

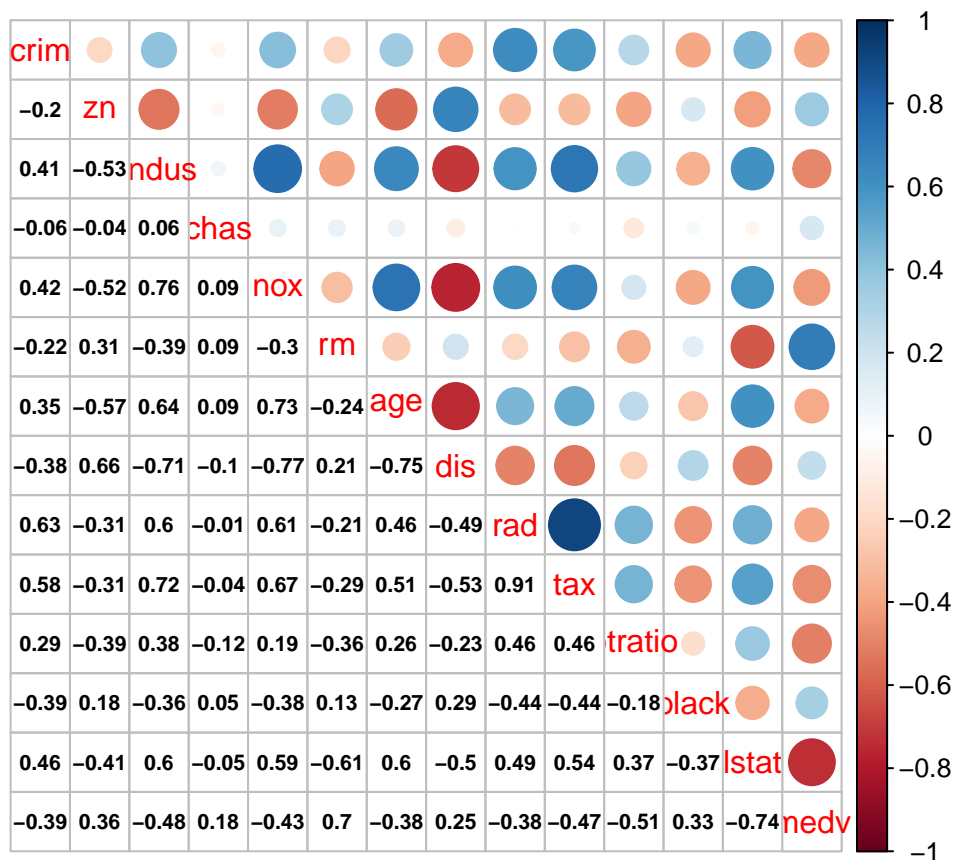
Empirical Methods for Applied Micro

Problem Set 3

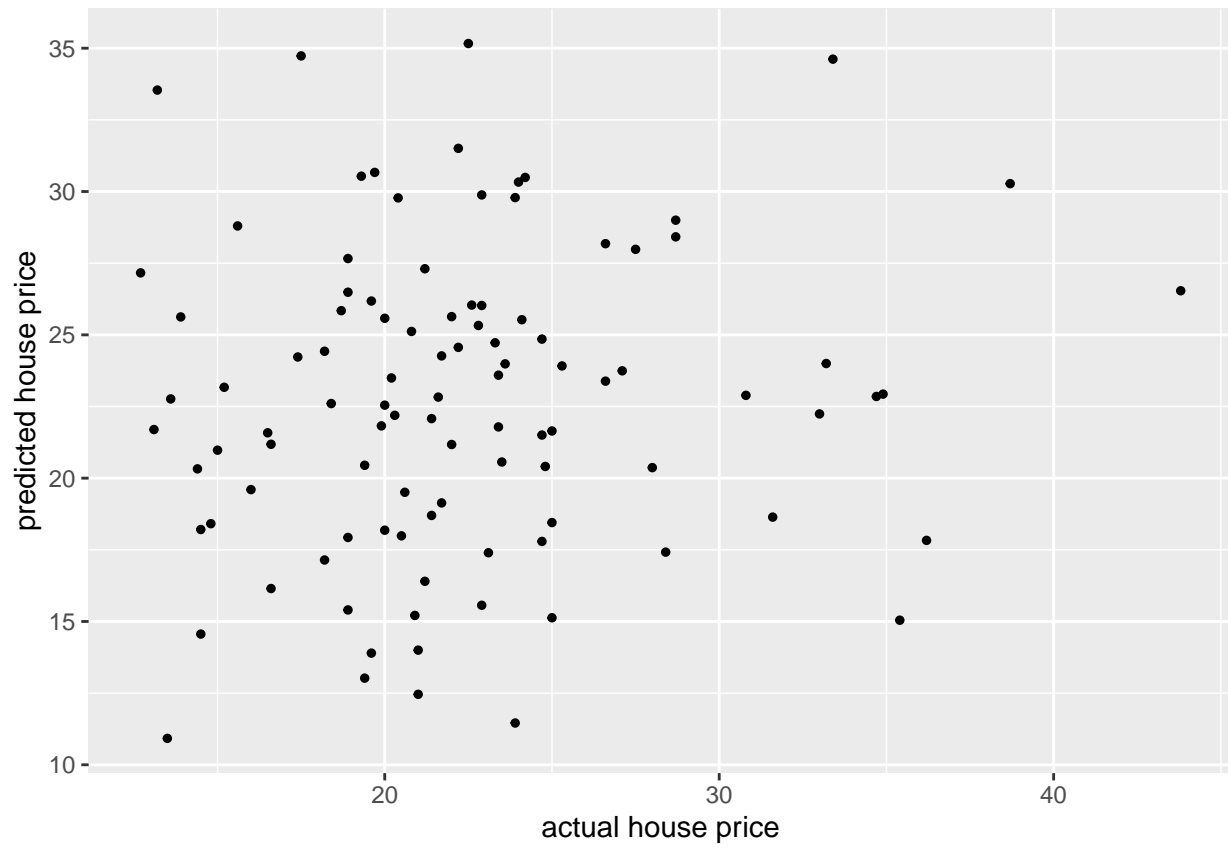
