

Homework 2. February 2—due February 14.

1. Modify the program `hansin.pgm` to replicate the study by Hansen and Singleton. Try and estimate the model using 3 different sets of instruments. Try a set of instruments which you may think is “best” (argue why) and one which you may think is not so good. Are the results stable to the choice of instruments?

Try different lag-lengths, weighting matrices, etc. Comment on your results.