ECON 104 **Truth in Numbers**

Second Paper

Use the results from the third and fourth homeworks, what you have learned in class and from reading the papers for the course to answer the following questions. How much does the Minimum Legal Drinking Age (MLDA) reduce the proportion of the population that drinks? How much does the MLDA reduce mortality? Also compute the effect of the MLDA on mortality in terms of per person drinking using an instrumental variables approach. Do you think the IV assumptions are met in this context?

1 Structure of Paper

You can use the papers on the reading list as a guide for what a paper should look like. You can include your tables in the body of the paper or put them at the end of the paper. Your paper should be 7-10 pages long and you should include the following sections:

1. Abstract: One paragraphs that sums the paper up. Write this first.

2. Intro: One page that sums the paper up with more detail than the abstract. Should tell the reader why the questions the paper answers are important and cover data, econometric methods, results and conclusion.

3. Data: Describe the data you use in the analysis and how it was generated. Include details on the MLDA and the variables available in the NHIS data.

4. Methods: For the figures please detail in the paper how you choose ranges for the x and y variables and the binwidth. For the regression please describe how you choose the support of age over which to run the regression and the polynomial order. Include the equations for the regressions you will run.

5. Results: Include the following possibly in this order

(a) A figure with age profile of drinking with fitted regression line overlaid.

(b) A regression table with estimates of change in drinking with different specifications. Try this with and without a dummy variable to absorb celebration effects.

(c) A balance table that shows that none of the other covariates are changing sharply at age 21.

(d) A figure with the age profile of deaths due to all causes.

(e) A figure with deaths due to Motor Vehicle Accidents (MVAs) and alcohol poisoning.

(f) A regression table with estimates of the increase in deaths overall and in each sub category of deaths. Put one regression per column. Include specifications with and without a dummy variable to adjust for celebration effects.

6. Conclusion: Interpret your findings. Estimate and interpret the IV. Do you think the assumptions under which it is sensible to estimate the IV are met in this case?