

#### MITx: 14.310x Data Analysis for Social Scientists

Help



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# Two Stage Least Squares in R - Quiz

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# **Question 1**

1/1 point (graded)

What variables are included in the Z matrix (the instrument matrix used in the first stage)? (Select all that apply)

- a. Outcome variables
- b. Instrumented for variables
- c. Instrumental variables
- d. Control variables



## **Explanation**

The Z matrix must contain all the exogenous regressors that are part of your first stage, i.e. the instrumental variables and the control variables.

<u>Functions of Random</u> Variable

- Module 5: Moments of a Random Variable,
   Applications to
   Auctions, & Intro to
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- Module 6: Special
   Distributions, the
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- Module 8: Causality,
   Analyzing Randomized
   Experiments, &
   Nonparametric
   Regression
- Module 9: Single and Multivariate Linear

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You have used 2 of 2 attempts

✓ Correct (1/1 point)

# Question 2

1/1 point (graded)

Here is the syntax for the R command to run a 2SLS procedure from the AER package:

ivreg(formula, instruments, data, subset, na.action, weights, offset, contrasts = NULL, model = TRUE, y = TRUE, x = FALSE, ...)

You want to look at the impact of charter school attendance on test scores. Luckily, you find that a lottery is used to decide which students are selected to attend. So you decide to use the lottery as an instrument for charter school attendance in order to identify your impact. You also have some other data on demographic characteristics that you want to control for.

Which of the following variable(s) do you need to enter in the "instruments" field in the command above to obtain the correct estimates? (Select all that apply)

a. The lottery outcome variable

#### Models

- Module 10: Practical Issues in Running Regressions, and Omitted Variable Bias
- Module 11: Intro to
   Machine Learning and
   Data Visualization
- ▼ Module 12:
   Endogeneity,
   Instrumental
   Variables, and
   Experimental Design

# **Endogeneity and Instrumental Variables**

Finger Exercises due Dec 14, 2016 05:00 IST

## **Experimental Design**

Finger Exercises due Dec 14, 2016 05:00 IST

# Module 12: Homework

Homework due Dec 12, 2016 05:00 IST

Exit Survey

- b. Charter school attendance
- ☑ c. The demographic characteristics
- d. Your test scores variable



#### **Explanation**

As you saw in the example of code Prof. Duflo showed in class, the "instruments" field here corresponds to your matrix Z from question 1. In this case, your instrument is the lottery outcome, and your controls are the demographic characteristics. So you need to include both these variables in this field.

**Submit** 

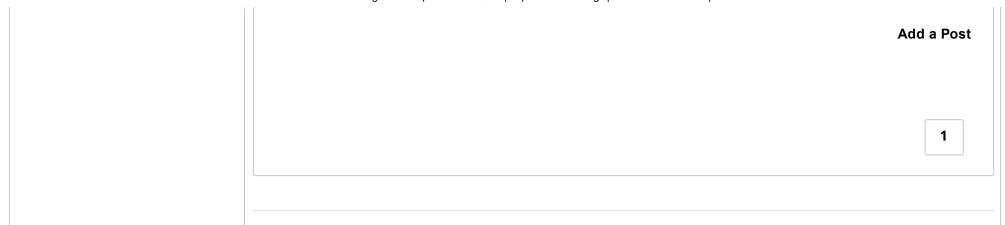
You have used 1 of 2 attempts

Correct (1/1 point)

#### Discussion

 $\textbf{Topic:} \ \mathsf{Module} \ \mathsf{12} \ \mathsf{/} \ \mathsf{Two} \ \mathsf{Stage} \ \mathsf{Least} \ \mathsf{Squares} \ \mathsf{in} \ \mathsf{R} \ \mathsf{-} \ \mathsf{Quiz}$ 

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