University of St Gallen
Autumn Semester 2011
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Topics in Empirical Macroeconomics

General Information

In order to get an idea about possible topics, you will find some suggestions below. Please feel free to adapt the topics in accordance with your own interests. Own ideas are welcome of course.

As has been stated, the empirical paper should be original and involve empirical analysis (and not just be a literature review).

Generally speaking, possible approaches are, e.g.:

- Applying a model for a country to which the model has not been applied yet
- Applying a modified model for a country to which only a "basic" model has been applied so far
- Using different time periods than previously used
- Original ideas
- ...

DATA: If you are unable to find appropriate time series, you can contact Maja Ganarin at maja.ganarin@snb.ch. She will provide you with the time series if they are available.

A) VAR-Approach

1) Monetary Policy and VAR-Models
   Source:
   - Reading Notes
   - Favero, Carlo A. (2001), *Applied Macroeconometrics*, Oxford University Press.

2) FVAR-, SVAR-, CVAR-Models
   Source:
   - Reading Notes
   - Bernanke, Ben S., Boivin, Jean and Eliasz Piotr (2005), Measuring the Effects of Monetary Policy: A Factor-Augmented Vector Autoregressive (FAVAR) Approach, *The Quarterly Journal of Economics*, 120(1), 387 – 422.

B) State Space Models:

1) Forecasting economic growth in a small open economy with a small and dirty model.
   Source:
   - Chapter five of “Financial Forecasting for Business and Economics”, Eduard J. Bomhoff, 1994.

2) Testing Indeterminacy with the Information Content of Money. The Case of Switzerland.
   Source:

- Benati Luca (2007), Indeterminacy, the Predictive Content of Money, and the Great Moderation, European Central Bank.

3) A Dynamic Factor Model of the Coincident Economic Indicators.
Sources:
- Stock and Watson (1991), A Probability Model of the Coincident Economic Indicators, in *Leading Economic Indicators: New Approaches and Forecasting Records*, ed. K. Lahiri and G.H. Moore, Cambridge University Press, 63-89.
- C.-J. Kim and C.R. Nelson (1999), *State Space Models with Regime Switching*, The MIT Press, London.

4) Estimating the New Keynesian Model with State Space Methods.

5) State Space Model Estimation of:
- Potential Output
- Real Interest Rate
- NAIRU
- Natural Interest Rate
- Two-Pillar Phillips Curve
Source:
- Reading Notes
- Gerlach-Kristen, Petra (2006), A Two-Pillar Phillips Curve for Switzerland, *Swiss National Bank Working Papers*.

6) Forecast Combination of Different Model (ARIMA, VARs) Forecasts and Forecast Evaluation
Source:
- Reading Notes
- Hendry, David F. and Clements, Michael P. (2003), Economic Forecasting: Some Lessons from Recent Research, *European Central Bank Working Paper*, No. 82.
- Clemen, Robert T. (1989), Combining Forecasts: A Review and annotated Bibliography, *International Journal of Forecasting*.
- Diebold, Francis X. (1998), *Elements of Forecasting*, Chapter 12, SW College Publishing.

C) Intertemporal Optimization

1) Simulation of a Economic Model with Learning
Source:
- Reading Notes
- Evans, George W. and Honkapohja, Seppo (2001), *Learning and Expectations in Macroeconomics*, Princeton University Press.