

ECONOMETRICS II, FALL 2018

Homework 8. Due Wednesday November 7th.

1. Use the posted program for homework 7 to replicate the study by Hansen and Singleton. Try and use the Newey-West kernel vs. the Quadratic spectral. Do you see a difference? Try to set the bandwidth manually, either very short or very long (compare to the automatic one, print the value of the automatic one out so you can compare). What happens to the estimated standard deviations? Also, drop the pre-whitening (sorry, I had forgotten that the program is set up to use that, remind to explain what it does in class Monday.)
2. Use the Matlab panel data program that I have posted. Interpret the regression results (excess sensitivity and excess smoothness). Try and add lagged consumption and more lags of disposable income and interpret the results. Try (in a separate regression) to include state fixed effects—are the results sensitive to this?