

Problem Set #3

(1) Stock & Watson, Exercise 4.1, parts a,b,e.

(2) Stock & Watson, Exercise 4.2, parts a,d,e.

(3) Stock and Watson, Exercise 4.4. [In addition to the hint provided, also note that $\bar{y} = \beta_0 + \beta_1\bar{x} + \bar{\mu}$.]

(4) Stock & Watson, Exercise 4.5, a,b.