

## **Session 6**

# Panel Models with Cross-correlations and Panel VAR

Topics in applied macroeconomics

Prepared by  
Dr. Junsoo Lee  
University of Alabama, USA  
Updated by  
Vladimir Arčabić

# Outline

## Panel Data Models with Cross-correlations?

- Cross-correlations effects and tests on CCE
- Panel data models with cross-correlations
- Panel VAR models

### References:

1. Totty, E., 2017, "THE EFFECT OF MINIMUM WAGES ON EMPLOYMENT: A FACTOR MODEL APPROACH," *Economic Inquiry*.
2. Kim, D. and T. Oka, 2014, "DIVORCE LAW REFORMS AND DIVORCE RATES IN THE USA: AN INTERACTIVE FIXED-EFFECTS APPROACH," *JOURNAL OF APPLIED ECONOMETRICS*, 29, 231-245.
3. Matthieu Gomez, 2015. "REGIFE: Stata module to estimate linear models with interactive fixed effects," Statistical Software Components S458042, Boston College Department of Economics, revised 14 Apr 2017.
4. Vasilis Sarafidis & Tom Wansbeek (2002), "Cross-Sectional Dependence in Panel Data Analysis," *Econometric Reviews*.
5. Pesaran, H., 2006, "Estimation and Inference in Large Heterogeneous Panels with a Multifactor Error Structure," *Econometrica*. Vol. 74, pp. 967-101

Panel VAR references:

- Abrigo Love 2015 pvar\_revised Stata
- Atems & Jones Income inequality and economic growth a panel VAR
- Arčabić, Tica, Lee, Sonora 2018 Public debt and economic growth SNDE journal version

Codes:

Panel data models with CCE

- xtdcce2\_example.do
- session\_6

Panel VAR models

- PVARexample1.do (GMM)
- PVARexample2.do (GMM)
- Xtvar\_example.co (FE)