ReadMe_main

This file contains a description of the replication package. Notice that each subfolder contains its own specific readme file.

Codes run on MATLAB R2018b and dynare 4.6.1.

There are three main folders for the replication,

1. Empirical_Part,

2. Model

3. Figures

Description of folders

1. **Empirical_Part** contains the replication codes for the VAR estimations (Figures 1, 2, 7, 8 and 9). The folder contains subfolder for each different experiment/figure, e.g. benchmark VAR, augmented VAR and so on.

The structure of each VAR-subfolder is as follows:

- the subsubfolder "functions" contains the functions used for the estimation. In particular, the shade.m function, used to plot shaded areas for the confidence bands as in the manuscript, and the functions from the toolbox by Ambrogio Cesa-Bianchi to estimate the VAR with bootstrapped confidence intervals (toolbox available at https://sites.google.com/site/ambropo/MatlabCodes?authuser=0)
- EEREV_D_21_00292_data_quarterly is the final dataset used for the VAR estimation (more on this below).
- EEREV_D_21_00292_VARxxx_yy estimates the VAR and simulates the IRFs with bootstrapped confidence intervals, where xxx refers to a VAR specification, i.e. benchmark, sectoral etc., while yy=68 or yy=95 represent the level of the confidence bands. These files generate two output (PLOT_yy) which are used by the plotter files.
- EEREV_D_21_00292_plot_VARxxx uses PLOT_yy as input to plot the IRFs as in the manuscript, and it generates as output "Figure_n" used in the manuscript.

2. **Model** contains the file to solve for the steady state of the model(s) as well as the dynare codes for the replication of Figures 3, 4, 5 and 6. There are three subfolders:

- Figure3_and_4_Model contains the dynare model file for the benchmark model and the plotter to replicate Figure 3 and 4.
- Figure5_Concentration presents the dynare files for the benchmark model and for the alternative model with a different concentration level (and their steady state files), and the plotter to replicate Figure 5.
- Figure6_Stickiness contains the three specifications used in the manuscript (model with sticky wages, model with sticky prices and model with both) and the file to plot Figure 6.

3. **Figures** contains the figures reproduced in Empirical_Part and Model, presented both in .fig and in .png format (the latter is useful to reproduce the paper on Overleaf).

The first step of the estimation procedure, described in the paper, uses Compustat data to estimate entry and productivity at quarterly frequency from annual compustat data. Those files are available from the authors.

Notes on EEREV_D_21_00292_data_quarterly:

The dataset contains quarterly series of the following variables (plus unused series):

Yy-output, Cc-consumption, Gdpdef-gdp deflator, Inve-investment, Ww-wage, Rr-nominal interest rate, Prof-profits, M2-money growth, Pinf-inflation, Ent-aggregate entry, Ex-aggregate exit, Hhi-aggregate HHI, Prodavg -average aggregate productivity, Prodavg_cd – average aggregate productivity (alternative definition with Cobb-Douglas), Prodw -productivity, weighted average, Prodw_cd – productivity, weighted average (alternative definition), Ent_3 – entry for low concentrated sector, Ent_23 -entry for high concentrated sector, Prodavg_3 -average productivity for low concentrated sector, Prodavg_23 -average productivity for high concentrated sector, Prodavg_cd_3 -average productivity for low concentrated sector (alternative), Prodavg_cd_23 -average productivity for high concentrated sector (alternative), BAA-corporate bond spread, S_P500-S&P500 index.

Series regarding entry, exit, concentration and productivity are obtained from Compustat as explained in the paper.

Remaining series are taken from FRED-MD, over the sample 1962q1 to 2014q4:

real gdp: https://fred.stlouisfed.org/series/GDPC1

nominal investment: https://fred.stlouisfed.org/series/FPI

nominal consumption: https://fred.stlouisfed.org/series/PCEC

nominal wage: https://fred.stlouisfed.org/series/COMPNFB

profits: https://fred.stlouisfed.org/series/A466RD3Q052SBEA

gdp price deflator: https://fred.stlouisfed.org/series/GDPDEF

M2 growth rate: https://fred.stlouisfed.org/series/MYAGM2USM052S

federal funds rate: https://fred.stlouisfed.org/series/FEDFUNDS

CPI: https://fred.stlouisfed.org/series/CPIAUCSL

BAA: https://fred.stlouisfed.org/series/BAAFFM

S&P500: https://fred.stlouisfed.org/series/SP500

Variables are deflated if in nominal terms. Variables are then logged (except for the variables already in percentage points) and demeaned if necessary.