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Description of Matlab Programs for: "The Skewness of Price Change: A New Touchstone for Menu Cost Models" by Shaowen Luo and Daniel Villar

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This document explains how to replicate the theoretical results and figures in “The Skewness of Price Change: A New Touchstone for Menu Cost Models”. The programs are all in Matlab and produce the figures and tables that are based on model simulations. All the M files should be put in the main working directory.

1. “run\_all.m” is the main program that runs all the following matlab programs and generates Figures 2, 3, 4, 7, 8, 9 and Tables 2 and 5.
2. “Solve\_XXModel.m” for the different types of models. These programs solve their respective models (for the parameter values used for the results in the paper) and simulate them to create series for various moments, all saved in “SimXX.mat”.
3. For the simulation of Woodford (2009) and Alvarez, Lippi and Paciello (2011), we use the replication code provided by those authors. The simulated data is saved in the current folder. The long-run analysis of Alvarez, Lippi and Paciello (2011) is saved in ALPLR.mat. The short-run analysis of Woodford (2009) is saved in WoodfordData.mat.
4. “SolveModelsTrend.m” solves the models for several values of mu (the trend inflation parameter). This saves a set of steady-state moment numbers (for each moment, a value for each value of mu) in “StatsXX.mat”, one for each model.
5. “Non\_neutrality.m” simulates the models to produce the monetary non-neutrality numbers (variance of consumption and impulse responses of consumption). Numbers in table 5 is generated in this program.
6. The “run\_Figure.m” and “Tables.m” files can then be run, which use the outputs from the previous programs to produce the figures and numbers that go into the tables.