

Homework

Econ 5623

7 February 2012

Due 14 February

Consider the ARDL(2,2) model below:

$$y_t = \delta + \delta_0 x_t + \delta_1 x_{t-1} + \delta_2 x_{t-2} + \theta_1 y_{t-1} + \theta_2 y_{t-2} + u_t \quad (1)$$

where $t = 3, 4, \dots, n$.

1. Transform the model into an infinite distributed lag model.
2. Find the first five multipliers (impact and the first 4 delay multipliers) in terms of the coefficients of equation (one) above.