

# Assignment 5

## Applied Econometrics

### ECON 5645 \ 6645

Due: April 1st, 2022, by midnight

#### *Part A* [5 marks]

Please see the accompanying subset of the 1993 and 1994 waves of the Survey of Labour and Income Dynamics. Consider that you are asked to identify the determinants of annual income using the provided data. There is reason to believe: years of education, experience (in linear and quadratic terms), age (also in linear and quadratic terms), marital status, region of residence, race, sex, and being an immigrant matter. Including a dummy variable for time, estimate the above determinants using a pooled OLS regression, with income specified in log terms. Present and interpret your results.

#### *Part B* [5 marks]

It is possible that a long-term characteristic such as innate-ability impacts an individual's level of education and experience, along with their income. Unfortunately, a proxy for ability is not available in this dataset. Therefore, re-run the above regression using a fixed-effects specification. Present and interpret your results. What do you conclude? Are your findings sensible? If not, what may be the issue?