Homework #1
Economics 113
Fall 2011
Professor Spearot
Due Thursday, November 17th in class.

Please include all code and computer printouts with your answers!

1. Using the Wage data from the course website, and the computer program R, summarize the variables wage, hours, and iq. Report the mean, median, max, min, and standard deviation.

2. Please regress wage on hours. Interpret the coefficient on hours. Is it statistically different from zero? Please use a two-sided test, and a 95% level of confidence.

3. Suppose that iq is an omitted variable. Do you think the coefficient on hours is biased? If so, in which direction, and why? Please run a regression to evaluate the bias.

4. Please run a regression of log(wage) on log(hours). Please interpret the coefficient on log(hours), and construct a 99% confidence interval for this coefficient. What does this say about the relationship between hours, and the wage rate, wage/hours?