Readme: Public Debt and Changing Inflation Targets

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Unzipping the provided *.zip* file creates a folder called *KM_debt_AEJ*. It contains the following files for replicating Figures 2 to 5 in the paper:

1. *KM_debt_AEJ.mod*: Main dynare file for running the exercises described in the paper. Parameters' values are set to the benchmark case values reported in Table 2 and the implied steady state Kalman gain is obtained from *Kalman_Gain.m*.

2. *KM_debt_AEJ_steadystate.m*: Computes the steady state of the model.

3. Plotting the figures involves calling the matlab files, *save_irf.m*, *plot_irfs.m*, *Learn_Irfs_1.m* and *Learn_Irfs_2.m*, that are respectively saving the dynare produced impulse responses, plotting Figure 2 and computing and plotting Figures 3 to 5.

4. On top of Matlab, the Dynare toolbox, version 4.3.3 or higher (available at `http://www.dynare.org/download`) is required to run the previous files. Thus, please make sure that the Dynare folder, which is computer specific, appears in the Matlab path.

To launch the Dynare code, change Matlab's current directory to the directory where the files are located and launch from the Matlab command prompt the command *dynare KM_debt*. For other informations please refer to the Dynare manual, `http://www.dynare.org/documentation-and-support/manual`.

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