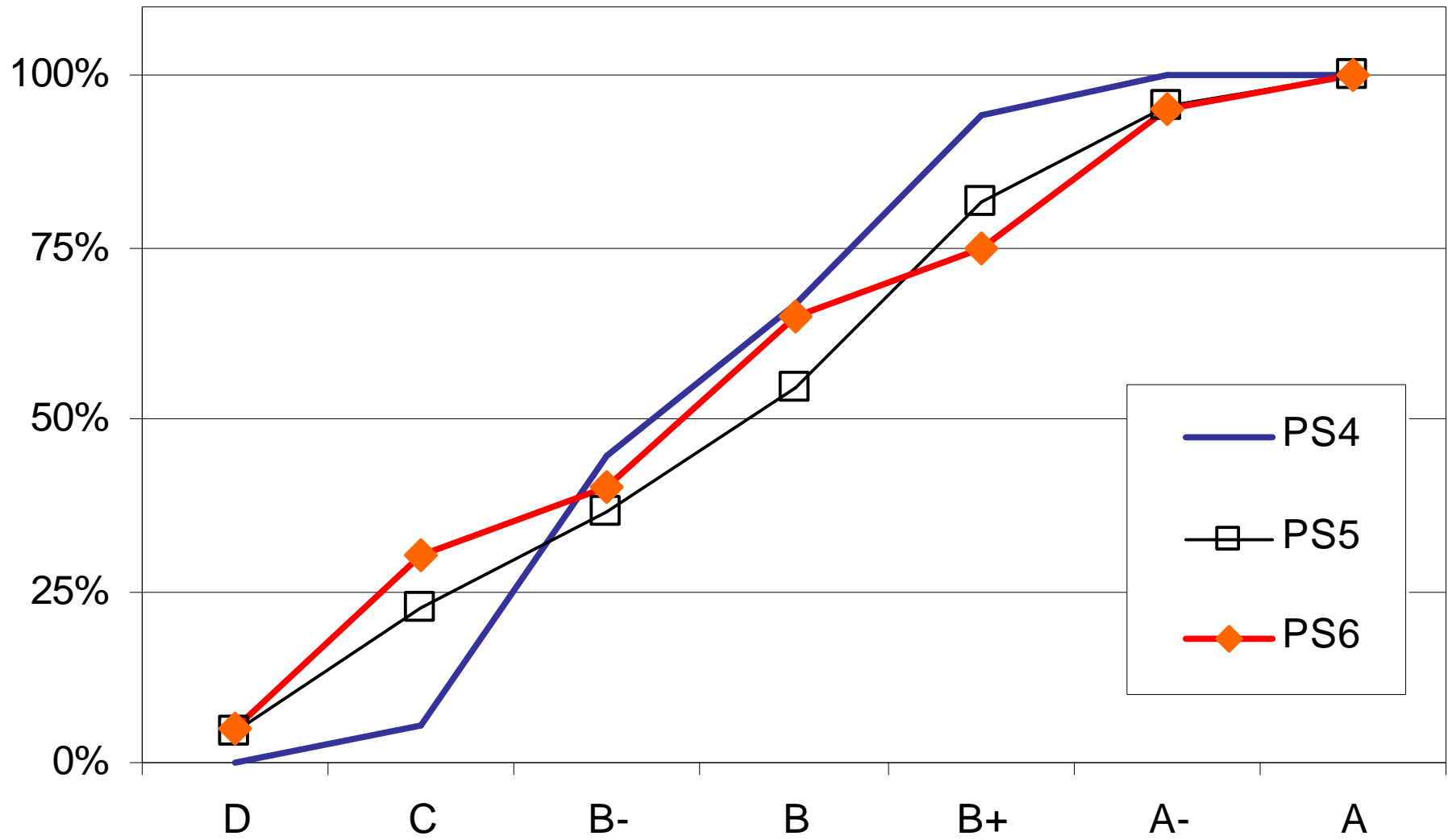


# EC220-PS6

Antoine Goujard

[a.j.goujard@lse.ac.uk](mailto:a.j.goujard@lse.ac.uk)

Office hour: on Monday in S684  
from 16:30 to 17:30



# General comments

We will soon start to question the assumptions of **chapter 2** :

- Fixed regressors,
- Linear model,
- Omitted variables,
- Homoskedasticity,
- Independence of the disturbance ( $u_i$ ).

At this stage, **you need** a good knowledge of the basic topics to be able to focus on the new ideas.

# Comments on PS6

- When more than 2 groups with dummy variables state your reference category.

**Not** “The fact to be black increase your number of years of schooling by 0.8 **everything else being constant**”.

**But** “The fact to be black **rather than white** increase your number of years of schooling by 0.8 everything else being constant”.

# Comments on PS6

- **Holding the other variables constant.** This sentence is not only useful when interpreting the estimates. You should use this *ceteris-paribus* interpretation also for your t-tests.
- Eg.  $H_0: \text{delta}(\text{black})=0$  vs  $H_1: \dots$

If you can not reject  $H_0$  at the 5% sign. Level.  
What does it mean ?

## Controlling for the other factors

(SM, SF, GENDER, ASVABC), it seems that there is a systematic difference in educational attainment between the black and white individuals.