Alberto Cappello

2/13/2021

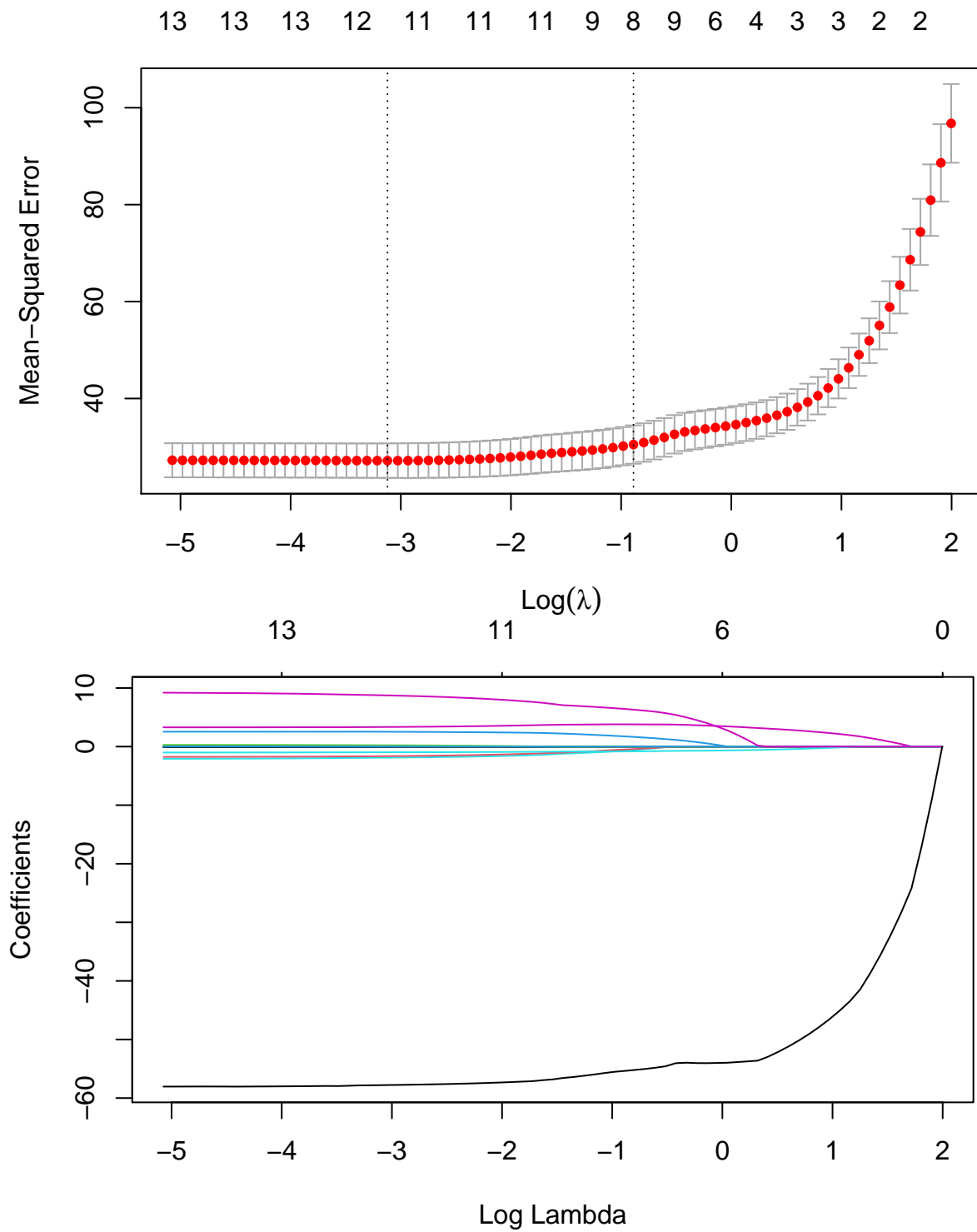
1. How correlated are the variables?



