

Homework 7. Due Wednesday October 21.

1. Use the posted program to compare OLS, 2SLS, LIML, and Fuller. Try low and high values of T . Try few or many or in-between instruments for each of the values of T . Comment on the results.
2. Use the posted Matlab panel data program. Interpret the regression results (excess sensitivity and excess smoothness). Try and add lagged consumption and more lags of disposable income and interpret the results. Try (in a separate regression) to include state fixed effects—are the results sensitive to this?