README.m – Example 2: Priors on unobservable variables

The following assumes you successfully completed the exercise in the MODEL directory. In this example, we put a prior on an unobservable variable, in this case labor productivity trend, LP_BAR. The changes we need to make are:

- ModYUKE.model – Add variable of interest to the measurement block. If you open ModYUKE.model you will see how I have done this.
- readDefinitions.m – Change the version, eg VER2.
- estimateParams.m – Add the observations to the variable LP_BAR_ before estimating the model. If you wish, add a description to the current version. Open estimateParams.m to see how I have done this.
- printReport.m – Change the version of the report to the one specified in readDefinitions.m.

Now you can run readModel.m, readData.m, estimateParams.m and printReport.m.