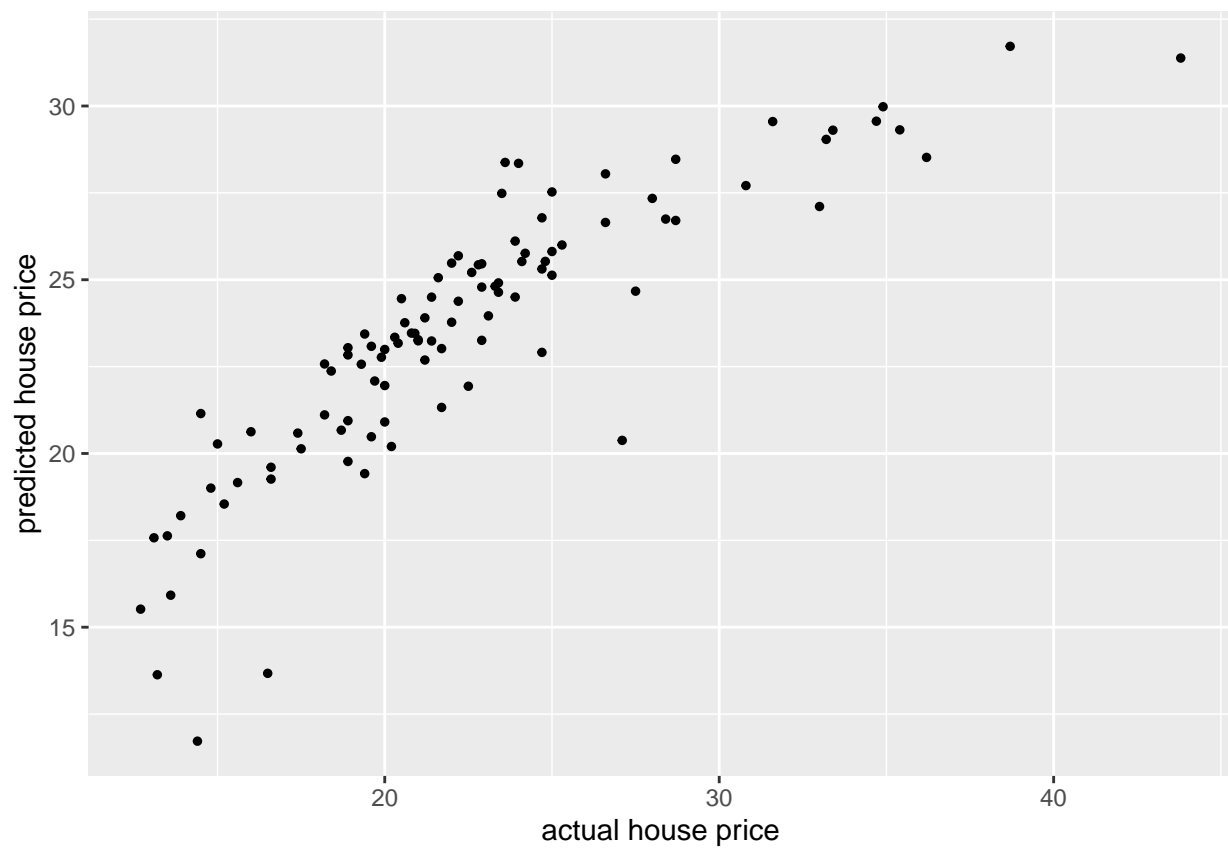
2. Estimate the original HR



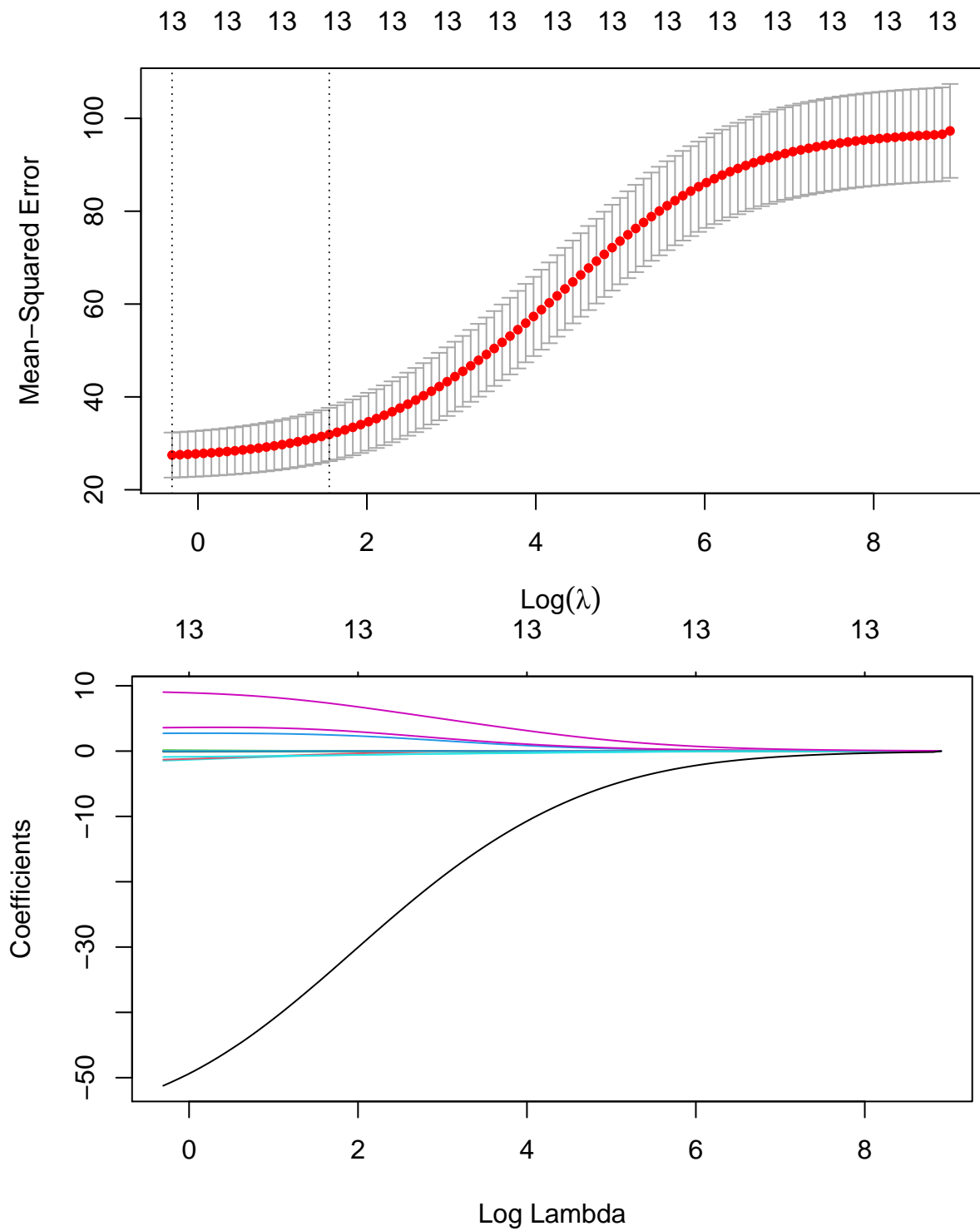
