PA 9950 Quantitative Methods

Problem Set #4

Answer all questions fully, please be sure to turn in a log file with your assignment. You should write up your results as though you are providing a reply to a reviewer.

Time Series Estimation – Phillips Curve

Use the phillips.dta data for this homework assignment

1. Using the data estimate an expectations augmented Phillips curve (). Estimate separate specifications that include linear, and linear + quadratic trend. (You’ll end up with three regressions).
2. Describe and test (where appropriate) to ensure that all of the time series assumptions for the model are correct.
3. Estimate a static Phillips curve using the Prais-Winsten estimator. Discuss the results as they relate to your results from part a.