

“Two Surprising Findings for Applied Researchers Using Time Series Data”

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ABSTRACT

I will present two short papers. The first paper is entitled “Testing for Unit Roots With Cointegrated Data.” It presents simulation results which show that conventional univariate unit root test perform poorly, sometimes very poorly, when data are cointegrated. The second paper is entitled “On Estimating Long Run Effects in Models with Lagged Dependent Variables” and is co-authored with Min Zhu at QUT. This note points out the hazards of estimating long-run effects from models with lagged dependent variables. We use Monte Carlo experiments to demonstrate that this practice often fails to produce reliable estimates. Biases can be substantial, sample ranges very wide, and hypothesis tests can be rendered useless in realistic data environments. While techniques such as indirect inference and jackknifing are useful in reducing Hurwicz bias, they are insufficient to produce reliable estimates of long-run effects.