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## SIRE ECONOMETRICS WORKSHOP

On the afternoon of Friday 11th December 2009, Hashem Pesaran (Cambridge) and Costas Meghir (UCL) will each give a SIRE seminar at the University of Edinburgh.

The event will take place at the University of Edinburgh Business School (address: 7 Bristo Square). For full travel details, please check:

<http://www.ed.ac.uk/maps/buildings/business-school>

Catering will be served in the Foyer whilst the talks are to be held in Lecture Theatre 1 (LT1)

## SCHEDULE

1.30pm-2pm	Coffee/Registration
2pm-3.30pm	M. Hashem Pesaran (Cambridge University): 'Weak and Strong Cross Section Dependence and Estimation of Large Panels .' (joint with Alexander Chudik and Elisa Tosetti)
3.30pm-4pm	Coffee in Foyer
4pm-5.30pm	Costas Meghir (UCL): 'Matching, Sorting and Wages' (joint with Jeremy Lise and Jean-Marc Robin)
5.30pm-7.30pm	Buffet

## About the invited speakers

**M. Hashem Pesaran** is Professor of Econometrics at Cambridge, a Fellow of the British Academy, a Fellow of the Econometric Society, and a Fellow of the Journal of Econometrics. He is the recipient of the 1990 George Sell Prize from The Institute of Petroleum, London, the 1992 Royal Economic Society Prize for the best article published in The Economic Journal for the years 1990 and 1991, and the joint recipient of the Econometric Reviews Best Paper Award 2002-2004 for his paper on Long Run Structural Modeling.

Prof. Pesaran is the founding editor of the Journal of Applied Econometrics, and a co-developer of Microfit (versions 1-4), an econometric software package published by Oxford University Press. He has over 130 publications in leading scientific journals in the areas of econometrics, empirical macroeconomics and the Iranian economy, and is an expert in the economics of Oil and the Middle East.

His profile can be found on <http://www.econ.cam.ac.uk/faculty/pesaran/>

**Costas (Konstantinos) Meghir** is a Professor of Economics at UCL and is a co-director of the IFS. He was awarded the Ragnar Frisch Medal in 2000 for the article Estimating Labour Supply Responses using Tax Reforms (with Richard Blundell and Alan Duncan) in *Econometrica*. He was head of the economics department at UCL from 2004 to 2007. He was elected a fellow of the British Academy in 2005.

His profile can be found on: <http://www.ifs.org.uk/people/profile/54>

### **Expenses**

SIRE will refund reasonable travel expenses for staff and research students from SIRE universities who wish to attend. Please complete the expenses claim form, and send the form together with all original receipts and details of your postal address to Gina Reddie, SIRE Administrator (address at the end).

## **Abstracts**

### ***'Weak and Strong Cross Section Dependence and Estimation of Large Panels.'***

**M. Hashem Pesaran, joint with Alexander Chudik and Elisa Tosetti**

This paper introduces the concepts of time-specific weak and strong cross section dependence. A double-indexed process is said to be cross sectionally weakly dependent at a given point in time,  $t$ , if its weighted average along the cross section dimension ( $N$ ) converges to its expectation in quadratic mean, as  $N$  is increased without bounds for all weights that satisfy certain 'granularity' conditions. Relationship with the notions of weak and strong common factors is investigated and an application to the estimation of panel data models with an infinite number of weak factors and a finite number of strong factors is also considered. The paper concludes with a set of Monte Carlo experiments where the small sample properties of estimators based on principal components and CCE estimators are investigated and compared under various assumptions on the nature of the unobserved common effects.

Keywords: panels, strong and weak cross section dependence, weak and strong factors

JEL Classifications: C10, C31, C33

See also

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1430286](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1430286)

### ***'Matching, Sorting and Wages'***

**Costas Meghir, joint with Jeremy Lise and Jean-Marc Robin**

We develop an empirical search-matching model with productivity shocks so as to analyze policy interventions in a labour market with heterogeneous agents. To achieve this we develop an equilibrium model of wage determination and employment, which is consistent with key empirical facts. As such our model extends the current literature on equilibrium wage determination with matching and provides a bridge between some of the most prominent macro models and microeconomic research. The model incorporates long-term contracts, on-the-job search and counter-offers, and a vacancy creation and destruction process linked to productivity shocks. Importantly, the model allows for the possibility of assortative matching between workers and jobs, a feature that had been ruled out by assumption in the empirical equilibrium search literature to date.

Paper is available to download from <http://www.columbia.edu/~ao2027/meghir.pdf>

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