EC220-PS7

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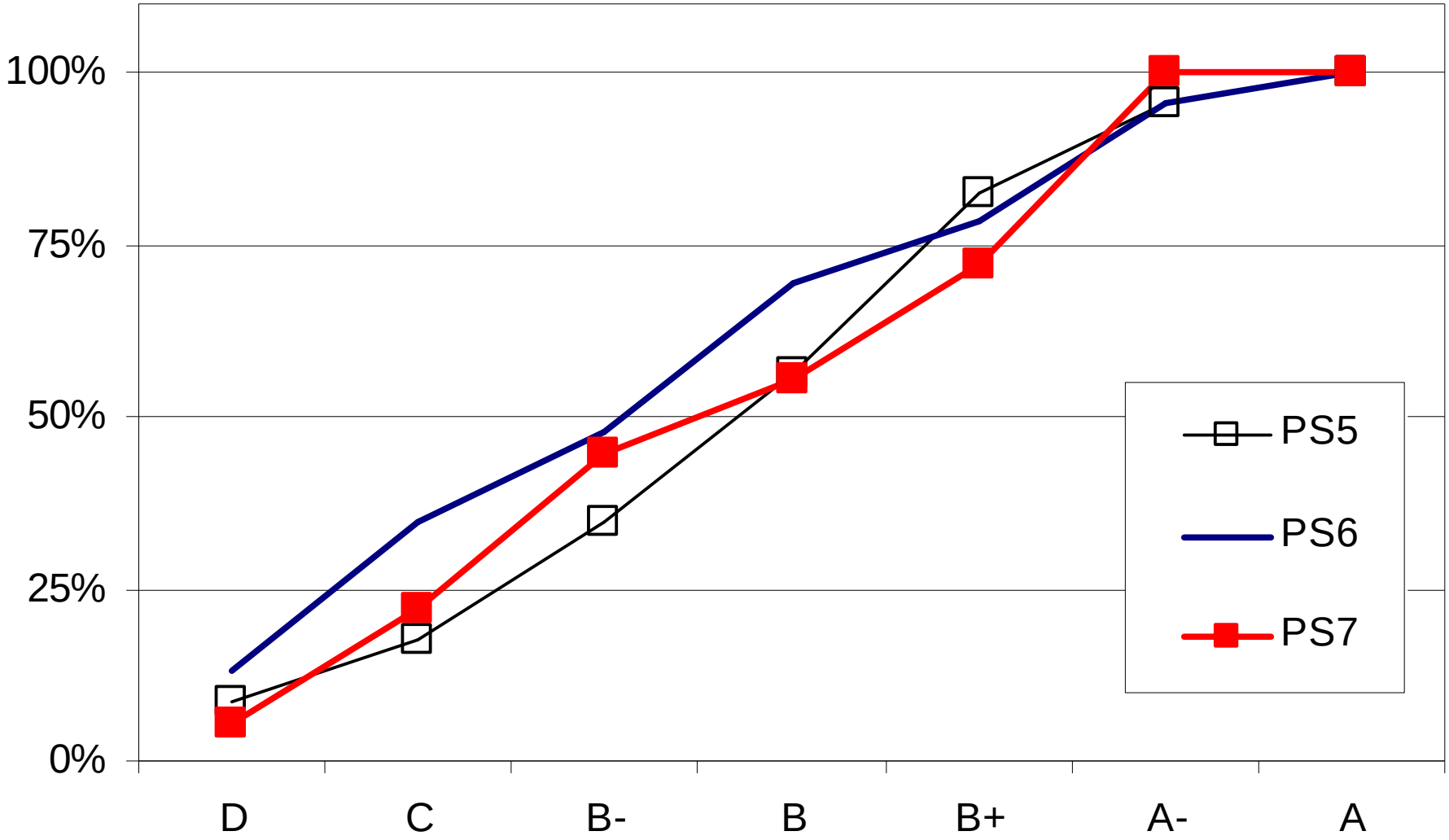
Office hour: on Monday in S684
from 16:30 to 17:30



- Problem set 8 (Omitted variable bias) due on Friday 5/12 at 5pm.
- Problem set 9 due January 12 in class.

Main mistakes

- **EXERCISE 5.13/5.19 (estimates)**

When you have a slope dummy variable you have to be more precise when you interpret the estimates.

You can **not** just state that this is the effect of one additional unit of some explanatory variable X1*MALE *holding all the other explanatory variables constant*.

In general if you have a variable X1*MALE, the regression may also include the variable MALE and X1 which will change at the same time.

- **EXERCISE 5.13/5.19 (t-tests)**

You perform a t-test on a slope dummy variable parameter as for the usual explanatory variable. Be precise: state Ho and H1, the value of t, the value of t-crit (at a particular **sign. Level**, with the right number of **dfs**).

Use the correct sign. Levels:

—If you are able to reject Ho only at 5% state that you can not do it at 1%. If the t value is very high use 0.1% with the right number of dfs.

—If you are not able to reject Ho use the 5% or 10% sign levels.

- **EXERCISE 5.13/5.19 (F-tests)**
- Chow test: state clearly what is Ho/H1

  Ho: there is **no significant improvement** in fit (RSS) of using two separate regressions for the two subsamples **rather than a pooled regression**.

  Know that you can also see the Chow test as a particular F-test on some set of dummy variables.