

ECON 5350 Problem Set #7

Due: Thursday, December 5

ANALYTICAL PROBLEMS

1. Exercises #9.1, Greene, 8th Edition.
2. Exercises #9.6, Greene, 8th Edition.

MATLAB PROBLEMS

1. Perform a Monte Carlo experiment for a bivariate regression with heteroscedasticity (H_d) where you perform a t test on the slope coefficient. Which estimator is better for the hypothesis test? Feasible GLS or OLS with robust standard errors? Assume there is a clear structure for the H_d , but as the econometrician, you don't know the structure.
2. Replicate Campbell and Mankiw's (1989) paper testing Robert Hall's random walk hypothesis for consumption. However, choose different instrumental variables for lagged income changes and use steepest descent to calculate the GMM parameter estimate.