

STOCKHOLM UNIVERSITY
Department of Economics

Course name: Econometrics II
Course code: EC7411
Examiner: Per Pettersson Lidbom
Number of credits: 7,5 credits
Date of exam: Friday 11 March 2016
Examination time: 3 hours

Write your identification number on each paper and cover sheet (the number stated in the upper right hand corner on your exam cover).

Use one cover sheet per question. Explain notions/concepts and symbols. If you think that a question is vaguely formulated, specify the conditions used for solving it. Only legible exams will be marked. No aids are allowed.

Please give short and precise answers!

The exam consists of 2 questions. Each question is worth 50 points. One can get 100 points in total. For the grade E 40 points are required, for D 50 points, C 60 points, B 75 points and A 90 points. Answer each question clearly and concisely. Only legible answers will be considered.

Results will be posted on www.mitt.su.se three weeks after the exam, at the latest.

Good luck!

Question 1. (50p)

Suppose that you are going to use the following regression specifications in your Master thesis. Describe what you need to do in your paper in order for your empirical analysis to be convincing (e.g., identification, specification tests, standard errors etc.).

a) $Y_{igt} = \alpha_g + \lambda_t + \beta X_{gt} + \theta W_{igt} + v_{igt}$,

where i stands for individuals, g for group, and t time. α_g is a group-fixed effect and λ_t is a time-fixed effects. Y_{igt} is some outcome of interest; X_{gt} is a treatment indicator variable taking the value 1 if individual i is treated and zero if not treated, W_{igt} is a set of control variables.

b) $Y_i = \alpha + \beta T_i + f(X_i) + u_i$,

where T_i is treatment indicator variable defined as $T_i = 1$ if $X_i \geq c$ and $T_i = 0$ if $X_i < c$.

Question 2. (50p)

Write a referee report on “Estimating the returns to schooling using cohort-level maternal education as an instrument”

Good luck

Per Pettersson Lidbom