Problem Set 2

Econometric Theory
Posted: Friday, April 10,   Due: Friday, April 17

April 10, 2015

Q1

You are required to replicate (extending the data sample to the most recent observations) the results in [1].

As the authors, you have to study a three variable VAR with inflation, unemployment and interest rate and report the results of your analysis using impulse response functions (IRFs). Consider two temporal horizons: before and after 2008 Q4.

Bonus: Compute the confidence bands around the IRFs via simulation.

References

[1] James H. Stock and Mark W. Watson. Vector autoregressions. *Journal of Economic Perspectives*, 15(4):101–115, Fall 2001.