

Problem Set 2 (Due December 3 (Friday) 11:59 pm)

Read the paper “An Empirical Model of Harold Zurcher”, by John Rust (1987)

- a) Construct sample statistics similar to Tabel IIa and IIb on page 1003.
- b) Estimate his model using a two-step procedure. Please briefly document your estimation procedure in words. Create a table similar to the first five columns of Table IX on page 1021. If you forward simulate the value function, see Pakes Pollard (1989) for reference on how to draw errors and compute confidence intervals.
- c) Estimate his model using a nested fixed point procedure. Create a table similar to the first five columns of Table IX on page 1021.