Readme file for "Consumption uncertainty and precautionary saving"

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1. The replication folder is named /Replication and it has the following 3 subfolders: /Data, /Programs, /Results.

2. In the /Data folder there is the main dataset in Stata 13 format, named Data_cons_uncertainty.dta.

3. In the /Results/Tables folder there is the Excel file Tables_replication.xlsx that contains all the tables found in the text and in the Internet Appendix. In the /Results/Graphs folder there are all the figures used in the text and the Internet Appendix.

4. All programs described below are written in Stata, and whenever there are commands defining file paths at their beginning, these commands need to be replaced so as to allow the programs to run in users' computers.

5. To generate Table 1, Figures 1-3 in the main text, and Figure A.2 in the Internet Appendix one needs to run the Stata program Descriptive_stats_graphs.do, which can be found in the /Programs/Descriptive folder. The program saves all figures in the /Results/Graphs folder, and also saves the output file Descriptive_Statistics_sptri.txt in the /Results/Descriptive folder. This output is in turn read into the sheet named Descriptive_Stats in the Excel file Tables_replication.xlsx. This sheet then produces Table 1, which can be found in the sheet named Table_1 in the same file.

6. To generate Table 2 in the main text one needs to run the Stata program corr_var.do, which can be found in the folder /Programs/corr_var. The program saves the output file correl_robreg_b1000_sptri.txt in the /Results/corr_var folder. This output is in turn read into the sheet named corr_var in the Excel file Tables_replication.xlsx, which then produces Table 2, which can be found in the sheet named Table_2 in the same file.

7. To generate Table 3 in the main text and Table A.1 in the Internet Appendix one needs to do the following:

    a. For the OLS results shown in columns 1-3 in both tables, one needs to run the Stata program Cons_Unc_OLS.do found in the /Programs/OLS folder. This program produces the output files Results_OLS_b1000_sptri.txt (for the split triangular distribution) and Results_OLS_b1000_trio.text (for the simple triangular distribution), both saved in the /Results/OLS folder. The split triangular output is read into the sheet named Results_ols_b1000_sptri in the

Tables_replication.xlsx file, while the simple triangular output is read into the sheet named Results_ols_b1000_trio in the same file. These two sheets in turn generate columns 1-3 in Tables 3 and Tables A.1, which can be found in the sheets named Table_3 and Table_A1 in the Tables_replication.xlsx file.

b. For the robust regression results shown in columns 4-6 in both tables, one needs to run the Stata program Cons_Unc_robreg.do found in the /Programs/robreg folder. For the results shown in columns 4-6 the program needs to run **with the global macro glcr in line 73 of the program being empty (or with its line commented out**). The program produces the output files Results_robreg_b1000_sptri.txt (for the split triangular distribution) and Results_robreg_b1000_trio.text (for the simple triangular distribution), both saved in the /Results/robreg folder. The split triangular output is read into the sheet named Results_robreg_b1000_sptri in the Tables_replication.xlsx file, while the simple triangular output is read into the sheet named Results_robreg_b1000_trio in the same file. These two sheets in turn generate columns 4-6 in Tables 3 and Tables A.1, which can be found in the sheets named Table_3 and Table_A1 in the Tables_replication.xlsx file.

c. For the robust regression results shown in columns 7-9 in both tables, one needs to run the Stata program Cons_Unc_robreg.do found in the /Programs/robreg folder. For the results shown in columns 7-9 the program needs to run **with the global macro glcr in line 73 of the program being called incunemp20**. The program produces the output files Results_robreg_b1000_sptri_inun20.txt (for the split triangular distribution) and Results_robreg_b1000_trio_inun20.text (for the simple triangular distribution), both saved in the /Results/robreg folder. The split triangular output is read into the sheet named Results_robreg_b1000_sptri_iun20 in the Tables_replication.xlsx file, while the simple triangular output is read into the sheet named Results_robreg_b1000_trio_iun20 in the same file. These two sheets in turn generate columns 7-9 in Tables 3 and Tables A.1, which can be found in the sheets named Table_3 and Table_A1 in the Tables_replication.xlsx file.

d. For the robust regression results shown in columns 10-12 in both tables, one needs to run the Stata program Cons_Unc_robreg.do found in the /Programs/robreg folder. For the results shown in columns 10-12 the program needs to run **with the global macro glcr in line 73 of the program being called nfinv2**. The program produces the output files Results_robreg_b1000_sptri_lcwealth2.txt (for the split triangular distribution) and Results_robreg_b1000_trio_lcwealth2.text (for the simple triangular distribution), both saved in the /Results/robreg folder. The split triangular output is read into the sheet named Results_robreg_b1000_sptri_lc_w2 in the Tables_replication.xlsx file, while the simple triangular output is read into the

sheet named Results_robreg_b1000_trio_lc_w2 in the same file. These two sheets in turn generate columns 10-12 in Tables 3 and Tables A.1, which can be found in the sheets named Table_3 and Table_A1 in the Tables_replication.xlsx file.

8. To generate Table 4 in the main text and Table A.2 in the Internet Appendix one needs to run the Stata program Cons_Unc_IV.do, which can be found in the folder /Programs/IV. This program produces the output files Results_IV_boot1000_sptri.txt (for the split triangular distribution) and Results_IV_boot1000_trio.text (for the simple triangular distribution), both saved in the folder /Results/IV. The split triangular output is read into the sheet named Results_IV_b1000_sptri in the Tables_replication.xlsx file, while the simple triangular output is read into the sheet named Results_IV_b1000_trio in the same file. These two sheets in turn generate Tables 4 and Table A.2, which can be found in the sheets named Table_4 and Table_A2 in the Tables_replication.xlsx file.

9. To generate Table 5 in the main text one needs to do the following:

    a. To generate the results in columns 1-6 one needs to run the Stata program Conc_Unc_treat_main.do, which can be found in the folder /Programs/Bounds, **after calling sptri the global macro dist that can be found in line 4 of the Stata program Par_Cons_Unc.do**, which is found in the same folder. This program produces the output file Res_PI_dist_sptri_b1000.txt, saved in the folder /Results/Bounds. The output is read into the sheet named Res_PI_dist_sptri_b1000 in the Tables_replication.xlsx file, which generates columns 1-6 in Table 5, which can be found in the sheet named Table_5 in the Tables_replication.xlsx file.

    b. To generate the results in columns 7-12 one needs to run the Stata program Conc_Unc_treat_main.do, which can be found in the folder /Programs/Bounds, **after calling trio the global macro dist that can be found in line 4 of the Stata program Par_Cons_Unc.do**, which is found in the same folder. This program produces the output file Res_PI_dist_trio_b1000.txt, saved in the folder /Results/Bounds. The output is read into the sheet named Res_PI_dist_trio_b1000 in the Tables_replication.xlsx file, which generates columns 7-12 in Table 5, which can be found into the sheet named Table_5 in the Tables_replication.xlsx file.

10. To generate Table A.3 in the Internet Appendix one needs to run the Stata program distribution_simulation.do, which can be found in the folder /Programs/Simulation. The program saves the output file Results_distribution_simulation_nobs3000_nsim10000.txt in the /Results/Simulation folder. This output is in turn read into the sheet named Results_distribution_simulation in the Excel file Tables_replication.xlsx, which then produces Table A.3, which can be found in the sheet named Table_A3 in the same file.

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