**Read me file – stata subdirectory**

The stata subdirectory includes all the programs for the replication of:

* Table 1
* Panel A of Table 3

It also includes programs necessary for the generation of inputs to the matlab code (most importantly the moments matched in the SMM procedure), which are then used for generating the rest of the tables and figures in the paper.

The directory includes the following files:

|  |  |
| --- | --- |
| File name | Type |
| **Input files** |  |
| cex\_dataset\_1996\_2015.dta | STATA dta file |
| price\_indices.dta | STATA dta file |
| psid\_cons.dta | STATA dta file |
|  |  |
| **Programs** |  |
| descriptive\_stats.do | STATA do file |
| gmm.do | STATA do file |
| output | STATA do file |
| prepare\_ATUS.do | STATA do file |
| prepare\_CEX.do | STATA do file |
| prepare\_PSID.do | STATA do file |
| shell.do | STATA do file |
| target\_moments.do | STATA do file |
|  |  |

**Running the STATA code:**

The file shell.do can call all the other do files to generate all the necessary outputs. The first file of shell.do calls the three files that will prepare the variables and the samples for the estimation: prepare\_CEX.do, prepare\_ATUS.do, and prepare\_PSID.do. The first 2 use the input files cex\_dataset\_1996\_2015.dta, and psid\_cons.dta respectively. These files include the entire un-sampled set of relevant variables from CEX and PSID (see below on the construction of these).

The input files for prepare\_ATUS.do are not provided, because this file is processing directly the ATUS raw data which should be downloaded from ICPSR (https://www.icpsr.umich.edu/icpsrweb/index.jsp).

After running the 3 preparation files, the shell.do calls the 3 files that will replicate Tables 1, 3A and generate the inputs required for running the MATLAB code:

* gmm.do: will generate Table 3, panel A, and the Appendix Table. Note that when estimating with ATUS we restricted elasticities to have a positive sign, hence the relevant parameters are the re-scaled parameters reported at the bottom of the output table.
* target\_moments.do: will generate all the inputs required for running the matlab code. This includes the three files which includes moments used by the matlab code (matched and unmatched): moments.csv, moments\_nk.csv, moments\_nontarget.csv. It also includes the three files which are required for calculating the standard errors in Table 3 Panel B: SIGMA.csv, SIGMA\_atus.csv, SIGMA\_psid.csv. Finally, it will output log files which include the parameters used in Table 2 and calculated using PSID.
* descriptive\_stats.do: will generate Table 1.

**Preparing the PSID files:**

This replication package includes the PSID data file that you need to reproduce all the results in the paper (psid\_cons.dta).

We do not provide the codes required to create this dataset starting from the raw PSID files (available from the PSID website: <https://psidonline.isr.umich.edu/>). Please contact us if we are interested in obtaining these additional files.

**Preparing the CEX files:**

This replication package includes the CEX data file that you need to reproduce all the results in the paper (cex\_dataset\_1996\_2015.dta).

The raw CEX files are available from the BLS website: [[https://www.bls.gov/cex/pumd\_data.htm](https://psidonline.isr.umich.edu/)](https://www.bls.gov/cex/pumd_data.htm). Please contact us if you are interested in obtaining the codes required to create the cex\_dataset\_1996\_2015.dta dataset starting from raw files.