1 Instructions for running the Dynare ARGEMmin.mod file.

1.1 Prerequisites

1. To download the ARGEMmin.mod file from the Economics website you must read it from the Matlab Editor. If you do not specify this Editor your computer may try to read the file from some other software (such as WinSolve) that also uses the 'mod' extension.

2. To run the file you need to have MATLAB installed. I have used version 7.1, which is relatively old. (Version 7.14 has recently been released).

3. You also need to (freely) download and install Dynare, version 4.2.0, from the Dynare website. Follow the Dynare instructions. The last release is version 4.3, but I do not know if it will work on this file.

4. Make sure that your Matlab path includes the folder where you have installed Dynare (and only one version of Dynare)

1.2 Running the file:

5. Before running the file, read it from the Matlab editor. You will notice that there are several options, since with the same file one may choose whether to solve the model with:

(a) simple policy rules ('stoch_simul' Dynare command)

(b) optimal simple policy rules ('osr' Dynare commands)

(c) optimal policy under commitment ('ramsey' Dynare commands)

and for each of these one may use three alternative interest rate/exchange rate regimes:

(A) Managed Exchange Rate (MER): two policy rules (or controls - under 'ramsey')

(B) Floating Exchange Rate (FER): one policy rule (or control) for the interest rate

(C) Pegged Exchange Rate (PER): one policy rule (or control) for the rate of nominal depreciation.

6. At the Matlab prompt write:

dynare ARGEMmin

and press Enter. If nothing has modified, the file runs case (a)(A). To see the corresponding Impulse Response Functions, before running the file add a 2, say, to see 20 quarters of response to the variables listed after the command:

stoch_simul(order=1,irf=20) ii delta e d r C piC Y pii ;

There are more hints and instructions within the file. Good luck!

GE