

Lecture 4

IV and dynamic panel data models

Topics in applied macroeconomics

Vladimir Arčabić

varcabic@efzg.hr

Reading list

1. Papers to read

- Bond, S., Hoeffler, A., & Temple, J. (2001). GMM estimation of empirical growth models (very good).
- Caselli, F., Esquivel, G., & Lefort, F. (1996). Reopening the convergence debate: a new look at cross-country growth empirics. *Journal of economic growth*, 1(3), 363-389; (related to the previous paper Bond et al. 2001)
- Arčabić, V. (2018). Fiscal convergence and sustainability in the European Union. *Public Sector Economics*, 42(4), 353-380.
- Frankel and Rose (1998) The endogeneity of the optimum currency area criteria. Example of IV regression.

2. Codes and data files

- IV examples.do
- IV panel eample.do
- Panel_2_A_Bond.do
- Beta_convergence_panel.do

Overview of the lecture

Introduction

Instrumental variables

Intuition of instrumental variables

IV, 2SLS, and GMM estimators defined

Instrumental Variables Methods in Practice

Instrumental variables for panel data models

Some econometrics refresher

Dynamic panel data models

Dynamic panel data models in Stata