin America,” by Carvalho, Pasca, Souza and Zilberman.

Data used to construct Figures 2, 3 and 6 are in *creditdata.mat* (credit variables), *data.mat* (spread) and *debtdata.mat* (household debt to 12-month income).

Routines to compute the model are written in MatLab and Dynare.

To replicate Figures 3-6 in Section 4.2, “Macroeconomic Effects of Credit Deepening,” one must run *main.m*. This MatLab file calls other routines:

- *findSS.m*: suggest an initial guess so that Dynare can find the steady-state;
- *model.mod*: Dynare file that implements the shooting algorithm;
- *fitpaths.m*: find the sequence of taus that fits better the credit paths;
- *creditconstraints.m*: verify that credit constraints are binding along the transition.

After running *main.m*, results are saved as *benchmark.mat*. Then, run *figures_benchmark_and_appendix_a.m* to generate all figures and results reported in Section 4.2 and Appendix A. These are the core results of the paper.

The remaining figures and results can be replicated by adapting the files *main.m* and/or *model.mod*.

For example, most figures reported in Appendix B (as well as Figures 7-8 in the main text) basically consist of several paths for the macroeconomic variables under different parameterizations of the model. To obtain variables paths for a given parameterization, one needs to run *main.m* after changing the relevant parameters, and setting the variable “changeparam” equal to one (line 77 in the code), such that the program recomputes the sequence of taus that fits better the credit paths.

For the other figures in the paper, one must adapt *model.mod* as well. In the folder #MOD, we provide the .mod Dynare files used to compute the model without entrepreneurs (Section 4.4.3) as well as the small open economy version (Section 5 and Appendix C).