

Assignment 2

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Introduce the problem, relevance, and general problem with HD estimation.

Variable selection - we eliminate half the sample countries immediately. Perhaps check which countries are left, these could be similar - selection bias? This also eliminates all variables that are not available for all the 102 countries.

We select variables based on Lasso i presume. We can try different penalty terms.

How do we test the null of beta being negative? Alpha inference :)

Overall pointers:

1. Much less math, more economic intuition i.e. explain why certain assumptions might or might not hold economically.
2. More structure.
3. Short, and PRECISE.
4. Adhere to formal requirements; margins, font size, linespacing, tables at the end...