

Applied Econometrics II
Dept of Economics, Carnegie Mellon University
73-360, Fall 2000

Homework #4, due Monday, Dec 4

For this assignment, please use the gallup data, available on the web site. It is described there in the section entitled Datasets.

In the following, please show your work and use the statistical concepts we have learned, as relevant, in your answers.

Important:

- Please include the program and the output you used to generate your results, whether it be SAS or something else.
- Please remove from the dataset all observations which have missing values for any variable you will be using in the analysis.

For this assignment we want to calculate the difference in the probability of being employed according to whether a person lives in the city of pittsburgh, the mon valley, or the rest of Allegheny county. So, please calculate the difference in prob of being employed between the city and rest of county and between the mon valley and rest of county. In all cases, please hold constant age and years of schooling and calculate the quantities at sample means.

Please use the probit, logit and linear probability models. Discuss which of the model(s) you prefer and why. In addition, please test the theory that location has no effect on the probability of being employed.