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THE A.R. BERGSTROM PRIZE IN ECONOMETRICS: 2005

We are pleased to announce two awards for the *A.R. Bergstrom Prize in Econometrics* for 2005.

Ryan Greenaway-McGrevy, Ph.D. student,
University of Auckland, for his paper

Evaluating Long Horizon Forecasts

Leo Krippner, Ph.D. student,
University of Waikato, for his paper

A New Framework for Investigating the Relationships between the Yield Curve, Output and Inflation

The citations that accompany the awards read as follows:

> Ryan Greenaway-McGrevy's paper addresses the important question of why the long horizon regression often produces forecasts that are more accurate than iterative VAR forecasts. It is shown that in the presence of estimator inconsistency, the probability limit of a long horizon forecast cannot be greater than that of an iterative VAR forecast, because the iterative VAR is misspecified. Results from small sample Monte Carlo experiments show that the long horizon forecast performs particularly well under negative endogeneity, and suggest that a long horizon forecast approach is an attractive alternative to iterative VAR forecasts.

> Leo Krippner's paper presents theoretical and empirical work, designed to provide a new, more rigorous framework for relationships between the yield curve, output and inflation. The underpinning macro-finance literature in this area is in its infancy, and this paper works to develop a volatility-adjusted orthonormalized Laguerre polynomial (VAO) model which encompasses the Nelson-Siegel class of yield curve model as a specific case, and to reflect a more specific economic underpinning akin to the generic affine model of Berardi and Esposito. The in-sample empirical results from a VAO(3) model, provide a useful initial contribution towards the long-term aim of providing a manageable additional tool for central banks, when evaluating their projections and monetary policy decisions.

The Adjudication Committee for the 2005 Award comprised Professor Viv B. Hall of Victoria University of Wellington, Professor Les Oxley of the University of Canterbury, and Dr. Jin Seo Cho of Victoria University of Wellington.

The object of the Prize is to reward the achievement of excellence in econometrics, as evidenced by a research paper in any area of econometrics. The

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Prize is open to New Zealand citizens or permanent residents of New Zealand who, on the closing date for applications, have current or recent (i.e., within two years) student status for a higher degree. The Prize is awarded once every two years, with a value of NZ$1,500.

The Prize is supported by funds provided by the following sponsors:

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In addition, royalties from the Festschrift volume *Models, Methods and Applications of Econometrics: Essays in Honour of A.R. Bergstrom* (P.C.B. Phillips, ed., Blackwell, Cambridge MA and Oxford UK, 1993) are applied to support the prize.

V.B. Hall & P.C.B. Phillips
October 2005

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