Homework #1
Economics 113
Fall 2014
Professor Spearot
Due Monday, November 3rd 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 Stata, summarize the variables wage, education, iq, and age. Report the mean, median, max, min, and standard deviation.

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

3. Please remove iq from the regression in problem 2, and re-run the regression. Comment on what happens to the coefficient on educ. This is an example of what problem? Why?

4. Now using the wage dataset again, regress wage on educ, iq, and age. Suppose that I conclude that age has a significant impact on wage. What is the probability that I’m wrong?