

IWH Research Seminar in Economics

Freitag, 9. Juni 2017, 10:15–11:45 Uhr, Konferenzsaal im Erdgeschoss



Structural Interpretation of Vector Autoregressions with Incomplete Identification: Revisiting the Role of Oil Supply and Demand Shocks

Professor Christiane Baumeister, Ph.D., University of Notre Dame

(zusammen mit Prof. James D. Hamilton, University of California at San Diego)

Traditional approaches to structural interpretation of vector autoregressions can be viewed as special cases of Bayesian inference arising from very strong prior beliefs about certain aspects of the model. These traditional methods can be generalized with a less restrictive Bayesian formulation that allows the researcher to summarize uncertainty coming not just from the data but also uncertainty about the model itself. We use this approach to revisit the role of shocks to oil supply and demand and conclude that oil price increases that result from supply shocks lead to a reduction in economic activity after a significant lag, whereas price increases that result from increases in oil consumption demand do not have a significant effect on economic activity.

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