

Bayesian VEC-CCF models with time-varying cointegrating space in macroeconomic analyzes

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Abstract

The importance of both short-run comovement between economic time series and time-varying cointegration space is not only predicted by the economic theory but also finds empirical evidence in many pieces of research. However, there are not many applications taking into account both aspects together. In this paper, we fill this gap and propose Bayesian VEC-CCF-TVS models. We illustrate the proposed methods by an empirical investigation involving the basic real business cycle model.