Replication files for:
"Optimal Fiscal Transfers in a Monetary Union"
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Overview

To replicate the figures and tables in the paper we use three MATLAB files

- `fiscal_union_figures4.m`,
- `fiscal_union_figures123.m`,
- `fiscal_union_tables.m`,

and one Dynare file

- `fu_dynare.mod`.

In terms of software, we used Dynare 4.5.4 and Matlab 9.3.0 to run these programs. In order to replicate the tables and figures all four files must be placed in the same folder.

Replicating the Figures

- To replicate Figure 1, run `fiscal_union_figures123.m` and set variable options=2 (for financial autarky)
- To replicate Figure 2, run `fiscal_union_figures123.m` and set variable options=4 (for incomplete markets)
- To replicate Figure 3, run `fiscal_union_figures123.m` and set variable options=3 (for complete markets)
- To replicate Figure 4, run `fiscal_union_figures4.m`

Replicating the Tables

Use the `fiscal_union_tables.m` file and the settings specified below.

- To replicate Table 2, set *empirical_shocks=0*, *Data_specification=-1*, and for wage rigidity set *omega_W=0.001*, *omega_W=0.75*, and *omega_W=0.87*. Variables *gains_complete*, *gains_incomplete*, *gains_autarky* contain the results.

- For Table 3 set *empirical_shocks=0*, *Data_specification=1*, and for wage rigidity *omega_W=0.001*, *omega_W=0.75*, and *omega_W=0.87*. Variables *gains_complete*, *gains_incomplete*, *gains_autarky* contain the results.
- For Table 4 set *empirical_shocks=1*, *omega_W=0.75*, and set *Data_specification* from -1 to 2 to solve for all 4 columns. Variable *gains_incomplete* holds the results.