

## Additional SVAR exercise

### CEE1999

- Using the `cee99_quarterly.wf1` data file, replicate figure 2 of the Handbook of Monetary Economics 1999 CEE VAR
- Re-estimate the model using monthly data
- How important have monetary policy shocks been?
  - Calculate forecast error decompositions for GDP and Prices
- Compute historical decompositions to understand the volatile inflation period of the early 1980s

### Romers' narrative measure

- Compare the monthly CEE VAR for the 1969/3 – 1995/6 period to the one using the Romer-Romer narrative measure?
  - Compare the federal funds rate and the cumulated monetary policy shock constructed by Romer
  - Re-run the CEE VAR model replacing the federal funds rate with the cumulated monetary policy shock measure of romer
  - Observe the changes in the impact on prices and gdp?
    - Are the results bigger on output?
    - Price puzzle present?
- Discuss whether you could run a bivariate VAR using the romer measure and GDP in order to identify to impact of monetary policy shocks on GDP. Could you do the same with a bivariate VAR using the interest rate and GDP? (Hint: think through the issues of endogeneity)
- Are the Romer-series really exogenous? (Hint: use Granger-causality tests to see whether the “shocks” can be forecasted using past gdp or prices)