

**Faculty of Science Course Syllabus
Department of Economics
Time Series in Economics, ECON 5440
Winter 2023**

Dalhousie University is located in Mi'kma'ki, the ancestral and unceded territory of the Mi'kmaq. We are all Treaty people.

We acknowledge the histories, contributions, and legacies of the African Nova Scotian people and communities who have been here for over 400 years.

Instructor:

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Timetable:

Lecture Hours:

- Monday and Wednesday, 10:05-11:25, McCain Arts & SS 220

Office Hours (via MS Teams):

- Tuesday 09:30-11:00 (or by appointment)

Course Description:

This is a course in econometrics that focuses on time series models. The topics cover estimation and inference procedures for univariate and multivariate time series models with stationary and nonstationary data, including stationary univariate time series models (ARMA), unit-root testing, vector autoregressive and vector error correction models, autoregressive heteroscedasticity (ARCH/GARCH), and Markov switching models.

Course Objectives:

This course introduces the econometric analysis of time series. The emphasis is on the development of standard time series models, the study of their properties, and their application to economic and financial data, using practical examples.

Learning Outcomes and competences:

After having followed the course the students should be able:

- to estimate and perform hypothesis testing on the parameters of all the discussed models using standard econometric software packages
- to associate the different models with relevant economic and financial applications
- be able of forecasting time series variables either individually or within a model

In terms of the econometric models presented in the course, the students should be able:

- to identify the dependence and stationarity properties of time series data,

- to describe and relate the features and linkages between different kinds of ARMA processes, and to do calculus for specific processes using difference equation and lag operator techniques including the purpose of forecasting
- to identify and compare different types of non-stationary processes, and to analyze their relative features
- to describe and apply the testing procedure for unit root processes (Dickey-Fuller test)
- to formulate the VAR, and to derive the properties of VAR models including the calculation of impulse response functions
- to discuss the notion of spurious regression for integrated processes
- to define and analyze the co integrated VAR model, and the VECM model
- to interpret the output of the VAR estimation procedure for cointegrated variables, and to discuss the hypothesis testing approach for the cointegration rank
- to introduce approaches in modeling heteroskedasticity in time series using the GARCH family of models
- introduce Regime Switching Models, and discuss estimation procedures and inference about the number of regimes

Material:

- Instructor notes
- James H. Stock and Mark W. Watson "Introduction to Econometrics", 3rd Edition, Updated version, Chapters 14-16.
- Jeffrey M. Wooldridge, "Introductory Econometrics: A Modern Approach", 7th Edition, South-Western College Pub.
- Hamilton (1994), Time Series Analysis (reference textbook, not required)
- Mills, and Markellos (2008), The Econometric Modeling of Financial Time Series (simpler than Hamilton, not required)
 - + Hamilton (1994) and Mills and Markellos (2008) are on a 2-hr reserve on Killam Library.

Software:

- **Gretl**
 - + Gretl is freeware econometric software, which can be downloaded in <http://gretl.sourceforge.net/>.
- **R**
 - + R is freeware software used by many researchers for econometrics and statistics. It is available in: <http://www.r-project.org/>
- **STATA**
 - + A one-year STATA/SE Student license is available to all Dalhousie Students. Students can download Stata/SE 17 at: <https://software.library.dal.ca/>

A short discussion about the above packages and other statistical software will take place during the first class. Although students are free to choose the statistical package of their preference, demonstration of concepts will be based on Gretl.

Data Sources:

The course focuses on economic and financial time series data. The following sources provide macroeconomic and financial data for United States, Canada, and other countries:

