

## Homework #2 Problems from Wooldridge

### Wooldridge Computer Exercise C2.4

Use the data in WAGE2.RAW (WAGE2.DTA) to estimate a simple regression explaining monthly salary (*wage*) in terms of IQ score (*IQ*). (Additional questions are given on the assignment sheet.)

(i) Find the average salary and average IQ in the sample. What is the sample standard deviation of IQ? (IQ scores are standardized so that the average in the population is 100 with a standard deviation equal to 15.)

(ii) Estimate a simple regression model where a one-point increase in *IQ* changes *wage* by a constant dollar amount. Use this model to find the predicted increase in wage for an increase in *IQ* of 15 points. Does *IQ* explain most of the variation in *wage*?