

## **ECON 302 - TERM PROJECT**

**Deadline: January 27, 2014**

Formulate and estimate an economic model containing at least two explanatory variables. An outline for your empirical project is presented below.

### **1. Statement of the problem**

Briefly describe the problem you have studied, the questions you have asked, and the hypotheses you have tested.

### **2. Review of the literature**

Briefly review at least four studies on your research topic. *The Journal of Economic Literature* (JEL) and the CD-ROMs (JEL and SSCI) in the main library are the most important resources for starting a literature review.

### **3. Formulation of an economic model**

Based on the literature review, construct a general formulation of your economic model. Describe the economic theory prior hypotheses for your economic model that you plan to test.

### **4. Data sources and description**

Present a table of variable names and their definitions. Be sure to specify the units of measurement. List the data sources. IMF's International Financial Statistics (IFS) database, *Turkstat* and the *Central Bank of Turkey* website provides some useful data.

### **5. Model estimation and hypothesis testing**

Test for the integration and cointegration properties of your time series data. Formulate a general dynamic equation and perform all the necessary steps to obtain a parsimonious, data-acceptable and theory-consistent econometric model. For your estimated equations also present all the necessary statistics such as coefficient standard errors,  $R^2$ , SSR, SBC, AIC, the Q test for the joint significance of the explanatory variables, DW, RESET, JB, the LM tests for serial correlation and ARCH, the White Test for heteroscedasticity, and so on. Test the model for parameter stability.

### **6. Interpretation of the results and conclusions**

State what you observe in terms of the original hypotheses and expectations. If you found unexpected results, present some rationalizations for them. Provide some concluding remarks regarding to your study.

### **7. References**

List the references for your study. The reference format used in *METU Studies in Development* is useful for this.