1. Federal Reserve Economic Data- FRED-St. Louis FED:
 - <https://research.stlouisfed.org/fred2/>
 - One of the most comprehensive data sources regarding macroeconomic data for United States. It includes data for other countries as well.
 - Examples: Real Gross Domestic Product, 10-year Treasury Constant Maturity Rate
 - Bonus: Free App that you can access the site via your mobile device, and an excellent Excel add-in for downloading and manipulating data.
2. Statistics Canada- Key socioeconomic Database-CANSIM:
 - <https://www150.statcan.gc.ca/n1/en/type/data>
 - The equivalent of FRED for all things Canadian. It includes a host of data for Canada and the individual provinces organized in tables.
 - Example: Consumer Price Indices exist in Table 18-10-0004-01. The table contains Price Indices for a variety of goods and services categories, for Canada and provinces (access to the individual components by Add/Remove Data). Data can be exported into MS Excel.
3. IMF World Economic Outlook Database:
 - <https://www.imf.org/en/Publications/WEO/weo-database/2022/October>
 - It contains selected macroeconomic data series from the statistical appendix of the World Economic Outlook report, which presents the IMF staff's analysis and projections of economic developments at the global level, in major country groups and in many individual countries.
4. International Monetary Fund (IMF) International Financial Statistics (IFS):
 - <http://dal.ca.libguides.com/economics>, click on "International Financial Statistics."
 - (<http://data.imf.org/?sk=5dabaff2-c5ad-4d27-a175-1253419c02d1>)
 - Primarily financial statistics for countries members of IMF; exchange rates, monetary statistics, prices, interest rates.
 - Access via Data Tables, when you can select the country or series of interest, and ability to export to Excel.
5. World Bank World Development Indicators:
 - <http://data.worldbank.org/data-catalog/world-development-indicators>
 - Most current and accurate global development data available, and includes national, regional and global estimates.
 - Access via Data Tables, when you can select the country or series of interest, and ability to export to Excel.
6. Organisation for Economic Co-operation and Development (OECD)
 - <https://data.oecd.org/>
 - A variety of data for OECD countries.
7. Canadian Housing Market Outlook & Statistics
 - <https://www.cmhc-schl.gc.ca/en/data-and-research/data-tables>
 - <https://www03.cmhc-schl.gc.ca/hmip-pimh/en#Profile/1/1/Canada>
 - Teranet-National Bank House Price Index: <https://housepriceindex.ca/#maps=c11>

Format:

- Lectures
- Computer Exercises

Assessment:

Academic Calendar regulation 16.1: “In order to complete a course satisfactorily, a student must fulfill all the requirements as set down in the course outline.”

- Data Assignments (5): 25% (individual)
 - + Details in separate documents throughout the term.
 - + The worst assignment won't count towards grade.
- Special Topic Report/Presentation: 25%
 - + Report (Lit. Review/Summary): 15%
 - + Class Presentation: 10%
- Midterm Exam: 15%
- Final Exam (scheduled by RO): 35%
- Notes:
 - Data Assignments
 - + At the beginning of the term each student will be assigned to download several macroeconomic and financial variables for a country. Assignments will be about implementing the theory taught in class to the specific variables.
 - + Assignments will be posted online (Brightspace course page).
 - + Scanned pdf files of completed regular assignments are submitted to specific folders under “Assessments” tab in Brightspace.
 - Special Topic Report/Presentation
 - + Graduate students will work in providing a critical summary for a topic of interest not covered in class, which will then be presented to the fellow students.
 - Fractionally Integrated Processes, Realized Volatility, Extreme Value Models, Threshold Models
 - + Details about the deliverables will be provided in separate documents.
 - Exams
 - + Examinations are “closed book” and materials other than those mentioned should not be used. There is no supplemental privilege in this course.
 - To pass the course, a student must achieve an overall passing grade and a minimum grade of 50% on the final examination, which covers material drawn from the entire course.
- Missing assessment elements:
 - Assignments
 - + Late assignments will be marked down by 20 percent per day. Any exception requires a legitimate reason listed in the Dalhousie University Calendar under section 16.8 of “Academic Regulations.”

- + Students unable to submit a regular assignment, they must contact the instructor by email prior to the date and time of the assessment and submit a completed Student Declaration of Absence (SDA) form via Brightspace or by email (no medical note is required). The weight of the missed assignment will be equally distributed among the other assignments.
- Exams
- + If a student is unable to attend the midterm exam, they must contact the instructor by email prior to the date and time of the exam and submit a completed Student Declaration of Absence via Brightspace or by email (no medical note is required). The weight of the midterm exam will be added to the final exam.
- + If a student misses the final exam for a valid reason, (Section 16.8 of the University Calendar), they must notify the instructor immediately. The student will have the opportunity to write up a make-up exam.

Note that the SDA form can only be used twice during the term.

Policies related to Academic Integrity:

- Assignments
 - + Assignments are individual assignments. Copying and/or cooperation is not permitted, and it constitutes a serious academic offence (see Academic Integrity).
- Special Topic Reports
 - + Reports are individual assessments. Copying and/or cooperation is not permitted, and it constitutes a serious academic offence. Furthermore, you should be mindful about citing source theory material (see Academic Integrity).

Grading scheme:

The following table describes the grading scale to be applied in the course.

**Grading Scale as per Dalhousie Faculty of Graduate Studies Calendar
Regulation 7.6.2 Grading Policy**

Letter Grade	Numerical % equivalent
A+	90 - 100
A	85 - 89
A-	80 - 84
B+	77 - 79
B	73 - 76
B -	70 - 72
F	0-69

Notes:

1. As per FGS regulations students must obtain a final course grade of 70% (B-) or higher to pass the course (study carefully the grading scale).
2. To pass the course, a minimum of 70% grade is required on the final exam.

