

This file contains the name, format and purpose of all the major folders and files included in the replication folder for the paper titled "**The (Ir)Relevance of Rule-of-Thumb Consumers for U.S. Business Cycle Fluctuations**" by Alice Albonico, Guido Ascari and Qazi Haque. It also includes instructions to replicate the results in the paper.

## Files/folders:

Below are the contents of the main replication folder "Data and Program Files". It contains:

- Data files:
  - 'Dataset.xlsx': construction of the dataset for the observables used in the estimations, including data sources and links. The observables are the seven quarterly U.S. macroeconomic time series used in Smets and Wouters (2007). Data construction closely follows Smets and Wouters (2007).
  - 'Data.txt' contains the seven observable used in the estimation.
- Folders:
  - "Baseline": contains the Dynare codes for running the baseline estimations in the paper
    - Subfolders:
      - "1955Q4-1979Q2"
      - "1984Q1-2007Q3"
 Each of these two sub-folders contain two more folders:
      - "RANK"
      - "ROT"
 Inside these folders are the Dynare files for running the estimation:
      - 'RANK\_AAH\_det.mod': RANK model under determinacy
      - 'RANK\_AAH\_ind.mod': RANK model under indeterminacy
      - 'ROT\_AAH\_det.mod': ROT model under determinacy
      - 'ROT\_AAH\_ind.mod': ROT model under indeterminacy
 The folders also contain the mode files needed to run the estimations.
  - "Det-Ind\_Region": contains Matlab files for generating the (in)-determinacy region in Figure 1; run 'Figure1\_main.m' to generate Figure 1.
  - "Impulse\_Responses": contains Matlab files for generating the IRFs; run 'IRF\_main.m' to generate the IRFs in the manuscript.
  - "Model\_with\_taxes": contains the Dynare codes for estimating the version of the model with taxes (see Section 5.3); the structure of the folder is the same as the "Baseline" folder.
  - "Prior-Posterior\_Plot": contains Matlab files for generating the prior-posterior plot in Figure 2; run 'Figure2\_main.m' to generate Figure 2.
  - "Simulation\_Table7": contains Dynare codes for simulating the model under different calibrations of the wage stickiness parameter and generate the results in Table 7. The folder contains the following two files:
    - 'ROT\_AAH\_ind\_55Q4-79Q2.mod': simulates the ROT model under indeterminacy where the parameters are set to the posterior mean estimate for the sample 1955Q4-1979Q2.
    - 'ROT\_AAH\_det\_84Q1-07Q3.mod': simulates the ROT model under determinacy where the parameters are set to the posterior mean estimate for the sample 1984Q1-2007Q3.

The remaining results in the paper can be generated by modifying the baseline codes. For example:

- Table 6: calibrate the degree of ROT share to 0.4 instead of estimating it.
- Table 9: replace the observables in the baseline estimations with data from the respective sample periods.

- Table A.1: replace the baseline prior with a uniform (0,1) prior and run separate estimations for the standard aggregate demand logic (SADL) and the inverse aggregate demand logic (IADL) regions. To launch the estimations for the different regions set the initial values of the responsiveness to inflation in the Taylor rule ( $\phi_{\pi}$ ) and the degree of ROT ( $\theta$ ) accordingly. See the discussion in Section 5.4.1.
- Table A.2: modify the baseline Taylor rule such that the monetary authority responds to expected inflation instead of contemporaneous inflation; run separate estimations for the SADL and IADL regions as above.

**Notes:**

All estimations are performed using Dynare (<https://www.dynare.org/wp-repo/dynarewp001.pdf>). The posterior distributions are based on 500,000 draws, with the first 100,000 draws discarded as burn-in draws. The average acceptance rate is around 25-30%.