

ECON 5360 Problem Set #3

Due: Thursday, February 28, 2013

This assignment is designed for you to critically evaluate the econometric analysis in Romer and Romer's 2008 paper "The FOMC versus the Staff: Where Can Monetary Policymakers Add Value?" in the *American Economic Review: Papers & Proceedings*. Consider the following questions:

1. What is the main contribution of the empirical work?
2. Do the authors use appropriate data to test the theory? Are there any data issues such as measurement error, sample selection, or missing data that may be influencing the results? If so, how?
3. Go through each of the classical assumptions and comment on which are likely to be violated? Did the authors properly check for violation of the assumptions.
4. Discuss the economic and statistical significance of the estimated coefficients.
5. Does the model provide a good fit to the data?

Provide a type-written report on each of the five questions justifying each of your answers with the appropriate reference to econometric theory. Your report should be no longer than 2 single-spaced pages or 4 double-spaced pages.