Important Dates (midterm date is tentative):

- Last Day to Change and Add Classes for registered students: January 20th
- Last Day to Drop without “W”: February 6th
- Last Day to Drop with “W”: March 13th
- Winter study break: February 20th-24th
- **Midterm Exam:** February 12th (**in class**)
- **Special Topic Report:** March 31st
- **Final Exam:** Regular exam period (April 13th- April 25th)

Course Policies:**Email Policy:**

- Weekdays: emails received by 18.00 would be responded by the end of the day. Anything after that hour would be responded in the following day.
- Weekends: emails are to be checked sporadically, thus you should not expect a response within the same day.
- Lengthy questions are easier and preferable to be answered during office hours.
- **Make sure that you have checked the course outline and all material available in Brightspace prior to asking a question.**

Course contents:

Week 1	
January 9 th	<ul style="list-style-type: none"> • Administrative Issues/ Software/Data Sources & Transformation • Review of Probability and Statistical Concepts
Week 2	
January 16 th	<ul style="list-style-type: none"> • Time Series Models and Ordinary Least Squares
Week 3	
January 23 rd	<ul style="list-style-type: none"> • ARMA Models: Description -Properties
Week 4	
January 30 th	<ul style="list-style-type: none"> • ARMA Models: Estimation and Forecasting
Week 5	
February 6 th	<ul style="list-style-type: none"> • ARIMA Models
Week 6	
February 13 th February 15 th	<ul style="list-style-type: none"> • Unit Root Testing • Midterm Exam
WINTER STUDY BREAK (February 20^h to 24th)	
Week 7	
February 27 th	<ul style="list-style-type: none"> • Unit Root Testing (cont.) • Spurious Regressions- Cointegration
Week 8	
March 6 th	<ul style="list-style-type: none"> • VAR Models: Estimation- Forecasting- Impulse Response Functions
Week 9	
March 13 th	<ul style="list-style-type: none"> • VEC Models
Week 10	
March 20 th	<ul style="list-style-type: none"> • Structural VAR Models
Week 11	
March 27 th March 29 th	<ul style="list-style-type: none"> • Conditional Variance Models: ARCH/GARCH and variants; • Regime Switching Models
Week 12	
April 3 rd	<ul style="list-style-type: none"> • Graduate Student Presentations/Review

University Policies and Statements

This course is governed by the academic rules and regulations set forth in the University Calendar and by Senate

Academic Integrity

At Dalhousie University, we are guided in all of our work by the values of academic integrity: honesty, trust, fairness, responsibility and respect (The Center for Academic Integrity, Duke University, 1999). As a student, you are required to demonstrate these values in all of the work you do. The University provides policies and procedures that every member of the university community is required to follow to ensure academic integrity.

Information: https://www.dal.ca/dept/university_secretariat/academic-integrity.html

Accessibility

The Advising and Access Services Centre is Dalhousie's centre of expertise for student accessibility and accommodation. The advising team works with students who request accommodation as a result of a disability, religious obligation, or any barrier related to any other characteristic protected under Human Rights legislation (Canada and Nova Scotia).

Information: https://www.dal.ca/campus_life/academic-support/accessibility.html

Student Code of Conduct

Everyone at Dalhousie is expected to treat others with dignity and respect. The Code of Student Conduct allows Dalhousie to take disciplinary action if students don't follow this community expectation. When appropriate, violations of the code can be resolved in a reasonable and informal manner—perhaps through a restorative justice process. If an informal resolution can't be reached, or would be inappropriate, procedures exist for formal dispute resolution.

Code: https://www.dal.ca/dept/university_secretariat/policies/student-life/code-of-student-conduct.html

Diversity and Inclusion – Culture of Respect

Every person at Dalhousie has a right to be respected and safe. We believe inclusiveness is fundamental to education. We stand for equality. Dalhousie is strengthened in our diversity. We are a respectful and inclusive community. We are committed to being a place where everyone feels welcome and supported, which is why our Strategic Direction prioritizes fostering a culture of diversity and inclusiveness

Statement: <http://www.dal.ca/cultureofrespect.html>

Recognition of Mi'kmaq Territory

Dalhousie University would like to acknowledge that the University is on Traditional Mi'kmaq Territory. The Elders in Residence program provides students with access to First Nations elders for guidance, counsel and support. Visit or e-mail the Indigenous Student Centre (1321 Edward St) (elders@dal.ca).

