

Computational Methods

Problem Set 5

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March 2023

Part 1

Discretization of an AR(1) using Tauchen (1986) and Rouwenhorst (1995).

	Data	Tauchen N = 5	Tauchen N = 10	Rouwenhorst N = 5	Rouwenhorst N = 10
mean	0.213	−0.169	−0.038	0.149	0.085
var	20.97	13.744	12.169	21.05	20.617
skew	0.027	0.06	0.031	−0.007	0.019
kurt	−0.071	−0.95	−0.953	−0.523	−0.344
1st order autocorr	0.9	0.835	0.841	0.898	0.899
2nd order autocorr	0.809	0.702	0.712	0.807	0.806
3rd order autocorr	0.726	0.599	0.602	0.726	0.723
4th order autocorr	0.654	0.507	0.511	0.653	0.649