

Assignment #8

Due Friday 4/10/15 by 6 p.m.

Always explain and show the calculations used to arrive at your answers.

Wooldridge pp. 543-544: #1, #4

Wooldridge pp. 547-548: #C4

For #C4, why would you want to test to see if the coefficient on the inflation rate is significantly different from one rather than significantly different from zero? In which of these three equations (i), (ii), and (iii) is it the case that you cannot reject the null hypothesis of one?

For #C4, which of your three estimates (OLS, IV, and OLS on first differences) do you prefer, and why? Can you think of a better way to do the estimation than any of these three?

Wooldridge p. 624: #C2

For this problem, you don't have to run the linear probability model from #C8 in Chapter 7. Here are the results from it for use in the comparison part of the question in (i):  $approve = .708 + .201 white$