Information: https://www.dal.ca/campus_life/communities/indigenous.html

Important Dates in the Academic Year (including add/drop dates)

https://www.dal.ca/academics/important_dates.html

University Grading Practices

https://www.dal.ca/dept/university_secretariat/policies/academic/grading-practices-policy.html

Student Resources and Support

Advising

General Advising: https://www.dal.ca/campus_life/academic-support/advising.html

Science Program Advisors: <https://www.dal.ca/faculty/science/current-students/academic-advising.html>

Indigenous Student Centre: https://www.dal.ca/campus_life/communities/indigenous.html

Black Students Advising Centre: https://www.dal.ca/campus_life/communities/black-student-advising.html

International Centre: https://www.dal.ca/campus_life/international-centre/current-students.html

Academic supports

Library: <https://libraries.dal.ca/>

Writing Centre: https://www.dal.ca/campus_life/academic-support/writing-and-study-skills.html

Studying for Success: https://www.dal.ca/campus_life/academic-support/study-skills-and-tutoring.html

Copyright Office: <https://libraries.dal.ca/services/copyright-office.html>

Fair Dealing Guidelines: <https://libraries.dal.ca/services/copyright-office/fair-dealing.html>

Other supports and services

Student Health & Wellness Centre: https://www.dal.ca/campus_life/health-and-wellness/services-support/student-health-and-wellness.html

Student Advocacy: <https://dsu.ca/dsas>

Ombudsperson: https://www.dal.ca/campus_life/safety-respect/student-rights-and-responsibilities/where-to-get-help/ombudsperson.html

Safety

Biosafety: <https://www.dal.ca/dept/safety/programs-services/biosafety.html>

Chemical Safety: <https://www.dal.ca/dept/safety/programs-services/chemical-safety.html>

Radiation Safety: <https://www.dal.ca/dept/safety/programs-services/radiation-safety.html>

Scent-Free Program: <https://www.dal.ca/dept/safety/programs-services/occupational-safety/scent-free.html>

Dalhousie COVID-19 information and updates: <https://www.dal.ca/covid-19-information-and-updates.html>

DEPARTMENT OF ECONOMICS STATEMENT ON ACADEMIC INTEGRITY

At Dalhousie University, we respect the values of academic integrity: honesty, trust, fairness, responsibility, and respect. As a student, adherence to the values of academic integrity and related policies is a requirement of being part of the academic community at Dalhousie University.

What does academic integrity mean?

Academic integrity means being honest in the fulfillment of your academic responsibilities, thus establishing mutual trust. Fairness is essential to the interactions of the academic community and is achieved through respect for the opinions and ideas of others. “Violations of intellectual honesty are offensive to the entire academic community, not just to the individual faculty member and students in whose class an offence occurs.”

<http://academiccalendar.dal.ca/Catalog/ViewCatalog.aspx?pageid=viewcatalog&catalogid=1&chapterid=89&topicgroupid=381&loadusercredits=False>

How can you achieve academic integrity?

- Make sure you understand Dalhousie’s policies on academic integrity.
- While discussion with your fellow students is valuable, do not submit an assignment or essay that is essentially identical to an assignment or essay submitted by another individual or group.
- In assignments or essays, use an approved method of citation for any material taken directly from an existing source or any material that is a paraphrase of an existing source.
- Do not download the work of another from the Internet and submit it as your own.
- Do not submit work that has been completed through collaboration or previously submitted for another assignment without permission from your instructor.
- Do not have someone else write a test for you, or write a test for someone else.
- During a test, do not talk with other students and do not try to copy the work of another student.

What will happen if an allegation of an academic offence is made against you?

Instructors are required to report any suspected offence. The full process is outlined in the Discipline flow chart (found at <http://academicintegrity.dal.ca>) and includes the following:

- Each Faculty has an Academic Integrity Officer (AIO) who receives allegations from instructors.
- The AIO decides whether to proceed with the allegation and you will be notified of the process.
- If the case proceeds, you will receive a PENDING grade until the matter is resolved.
- If you are found guilty of an academic offence, a penalty will be assigned ranging from a warning to suspension or expulsion from the University and can include a notation on your transcript, failure of the assignment, or failure of the course. All penalties are academic in nature.

Where can you turn for help?

- If you are ever unsure about ANYTHING, contact your instructor.
- See <http://academicintegrity.dal.ca> for links to policies, definitions, online tutorials, and tips on citing and paraphrasing.
- See <http://writingcentre.dal.ca> for assistance with proofreading, writing styles, and citations.
- See <http://libraries.dal.ca/research.html> for a set of research tools including Subject Guides, Assignment Calculator, and RefWorks.
- See <http://studentservices.dal.ca> for assistance with appeals and discipline procedures.
- See <http://senate.dal.ca> for a list of Academic Integrity Officers, a discipline flow chart, and the Senate Discipline Committee.

The [Policy on Student Submission of Assignments & Use of Originality Checking Software](#) states that “any instructor may require student assignments to be submitted in both written and electronic (computer-readable) form, e.g., a text file or as an email attachment, as defined by the instructor. Use of third-party originality checking software does not preclude instructor use of alternate means to identify lapses in originality and attribution. The results of such assessment may be used as evidence in any disciplinary action taken by the Senate.”