

## ReadMe

ReadMe: codes for counterfactual analysis: reducing SOE subsidies, replicates left columns in

Figure 5 and Figure 6

1. RunTransition\_tau.m computes the transition dynamics
2. RunPlotFig.m plots transition dynamics. Replicate left column in Figure 5
3. RunComputeWelfare.m compute the welfare implication of liberalization under different interest rate wedge  $\phi$ , replicates left panel in Figure 6
4. External functions:
  - a. Fun\_ek, Fun\_g define partial expectations
  - b. TransPath\_DRS\_Tau.mod dynare file for transition dynamics
  - c. SolveAllSteadyState\_SOE\_Heter.m and SolveSteadyState\_SOE\_Heter.m, solve steady states
  - d. fminsearchbnd, optimizer
  - e. CaliParaSet.mat contains parameter values after calibration.