

ECON 6910
Applied Econometrics
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Chapter 15 Problems:
15.2, 15.3

Chapter 15 Computer Problems:
C15.1, C15.2, C15.3, C15.5

Additional Question:

For this problem you are to use the Mauro1995.csv file on the website.

a. Estimate the following equation via OLS:

$$gr6085 = \beta_0 + \beta_1 corruption + \beta_2 sec60 + \beta_3 gdp60 + \beta_4 gpop6085 + u_1 \quad (1)$$

Report your results in equation format.

b. Now estimate the model via 2SLS using ELF as an instrument for corruption. Compare the estimate for β_1 to that obtained via OLS.

c. Is ELF a weak instrument? How do you know?