

Economics 571
Problem Set #9

(1) **Wooldridge, 15.1, all parts.** In addition to the identification strategy suggested in (iii), can you think of any other strategies for estimating the “causal” impact of *PC* on *GPA*?

(2) **Wooldridge, 15.2, all parts.** You will need to read through Example 6.3 of your book to understand the variables used and the context of the problem.

(3) **Wooldridge, C15.1, (i) - (iv).**

To use IV or 2SLS estimation in STATA, you could proceed as follows:

Under the “Statistics” pull-down menu, choose “Endogenous Covariates” and then “Instrumental Variables and Two-Stage Least Squares.” A new menu will appear. Enter the appropriate dependent, endogenous and instrumental variables. (In this case, there are no independent variables to enter).

Using a similar process, verify the IV estimation results obtained in example 15.2. (You only need to discuss the IV results for the logwage equation).

(4) **Wooldridge, C15.9, (i) and (ii).** You will need to use the command “predict yhat” to generate the fitted values in the education regression.

In this case, when doing the IV regression in part (i), you will need to enter all of the independent variables. These variables should include all covariates on the right-hand side of the equation, except for the endogenous variable (which is entered in a separate portion of the table).