Research Project
Economics 246, Prof. Luigi Pistaferri
Replication of Abowd and Card (1989), Econometrica
Due: Friday, October 12, 2018

On Canvas you will find the data set in Stata format PSID67_96.dta. This data set contains a balanced panel of 182 male heads aged between 18 and 62 in all years followed from 1967 to 1996 (always employed at least for part of the year). There are 13 variables in the data set:

1. person (person id)
2. seo (1=SEO subsample)
3. year
4. hours (Head's Annual Hours Worked from all jobs, inc overtime)
5. ly (total annual labor earnings, nominal)
6. state (State of residence)
7. fsize (Number of Persons in FU)
8. marit ((1)Married, (2)Never married, (3)widowed, (4)divorced, (5)separated)
9. fmw (Federal minimum wage)
10. cpi (CPI, 1979=100)
11. ed (Highest grade in school)
12. age (Age)
13. race ((1)White,(2)Black,(3)American Indian, (4)Asian)

The goal is to replicate Abowd and Card (1989), *Econometrica*, to a more recent time period. Of course, you will be working with a much smaller and selected sample ("always working males"), so obvious caveats apply. Throughout you can focus on the whole sample (i.e., do not drop the SEO subsample). Abowd and Card comput covariances "using the residuals from unrestricted multivariate regressions of changes in earnings and hours on time period indicator variables and potential experience (age minus education minus five)". Besides these controls, you can add a dummy for being married, and one for being white.

A. Reproduce Table 1
B. Reproduce Table 4 (Limit yourself to the first two lags of the autocovariance matrix)
C. Reproduce Table 8 (You can drop the joint normality case)
D. Reproduce Table 9
E. Reproduce Table 10

Do your results differ from those found in the original article? Comment.