Partial exam 1. December, 2017

We want to analyze the money demand function of an economy.. To that end, the file money.wf1 contains information about:

mt: M1 demand in real terms

Yt: real GDP

Srt: short run real interest rate

lrt: long run real interest rate

The sample covers the period 1992:1-2016:4. With this information, you should reply to the following questions.

1. Test for the unit root null hypothesis for theses variables..
2. Determine the most appropriate ARIMA models for short-run real interest rate
3. Predict the future values of this variable for the 2017:1 period
4. Estimate the long-run money demand function, if possible. Interpret this model in economic terms
5. Predict the future value of mt for 2017:1 according to the available information
6. Estimate the Error correction mechanism. Interpret this model in economic terms

Once you have finished the exam, send it to apleconometrics@gmail.com including your name in the text of the mail.