Empirical Project

Due: Wednesday 12/11/02, NO EXCEPTIONS

Your assignment is to write a paper on the following topic

Forecasting and Policy Analysis with Vector Autoregressions

The data set is available in EVIEWS format on the course web site. A detailed description of the projects can be found below.

Deadlines:

(i) Friday, Nov 1: Send me an email in which you indicate whether you are working alone or in a group. In the letter case also provide the name of your partner.

(ii) Monday, Dec 2: Submit a draft of your paper with (preliminary) empirical results. The better the draft, the better the comments!

(iii) Wednesday, Dec 11: Submit the paper.

Guidelines:

(i) The paper should be 15 - 20 pages long. You may work in groups of at most two students. Each group submits one co-authored paper. Groups with more than two students are not allowed.

(ii) Divide your paper into Sections and Subsections. The paper has to be well written and structured.
• **Introduction**: provide a brief introduction to the topic and an outline of your analysis. To motivate the paper you could include some simple descriptive statistics or graphs that highlight interesting features of the data.

• **Main Sections**: present your theoretical and empirical model(s), and the findings of your empirical analysis.

• **Conclusion**: summarize your findings.

• **References**: provide the sources for all the literature that you cite in the paper.

• **Appendix**: If necessary you can use the Appendix to provide further details about your analysis, e.g., data and econometric procedures. Based on your exposition, a reader who is trained in econometrics, for instance, one of your classmates, should be able to exactly replicate your analysis.

(iii) Use well-formatted graphs and tables to illustrate your findings. **Do not attach the regression output of EVIEWS to the paper.** Important for the grading procedure is your the presentation and interpretation of the empirical findings.

(iv) You may (but are not obliged to) use all the estimation, model selection, and forecasting techniques that we discussed in class. Choose them wisely!!! The results have to be reproducible by an educated reader of your paper. In particular you should be precise about the range of estimation and forecast samples.

(v) You may use references in addition to the ones that you find in the project description. However, you are not required to conduct a literature review. Cite your sources and list the references that you used in your paper.