3. LASSO Regression

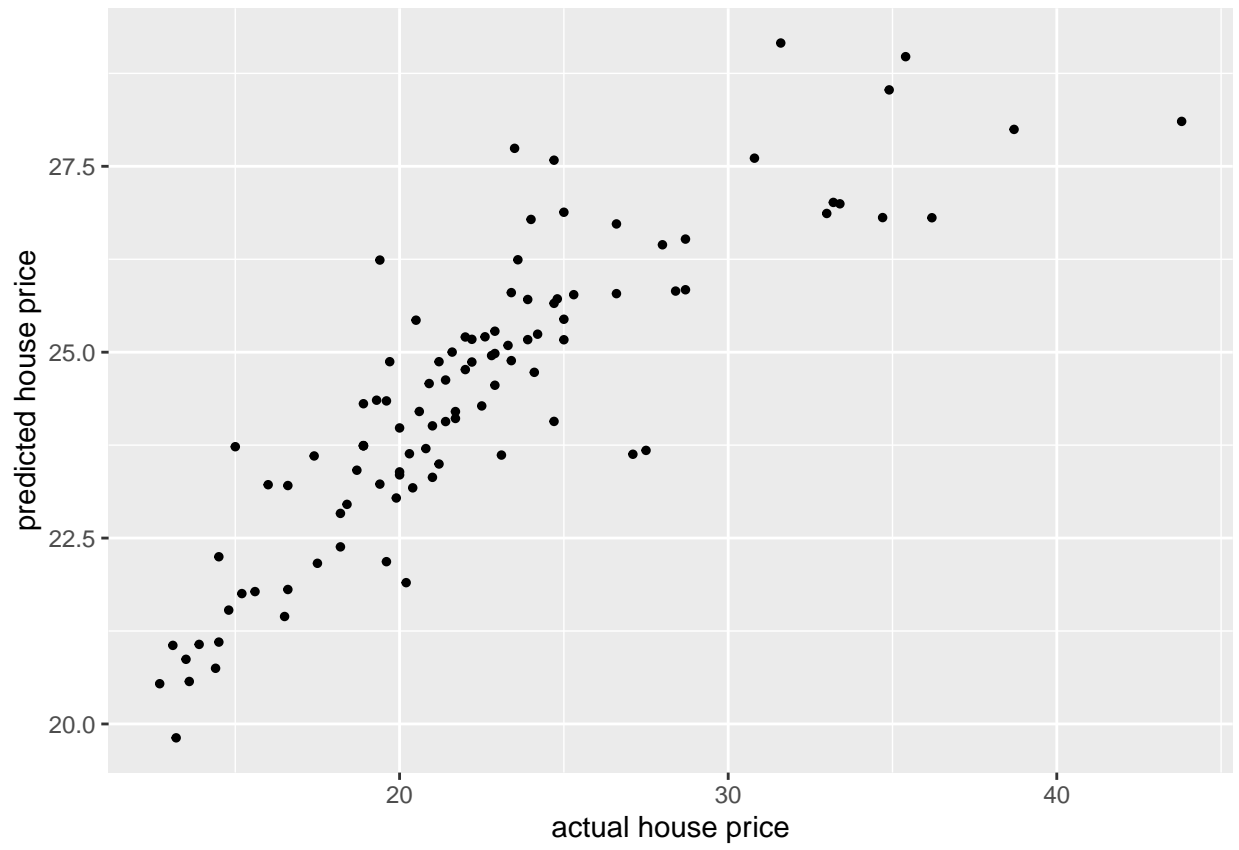


