

## Economics 880

Economics 880 is an empirical research paper course designed for second year Ph. D. students in economics.

The objective of the empirical research paper is to provide you with experience in applying the statistical and econometric methods examined in Economics 709-710. For many students, a good way to proceed is to take a published article of interest, replicate its numerical results, and then extend the analysis in some way. Possible extensions include different data and modifications of model specification. Students who are already involved in an empirical project may use a self-contained portion of that project for the research paper.

The paper should run about 15-20 pages (double spaced) and should not contain raw computer output. The objective of your project should not be to calculate many numbers, nor to perform a long series of tests, but rather to learn something about some interesting parameter(s). The paper will be evaluated with respect to clarity of exposition, thoroughness of description of the data and methods, competence in using the methods, and thoughtfulness in interpreting results. Complexity of economic theory and econometric methods does not carry weight in the evaluation. Appropriateness of the theory and methods to the project does carry weight. So does good writing. The paper must:

1. Execute at least one hypothesis test concerning one or more parameters of central interest to the paper. Three illustrative examples are:

- testing constant returns to scale (for Cobb-Douglas, this is a test on the sum of a set of coefficients)
- testing whether the response of inflation to an increase in interest rates is different in the post- and pre-1980 periods
- testing whether an estimated demand system is homogeneous of degree zero in prices
- testing whether a single set of parameters is adequate for modeling behavior of two demographic groups (old vs. young, black vs. white)

2. Interpret the economic (or sociological, or financial) magnitude of one or more parameters of central interest to the paper. Often the parameters interpreted will be the same as those in the hypothesis test. In addition to the examples above, possibilities include:

- computing how many more years of schooling we expect a girl to complete if her mother graduated from college rather than just high school, and explaining whether, in your view, the resulting value is large and important or small and unimportant
- computing how much less variable inflation would be if an alternative monetary policy were followed, and explaining whether, in your view, the resulting value is large and important or small and unimportant
- computing the upper bound on the welfare effect on the representative consumer of a change in zoning regulations, and explaining whether, in your view, the resulting value is large and important or small and unimportant

Attached are: (1) a schedule, and (2) a list of some previous Econ 880 paper topics.

Econ880 deadlines, Fall 2007

There are three formal stages in the development of your paper:

1. Proposal: due Monday, October 8, 5:00PM

The objective of the proposal is to protect you against getting started on an infeasible or unacceptable project. The proposal should be about 3-4 pages (double spaced). Be sure to include:

- Title of project, as well as your name, e-mail address and office phone number
- Complete citation for the article or other previous research that forms the starting point for your analysis. (A photocopy of the article would be appreciated.)
- Statement of the objective of the project.
- Indication of the estimation method to be used.
- Description of your data source, including approximate sample size. Make sure that the data you want are actually accessible and that estimation by the proposed method is computationally feasible.
- Specification of a central parameter whose magnitude you will interpret, and the hypothesis that you plan to test.

Number the pages of the proposal, to facilitate me making references.

Even if the article that forms the starting point is attached, the proposal should be self-contained; it should not be necessary for me to read the attached article to find variable definitions, and certainly not to understand what you plan to do.

The proposal will be returned to you with comments. In cases where the proposal is not acceptable, a suitably revised proposal must be submitted. Save the marked-up copy of the accepted proposal, since it must be submitted with your completed paper.

2. Presentations of work in progress; dates to be determined

Towards the end of the semester, section meetings will be devoted to student presentations of their work in progress. Each student should be prepared to explain the project succinctly in a presentation of 5 to 10 minutes, followed by comments and questions as time permits. Clearly written handouts should be distributed, and prepared overheads should be used: given the shortness of time, blackboard writing should be avoided.

3. Submission of paper: due Friday, December 14; not acceptable after Monday, January 28, at 5:00PM.

There is no penalty for handing in the paper after December 14 (your temporary course grade will be "Incomplete"), provided that I do receive it by January 28. Along with your paper, please hand in the copy of your proposal that I returned to you, and a photocopy of the article that forms the basis for your own paper. It is acceptable to email a PDF file of your paper and of the article that forms the basis for your paper, though it is your responsibility to insure that the email message reaches my email in folder by 5:00PM on January 28.

## **SOME PREVIOUS ECONOMICS 880 PAPER TOPICS**

The Significance of Reputation Effects in the Indian Software Industry  
The Effect of Reduction of Standard Working Hours on the Employment and Total Working Hours  
Consumption risk sharing in models with non-traded goods  
Returns to a GED: Controlling for Selection into GED Status Using Pre-GED Wages  
The Aggregate Production Function and Human Capital  
Exchange Rate Regimes and the Response to External Shocks  
The SETAR Approach to U.S. Inflation Rates  
Patterns of Subprime Mortgage Lending and the Community Reinvestment Act  
Measuring the Market Power in the British Electricity Spot Market after 15 Years of Privatization  
Emerging Markets Business Cycles  
Empirical Test of the Balassa-Samuelson Theory Using Heterogeneous Panel Cointegration Tests  
Nominal Rigidity and Exchange Rate Persistence  
Global Production Sharing: Empirical Evidence of Its Contribution to the Growth of World Trade  
Currency Crisis Differences in Emerging Markets  
How do the Real Exchange Rates Move? Evidence from U.S. Real Exchange Rates  
The Gravity Model and Trade in Services  
Welfare Impact of Discount Airlines  
Excess sensitivity of consumption  
Expected returns and risk factors in the Russian stock market  
An out-of-sample analysis of exchange rate volatility  
Analysis of self-employment in the US in the 1980's and 1990's  
The effects of industrial and university R and D on technological innovation  
Income mobility in the United States  
Determinants of child care wages in Dane county  
Inflation and price variability: evidence from Turkey  
Testing the separability of electricity supply utilities in the US  
Variance in stock market returns, dividend yield, and earnings price ratio  
Credit rationing and housing loan demand  
Natural monopolies and economies of scale: a case study of the Korean Electric Company  
Chinese consumption function: theory and empirical analysis  
Wage dispersion and the stock market: implications of technological change in a matching model framework  
Testing nonlinearity and Asymmetry of Japanese GDP  
Brother correlations in permanent income: evidence from the National Longitudinal Survey of Youth  
House specialization: a comparison of cohabitators and married men  
Quality matters: a semi-parametric analysis of productivity in the Indian iron and steel industry  
An empirical analysis of the effects of credit card ownership on the demand for money  
Roommate effects and classroom performance among UW students