

THE INSTITUTE FOR EMPIRICAL MACROECONOMICS

Theoretical and applied macroeconomics have diverged in the last 25 years. Bringing them together again is the ultimate goal of the Institute for Empirical Macroeconomics (IEM), a joint effort of the University of Minnesota and the Federal Reserve Bank of Minneapolis that is supported in part by the National Science Foundation and Cray Research Inc. To pursue its goal, the Institute will explore the horizons opened by the combination of advanced economic modeling procedures and powerful supercomputing resources.

The IEM is based on the belief that advanced macroeconomic theory and statistical modeling can be used to analyze a wide variety of practical policy and forecasting problems. The rapidly growing capabilities of computers already allow the solution of complicated models. In addition, macroeconomic theorists have developed promising new techniques for efficiently solving the dynamic optimization and estimation problems that arise in today's advanced macromodels. These developments may make it possible to put sounder foundations under economic forecasting and policy analysis. Recent efforts to realize this potential have been somewhat isolated and sporadic, however. The IEM will try to sustain, focus, and cross-fertilize them.

Visiting scholars are vital to the IEM's efforts. Over 15 researchers have visited the Institute since its visiting scholars program began in 1988, and 3 others will arrive soon.

The IEM provides visitors an attractive environment for research related to large-scale macroeconomic modeling. Institute researchers have high-speed access from well-equipped microcomputer workstations to the Cray 2 computers at the Minnesota Supercomputer Center. A fast mainframe computer is also be available. The main Institute office space is within the Research Department of the Federal Reserve Bank of Minneapolis. Visitors have appointments at both the Minneapolis Fed and the University of Minnesota and can arrange office space at the University as well. Visitors receive research assistance and access to several U.S. and international macroeconomic databases.