Predicted vs. Actual values

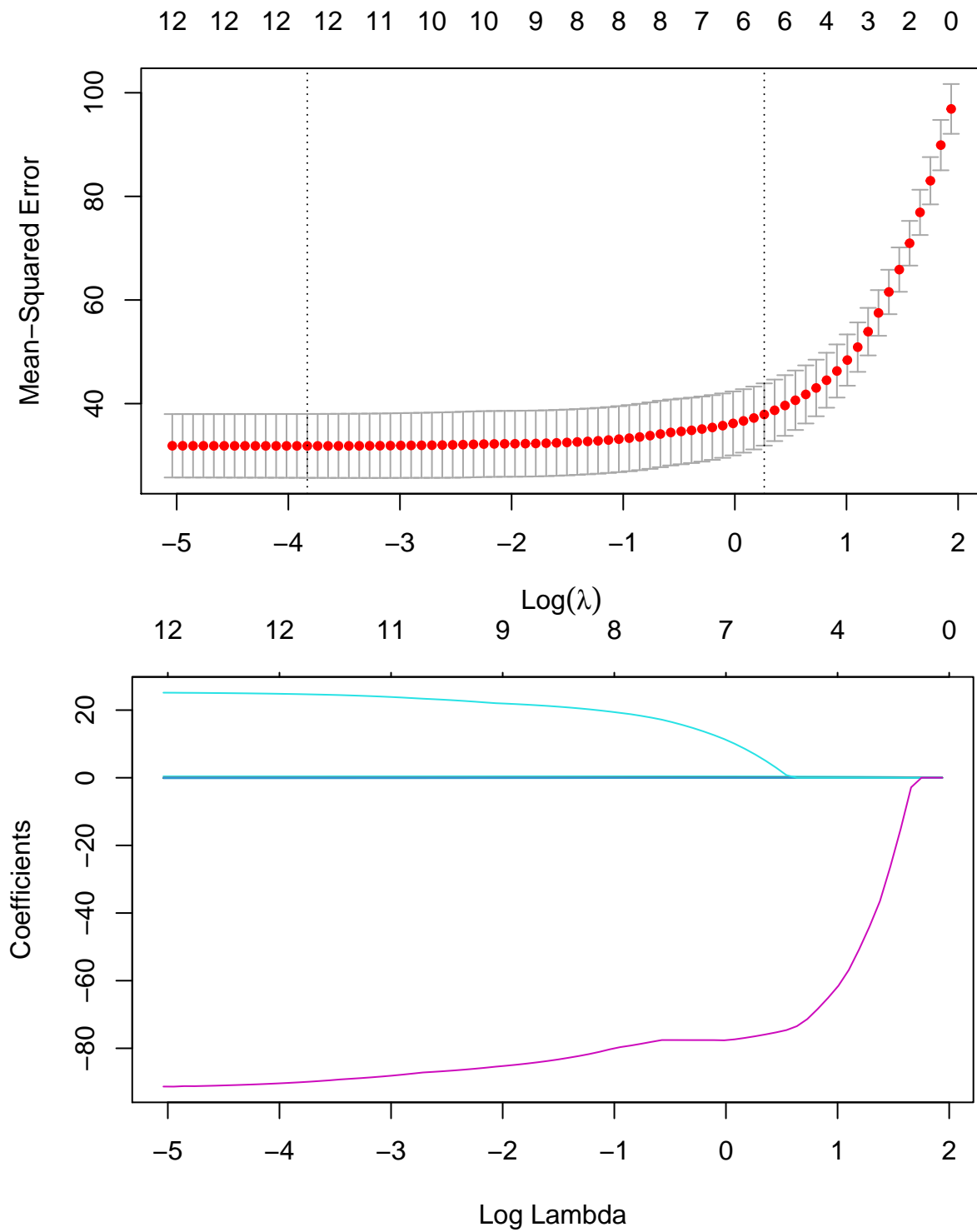


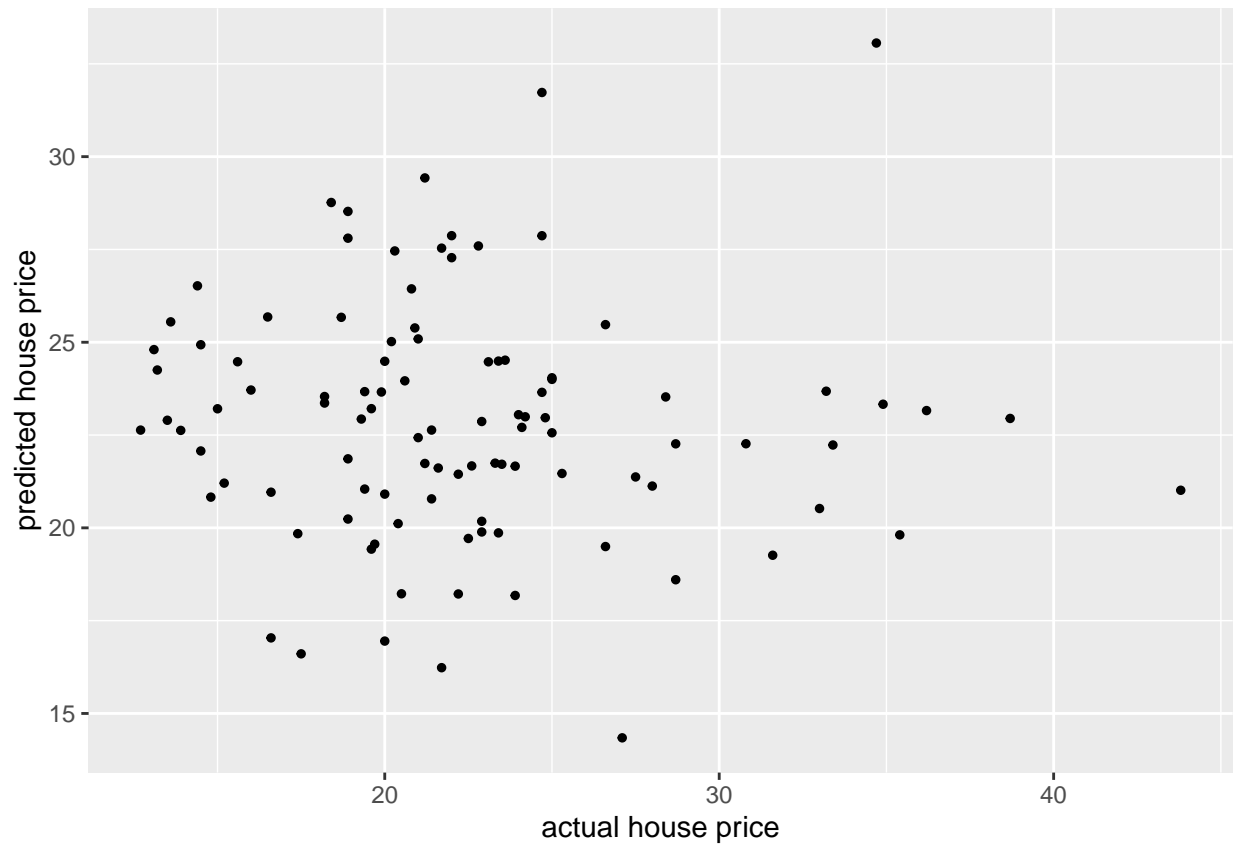
3. Ridge Regression





4. LASSO on expanded data set





5. Models' evaluation

lambda	cv mse	test mse
0.00	0.20	20.09
2.20	40.57	11.44
40.21	53.10	22.84
2.27	44.51	47.57