

Economics 371: Applied Econometrics
Term Paper Assignment

Due Dates:

Proposal: March 18, 2004

Final Version: May 4th, 2004, last day of class

The objective of the term paper is to produce a convincing empirical argument for an economic proposition of some real interest and significance. This doesn't mean necessarily world historical, earth shattering significance, but significance to someone somewhere. This might be how well residential tax assessment works in Urbana, or whether the SAT exam is a good predictor of college performance. It doesn't have to be an evaluation of Federal Reserve monetary policy since Reagan, in fact such grandiose topics are especially dangerous.

Ideally the paper should have some element of original data collection and analysis. But data collection can be very difficult and time consuming, so you need to think carefully about feasibility.

The proposal should identify the following crucial components of the proposed paper:

Hypothesis: the economic assertion that you plan to test

Data: the source and scope of the data you plan to use to test the assertion

Model: the statistical model that you intend to use to formulate the assertion.

You should be as specific as possible about these three elements. You are welcome to submit a preliminary paper proposal for early comment. Paper proposals should be 3-5 pages, final papers, 12-20 pages.

Topics: There are many possible sources of inspiration for the selection of topics. One strategy is to look through some of the empirical examples in Wooldridge or another of the empirically oriented textbooks and then begin to follow up their references. Another possibility is to look at some of the shorter papers in the mainstream economics literature – for example, *American Economic Review*, or *Review of Economics and Statistics*. I will suggest topics periodically in class. Some examples already suggested include:

- How does varsity athletics performance impact private and public funding of state universities?
- Residential tax assessment in [Urbana]
- Do relative prices of the Big Mac predict exchange rate movements?

- A Model for ranking intercollegiate [volleyball] teams
- Models of Economic Success of Movies
- Determinants of Diversity in Local Cinema Markets
- A Model of Auction Prices of [Impressionist] paintings

Style: Papers should be written to effectively and efficiently convey the empirical argument. A critical aspect of this is establishing the credibility of the empirical analysis. This requires careful description of the data sources and the interpretation of variables, and explicit detail about how the empirical analysis was carried out. You do not need to put all possible details in the main text of the paper – this can be rather tedious – but you should be prepared to document all aspects of the analysis. Some material may be included in appendices. Save all intermediate drafts in case there are questions about sources or methodology.

Grading: The combined contribution of the paper and paper proposal will be 50% with the problem sets counting 25% and final exam, the remaining 25%.