**Abstract**

**SONOMA:**a **S**mall **O**pen eco**NO**my for **MA**crofinance

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We develop a small open production economy model in which external debt, corporate domestic debt, and risky equities coexist. Our economy features shocks to short- and long-run productivity, as well as shocks to both domestic credit conditions  (Jermann and Quadrini 2012) and global credit markets. We show that credit shocks are an important determinant of economic fluctuations in a model consistent with asset pricing facts. According to a novel empirical investigation from many small-but-developed countries, our setting features a powerful quantitative performance ideal for future monetary and fiscal policy analysis.