

Lab 8: Granger causality

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1 Stationarity of wage growth and inflation data

Determine the smallest order of differencing that is required to make all eight time series in Mehra.csv stationary.

2 Granger causation matrix

Write a Python function that calculates the Granger causation matrix. Each entry in this matrix is equal to the smallest p obtained from calculations for lags from 1 to 12. Plot such a matrix so that the mutual influences of wage and inflation data are apparent.