

LIBRARY
FEDERAL RESERVE BANK
MINNEAPOLIS

New Methods in Business Cycle Research:
Proceedings from a Conference

New Methods in Business Cycle Research: Proceedings from a Conference

Papers and comments presented in November 1975 at a conference
sponsored by the Federal Reserve Bank of Minneapolis

October 1977

Participants

New Methods in Business Cycle Research

November 13-14, 1975

Sponsored by the Federal Reserve Bank of Minneapolis

Leonall C. Andersen
Federal Reserve Bank of St. Louis

Albert Ando
University of Pennsylvania

Christopher Bingham
University of Minnesota

Joseph Bisignano
Federal Reserve Bank of San Francisco

John Chipman
University of Minnesota

John H. Ciccolo
Boston College

Ray C. Fair
Yale University

Edgar L. Feige
University of Wisconsin

John G. Geweke
University of Wisconsin

Thomas Giddings
Federal Reserve Bank of Chicago

Gary P. Gillum
Federal Reserve Bank of Philadelphia

Robert J. Gordon
Northwestern University

Clive W. J. Granger
University of California, San Diego

David M. Grether
California Institute of Technology

Lawrence D. Haugh
University of Vermont

John C. Hause
University of Minnesota

David F. Hendry
Yale University

Clifford Hildreth
University of Minnesota

E. Philip Howrey
University of Michigan

Leonid Hurwicz
University of Minnesota

John H. Kareken
*Federal Reserve Bank of Minneapolis and
University of Minnesota*

Lawrence Klein
University of Pennsylvania

Tjalling Koopmans
Yale University

Charles M. Lucas
Federal Reserve Bank of New York

Robert E. Lucas
University of Chicago

Franco Modigliani
Massachusetts Institute of Technology

Clarence Nelson
Federal Reserve Bank of Minneapolis

David Pierce
*Board of Governors of the
Federal Reserve System*

William Poole
*Brown University and
Federal Reserve Bank of Boston*

Richard D. Porter
*Board of Governors of the
Federal Reserve System*

Barr Rosenberg
University of California, Berkeley

Thomas J. Sargent
*Federal Reserve Bank of Minneapolis and
University of Minnesota*

Robert J. Shiller
University of Pennsylvania

Christopher A. Sims
University of Minnesota

Gary Skoog
*Federal Reserve Bank of Minneapolis and
University of Minnesota*

P. A. V. B. Swamy
*Board of Governors of the
Federal Reserve System*

Craig Swan
University of Minnesota

Neil Wallace
*Federal Reserve Bank of Minneapolis and
University of Minnesota*

Arnold Zellner
University of Chicago

Other Participants

Salih Nefitci — *University of Minnesota*
Michael Salemi — *University of Minnesota*

Federal Reserve Bank of Minneapolis

Paul A. Anderson
James N. Duprey
Ronald E. Kaatz
Preston J. Miller
Arthur J. Rolnick
Thomas M. Supel

Contents

Foreword.....	vi
Introduction	
Christopher A. Sims.....	1

Papers

The Time Series Approach to Econometric Model Building	
C. W. J. Granger and Paul Newbold.....	7
Exogeneity and Causal Ordering in Macroeconomic Models	
Christopher A. Sims.....	23
Business Cycle Modeling Without Pretending to Have	
Too Much <i>A Priori</i> Economic Theory	
Thomas J. Sargent and Christopher A. Sims.....	45
Wage and Price Dynamics in U.S. Manufacturing	
John Geweke.....	111

Comments

Comments on Modeling and Interpreting Economic Relationships	
David A. Pierce.....	159
Comments on Granger-Newbold, and Sims	
Robert J. Shiller.....	163
Comments on Time Series Analysis and Causal Concepts in	
Business Cycle Research	
Arnold Zellner.....	167
Discussion of Geweke's "Wage and Price Dynamics in U.S.	
Manufacturing" and Sargent and Sims' "Business Cycle	
Modeling Without Pretending to Have Too Much <i>A Priori</i>	
Economic Theory"	
Robert J. Gordon.....	175
Comments on Granger-Newbold's "Time Series Approach to	
Econometric Model Building" and Sargent-Sims' "Business	
Cycle Modeling Without Pretending to Have Too Much	
<i>A Priori</i> Economic Theory"	
David F. Hendry.....	183

Comments on Sargent and Sims' "Business Cycle Modeling Without Pretending to Have Too Much <i>A Priori</i> Economic Theory"	
L. R. Klein.....	203
A Comment	
Albert Ando.....	209
Response to Gordon and Ando	
Thomas J. Sargent.....	213
References.....	219