

Course project

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The goal of this project is that you apply to real data the tools you have studied throughout this course and that you begin to be able to find solutions to empirical problems. Also, it's an opportunity to analyse other people's results from a critical perspective.

I suggest two types of exercises.

1. Formulate an economic question of your interest and carry out an empirical analysis trying to answer it using the techniques reviewed in this course.
2. Select a “*well-known*”¹ empirical paper in an area of your interest that applies some of the methods that we have reviewed in this course on a data set that should be available.²

- Try to replicate some of the results that you find in the paper and try to extend its analysis (for instance, provide forecasts, compute impulse response functions, etc.).
- (And most importantly). Try to analyse from a critical perspective the results provided in the paper. The idea would be to check how '*robust*' are the results to different methodologies/datasets. As we know, identifying a process relies on many aspects, not all of them completely objective (for instance, using the BIC versus the AIC, using a particular unit root test versus another one, using annual versus quarterly data, etc). In addition, as time goes by, more powerful techniques are introduced and new datasets are available. Application of this new techniques on the new data sets might confirm (or not) previous results.

Then, you should try to answer questions of the following type: do the results provided in the paper still hold when 1) different estimation strategies are adopted (this includes identification of the model, type of information criteria employed, etc.), 2) more recent techniques are used (for instance, more powerful unit root tests, use of alternative models), 3) other datasets are considered (data from other sources, referred to a different period, different frequency, etc.), 4) etc. (try to think on more key aspects that can have an impact on the results).

- In either project, you can be as creative as you like.
- You can work in pairs or individually, as you prefer.
- The project is due by **June 6th the latest**.
- Please send me the document by email: mayoralaura@gmail.com.

GOOD LUCK!!!

¹Ideally, published in a good international journal.

²Most good journals offer this possibility for instance, Econometrica, American Economic Review, Journal of Applied Econometrics etc.