ReadMe

You will find the following files:

data.pdf: list of variables in the Gauss data set **data.dat** (data set not included)

gmmest.prg: Gauss program to get GMM estimates

concentrating_out.pdf: explains how the program treats the linear parameters,

gfunc.prg: Gauss program to graph the g(.) function and perform tests on it

density.pro, distribution.pro: procedures to get graphs.

The Gauss data set **data.dat** should be requested from Fundacion SEPI in Spain by emailing sanchez-seco@fundacionsepi.es with an explanation that the data it is required for replication purposes.

To run the programs, you need to have Gauss and the optimization routine called Optmum. Any recent Gauss version should work, but please note that Gauss Light is insufficient to run some features.

We advise you to arrange the listed files in the following way. Use a directory of your choice, but create four subdirectories: "data," "function," "matrices" and "procs." Place the data file **data.dat** in the "data" subdirectory and the procedures (**density.pro** and **distrib.pro**) in the "procs" subdirectory. Leave **gmmest.prg** and **gfunc.prg** in the main directory. You are ready to reset Gauss to the main directory and run the programs.

When running **gmmest.prg** you must set the **sector** and **optimal** options first. First stage (**optimal**=0) estimates use the standard consistent weighting matrix based on the instruments and automatically store the (inverse of the) optimal weighting matrix in the subdirectory "matrices" under the name zeez[sector#].dat. This matrix is automatically read and inverted when you perform the second stage (**optimal=1**). By running the first and second stages across sectors you should get the GMM estimates in Table 2 of the paper.

Function g(.) is kept in the subdirectory "function" if you have selected this option (**keepg**=1) in **gmmest.prg**. You can then run gfunc.prg and you should get the tests results in Table 6 and the graphs in Figure 1.