

Guidelines for Students Model

I.E.

HOW TO CONSTRUCT YOUR OWN MICROECONOMETRIC MODEL PROPERLY?

With a classmate you will be asked to construct your own microeconomic model and write a paper on one of the assigned topics. This paper should make extensive use of the econometric tools developed in the course to address an important questions in the area of macroeconomics. Here are some general suggestions about model building:

1. (25%) **Introduction**

- (a) **Economic Focus:** You should choose the microeconomic phenomenon that you are going to investigate
- (b) **Theoretical Background:** Your paper should include theoretical part based on contemporary literature. You should describe it so precisely that anybody who hardly knows your topic would understand your analysis.
- (c) **Research Hypotheses:** Essential part of your work is to advance a hypothesis that you are going to prove in your research. Here you should also justify the economic significance of your topic.

2. (25%) **Model construction**

- (a) **Description of Data Set:** In your paper you should describe precisely your data set and sources of the data. You should also describe all used data transformations and manipulation, so that the reader would be able to carry out the same analysis achieving the same results after reading your paper.
- (b) **Model Estimation:** First of all you should provide the reader with the analytical form of the estimated model (if its possible) and obtained results. If you use your own names or some abbreviations for variables you should note it in your paper. The papers without description of the variables will be disqualified.
- (c) **Diagnostics:** After estimation you should show all relevant diagnostic statistics and tests for your model.

3. (50%) **Conclusions**

- (a) **Hypotheses Verification:** You should note which of your hypotheses you were able to prove in your work and which of them you could not. If you disprove some of your hypotheses, you should note it as well!
- (b) **Interpretation of the Results:** The last (but not least) stage of your analysis is the interpretation of the results of your model. Papers relating obtained results to the relevant macroeconomic theory will be high graded!

It is also suggested that you should look through a few papers from economical newspapers such as: *Econometrica*, *Journal of Econometrics* or *Journal of Applied Econometrics*.

Interesting readings that can help you to understand how you should construct good mathematical text of economics:

- Thomson W., *A Young Person Guide to Writing an Economic Theory* (2001), Journal of Economic Literature
- Varian Hal R., *How to Build an Economic Model in Your Spare Time* (1997), American Economist