

When is the trend the cycle?

Replication Guidelines

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September 2018

Dynare. It is necessary to use Dynare 4, and we used Dynare 4.51, downloadable from

<http://www.dynare.org/download/dynare-stable>.

Figures 1 and 2. In order to reproduce figures, set the respective parametrization in line 34 of the mod file:

Figure 1: set `limiting=0` (limit parametrization)

Figure 2: set `limiting=1` (standard parametrization)

Figures 3 and 4. You can reproduce Figures 3 and 4 by setting `limiting=1` in line 34 of the mod file.

Table 2. The output volatility of the NK-BW, the simple NK, and the RBC models are reported in APPROXIMATED THEORETICAL MOMENTS of the Dynare output as `dyNK_BW`, `dyNK`, and `dy_RBC`. To replicate the table, you also need to set `sig_eta=0` in line 64 of the mod file.

Appendix. To replicate Figure 6, set `h=0` in line 47 of the mod file.

Similar to Table 2, the output volatility and the the volatility of output changes over 8 model periods of the NK-BW, the simple NK, and the RBC models in

Table 3 are reported in APPROXIMATED THEORETICAL MOMENTS as dyNK_BW, dyNK, and dy_RBC, dy8NK_BW, dy8NK, and dy8_RBC.

To generate the result for the higher ρ , set rho_x=0.60 in line 61 of the mod file.