Readme for the Code for "Granular Comparative Advantage"

July 14, 2020

Contents

The zip-file **Granular_Comparative_Advantage** contains 4 subfolders. We will explain each one of them now:

1 Baseline

1. Execute **Estimation.m**, which estimates the model on a grid.

2. Execute **Grid_Optimization.m**, which will find the best estimate. In particular, this delivers the optimal parameters in Table 3.

3. Execute **Additional_Moments.m**, which yields the 15 target moments in Table 4 as well as Figure 1.

4. Execute **Loss_Computation.m**, which yields the Loss column in Table 4.

2 Het_Theta

Execute **Het_Theta_Run.m**, which yields columns (1) - (5) in Table 5.

3 Robustness 1

1. Execute **Estimation.m**, which estimates the model on a grid.

2. Execute **Grid_Optimization.m**, which will find the best estimate, in particular, this delivers the parameters in Table A3, column R1.

3. Execute **Additional_Moments.m**, which yields the 15 target moments in Table A3, column R1 as well as Table 5, column (R1).

4 Robustness 2

1. Execute **Estimation.m**, which estimates the model on a grid.

2. Execute **Grid_Optimization.m**, which will find the best estimate, in particular, this delivers the parameters in Table A3, column R2.

3. Execute **Additional_Moments.m**, which yields the 15 target moments in Table A3, column R2 as well as Table 5, column (R2).

5 Robustness 3

1. Execute **Additional_Moments˙GE.m**, which yields the 15 target moments in Table A3, column R3 as well as Table 5, column (R3).

6 Dynamics

1. Execute **Dynamics_Estimation.m**, which estimates the dynamic model on a grid of (α_u, α_v) values and yields the target moments in Table 6.

2. Execute **Dynamics_Add.m**, which yields the remaining moments in Table 6, as well as Figure 3 (note: for the right figure, change $\alpha_v = 0$ in the code).

3. Execute **Dynamics_Regressions.m** to get Table A2 (change α_u and α_v accordingly for the second half).