

Problem Set #2

MACS 30200, Dr. Evans and Dr. Soltoff

Due Monday, Apr. 30 at 11:30am

1. **2D kernel density estimator (3 points).** The data `BQmat_orig.txt` is a 78×7 matrix of percentages representing the values of a two-dimensional histogram of the percent of the U.S. population that receives all the bequests (inheritances) by a recipient's age (ages 18 to 95, rows) and by a recipient's lifetime income group (7 categories, columns). The seven lifetime income groups are percentiles. Let $prcntl_j$ be the percent of the population in lifetime income group j . The lifetime income groups in the $J = 7$ columns of the `BQmat_orig.txt` data are the following.

$$prcntl = [0.25, 0.25, 0.20, 0.10, 0.10, 0.09, 0.01], \quad \text{such that} \quad \sum_{j=1}^7 prcntl_j = 1$$

You can read this file into memory using the `numpy.loadtxt` function.

```
bq_data = np.loadtxt('BQmat_orig.txt', delimiter=',')
```

So the $[11, 5]$ -th element of the `bq_data` matrix represents the percent of total bequests (inheritances) received by age-28 and lifetime income group $j = 5$ (80th to 90th percentile of lifetime income).

- (a) Read in the bequests data as a 78×7 NumPy array. Plot the 2D empirical histogram of these data as a 3D surface plot with age and income group on the x -axis and y -axis and the histogram density on the z -axis using a 3D surface plot tool (not a 3D bar histogram tool). Make sure that the axes are labeled correctly. And make sure that your 3D histogram is presented from a perspective that allows a viewer to see that data (don't let the data be hidden by a poor angle of the plot.)
 - (b) Fit a bivariate kernel density estimator to the data. Use a Gaussian kernel. Choose a bandwidth parameter λ that you think is best. Justify your choice of that parameter. Plot the surface of your chosen kernel density estimator. Make sure that the axes are labeled correctly. And make sure that your 3D histogram is presented from a perspective that allows a viewer to see that data. What is the estimated density for bequest recipients who are age 61 in the 6th lifetime income category ($j = 6$, 90th to 99th percentile).
2. **Interaction terms (4 points).** Put interaction terms exercise here.
 3. **Parallel computing (3 points).** Put parallel computing exercise here.

References