

ECONOMETRICS II, FALL 2016

Homework 11. Due Monday November 28th.

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. Comment on your results.