

Economics 312
Daily Problem #33

Spring 2012
April 4

Consider each of the following pairs of variables and guess whether they are likely to be (a) stationary, (b) non-stationary but cointegrated, or (c) non-stationary and not cointegrated.

1. An index of Portland house prices and an index of Beaverton house prices.
2. An index of Portland house prices and an index of Mexico City house prices.
3. The U.S. CPI and the U.K. CPI if both countries follow the gold standard.
4. The U.S. CPI and the U.K. CPI if the exchange rate between dollars and pounds floats and neither country follows a gold-standard-type monetary rule.
5. My latitude and my wife's latitude if we never move our home.
6. My latitude and my wife's latitude while we are on a long road trip.