

### **Assignment #5: Economic Model and Empirical Methodology**

Please see the supplements on these two sections. This will give you background on how they are connected, and provide you with details as to what is expected.

Rough Draft: Completed Economic Model and the Data section of your Empirical Methodology

Final Draft: Revisions to above section and completed Empirical Methodology section (with stylized facts and regression equation with expected signs linked back to your Economic Model)

#### **Economic Model**

- One to two pages explaining the theoretical model(s) that are relevant for answering your research question. This should be handed in with
  - an introduction to your research paper (you can use portions of your prospectus for this),
  - your revised literature review, and
  - the rough draft of your empirical methodology.

If you find it easier to do so, you may incorporate a discussion of the economic model into your literature review OR combine the Economic Model and Empirical Methodology sections of your research paper.

- It is acceptable to include hand-drawn graphs in your paper at this point. Eventually you should use graphs that can be incorporated into the body of the text and your presentation. These can be illustrated using Microsoft Draw (a toolbar in Microsoft Word). I recommend taking the time to learn how to do this soon. In Microsoft Word, go to “View” “Toolbars” then select “Drawing”. A toolbar will appear at the bottom of the page that will allow you to draw objects in Word. I’d recommend keeping your images in a separate file, then pasting them as metafiles into your final paper. This will save you considerable time in formatting your final draft.
- This section should include NO regression equations and no (or very limited) reference to data. Imagine you are presenting the theory of how your research question would be answered in an economics textbook – without the use of data or statistical tools. It is ok to keep the data in mind, but this is not the focus. The objective of this section of the paper is to provide the reader with the theoretical background needed to understand what we expect to find in the statistical analysis. This is the approach you have used in most of your other economics classes.

#### **Empirical Methodology**

The organization of empirical methodology section is given in the Supplement. This may vary for individual projects; don’t hesitate to talk with me if you are unclear on an alternate organization of the methodology section.

- A. Data
- B. Stylized facts
- C. Regression equation