

Homework Assignment #8 (due April 17, 2:00 p.m.)

Written problems:

1. Wooldridge: Chapter 6, Problem 4; also answer the following:
 - (iv) Explain why the regression in part (ii) (which includes *pareduc* in the interaction but not as a variable by itself) is not desirable. Specifically, how does it restrict the effect of *pareduc* on $\log(\text{wage})$?
2. Wooldridge: Chapter 6, Problem 8; also answer the following:
 - (iii) Do you have any concerns about interpreting the slope estimate on *alcohol* as the “causal effect” of alcohol upon GPA? Explain.
3. Wooldridge: Chapter 7, Problem 9; also answer the following:
 - (v) If the interaction variable (between *female* and *totcoll*) were dropped from the regression in part (iii), what would R-squared for the new regression be? (Hint: Think about the relationship between the t-statistic and the F-statistic.)

Computer problems (show any relevant Stata output):

1. Wooldridge: Chapter 6, Computer Exercise C6
2. Wooldridge: Chapter 7, Computer Exercise C6
3. Wooldridge: Chapter 7, Computer Exercise C10
(In part (i), including “experience in quadratic form” means including both *exper* and *expersq* as explanatory variables.)