

Homework 3. September 23—due October 7.

1. Modify the program `hansin.pgm` to replicate the study by Hansen and Singleton. Try and estimate the model using 3–5 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. Try some instruments that you think are bad and some you think are good. Try using a lot of instrument and try to use just a few. Are the results stable to the choice of instruments?

Try different lag-lengths, weighting matrices, etc. Also try some crazy starting values and see if you get a solution. Comment on your results.

NOTE: I will probably add a question after teaching Monday Oct 5. (That would involve the ways of estimating the asymptotic variance-covariance matrix.)