

Homework 2 (Due the April 7th)

1. Use WAGE1.DTA data and the kernel method to estimate both the conditional expectation of wage on education and experience and gender (notice that gender is a binary variable, not continuous) and/or on a subset values of covariates (you pick the subset).

Bandwidth h is chosen by the rule of thumb and the cross validation method respectively.

2. Use the K-nearest neighbor approach to estimate the objects of interest in (1), choosing $K = \lceil \lambda \times \sqrt{N} \rceil$ at different values of λ , and /or choosing λ^* by cross validation.