Klein, Lawrence R.; **Welfe, Aleksander**; **Welfe, Władysław**
Principles of macroeconometric modeling. (English) ｜Zbl 0979.91067｜
Advanced Textbooks in Economics. 36. Amsterdam: North-Holland. 366 p. (1999).

This book is a much revised edition of Professor Klein's "Lectures in Econometrics" (1983; Zbl 0539.62119) published twenty years ago. This antecedent can be seen as an advantage as this book covers quite a bit of material that is only superficially reviewed by the contemporary textbook. It may also make this text look a bit dated. In particular, the fancy time-series analysis à la P. C. B. Phillips is missing. The Granger-Newbold's cointegration approach and VAR analysis are only touched upon although with some deep insights one would expect from a Nobel Prize winner.

The first four chapters cover structural modeling of static economic equilibrium. Chapter 1 presents an introduction to macroeconomics for beginners and its translation in terms of econometrics, drawing attention to the dichotomy stock/flow. Chapter 2 presents the equivalent for a Centrally Planned/Transition Economy. Chapter 3 discusses the modeling of the major equations of interest in macroeconomics, i.e. aggregate supply and demand functions, production functions and capacity utilization, price-wage mechanism, and financial flows. Chapter 4 presents the UN model for international linkages, LINK.

The remaining chapters cover specific issues. Chapter 5 discusses the practice and pitfalls of simulation analysis. Chapter 6 presents a short primer on model validation. Chapter 7 covers dynamic analysis including spectral analysis, VAR, cointegration and rational expectations. Chapter 8 addresses policy analysis and simulation. Chapter 9 discusses forecasting.

Reviewer: Gabriel Talmain (York)

MSC:

91B64	Macroeconomic theory (monetary models, models of taxation)
91-02	Research exposition (monographs, survey articles) pertaining to game theory, economics, and finance
62P20	Applications of statistics to economics
62M20	Inference from stochastic processes and prediction
62M15	Inference from stochastic processes and spectral analysis
91B84	Economic time series analysis
62-02	Research exposition (monographs, survey articles) pertaining to statistics

Keywords:

central planning; cointegration; forecasting; LINK; macroeconometrics; multiplier; policy simulation; VAR