

Economics 420
Fall 2007
McKinney

Class: MWF 1:00-2:15 in Barret 033.

We will cover new material on Monday and Wednesdays. Fridays will be reserved for working additional problems and working with Stata.

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Office Hours: Tuesday 9:00-10:30am
Wednesday 3:00-4:00 pm
Thursday 9:00-10:30am

Appointments are also welcome. Additional hours will be announced around exam times. Feel free to stop by anytime my door is open.

Attendance: I will not have time to take roll on a regular basis, but don't use this as an excuse to skip class (especially on Fridays). Keep in mind that grades are highly correlated with attendance. According to my analysis of previous semesters of Econ 290, holding all other factors constant, each day of class missed costs the typical student about 2.1 percentage points. All I did to get that was estimate the following equation:

$$FinalGrade = \alpha + \beta Attendance + \varepsilon$$

This equation is actually a few semesters out of date. It is also way too simple; there are huge omitted variable biases and causality issues. We will talk about how to fix it later in the semester.

There are no "bonus points" for simply showing up to class and not paying attention. Do not come to class if you plan to sleep, work on other assignments, or play on the computer.

Texts:

Jeffrey M. Wooldridge. *Introductory Econometrics: A Modern Approach*. 3rd ed.

Christopher F Baum. *An introduction to Modern Econometrics using Stata*

Software: Intercooled Stata (Version 9 or 10). This software (Version 9) is available on most of the computers on campus. If you would like a personal copy (Version 10) you can order directly from Stata Corp:

<http://www.stata.com/order/new/edu/gradplans/gp2-order.html>

Enter *RC4CM5* for the course id.

You can choose from a number of options:

- A 1 year license of Small Stata for \$48
- A 1 year license of Stata I/C for \$89
- A perpetual license of Stata I/C for \$155
- A perpetual license of Stata/SE for \$335

I would recommend Stata I/C. Small Stata has too many limitations and Stata /SE is overkill. If you are a senior, the 1 year license will get you through this class as well as Senior Seminar. If you are a Junior or if you plan to go to graduate school, you may want to consider the perpetual license. **Once again, Stata is available in the labs, so you do not have to buy your own copy of the software.**

You may also want a copy of your stats books (which you should have kept anyway):

Anderson, Sweeney & Williams. *Statistics for Business and Economics*. 9th ed (older editions are just as good).

Microsoft corporation, *Microsoft Office Excel 2003 Expert Skills* (We will do most of our work in Stata, but this book is a pretty good reference for Excel).

Midterms:

The following three exams make up 50% of your final grade. The weight of each exam is given in parenthesis.

Exam 1 (25%): September 26th

Exam 2 (25%): November 7th

As long as you let me know at least 1 week in advance you can take a test early. If you have to be away for a school approved function, you must take the test early. I do not give late tests or make-up exams. No one will be allowed to take a test after the scheduled time.

I don't want time to be a factor. You will have 2 hours for the first two tests so they will run from 1:00-3:00pm. Please let me know if you have a conflict and I'll let you start early.

The first two exams are pen and paper exams (just like they were in 290). You will not use the computer. All you need to bring is a few pencils. I will provide you with paper and a calculator. I will also provide you with any necessary formula sheets.

You must show your work. I will not give any partial credit if you just turn in answers. If I can't tell how an answer was derived, I will mark it wrong.

The honor code applies to the exams as well as all other assignments in this class.

Homework: I will assign homework problems each week. Sometimes I will collect it and sometimes I will not. When I collect the homework, I will only grade a subset of the problems. Most of the time the selection will be random, but occasionally, I will decide which problems to grade. Either way, you will not know which problems I will grade until you turn them in to me; so you still have every incentive to work every problem.

Homework will usually be due on Mondays. I may work some of the problems in class on Fridays. If I work problems in class, be prepared for a Quiz on the following Monday.

I encourage you work with other people, but don't simply copy their work. Copying someone else's work is a violation of the honor code. Copying an old answer key is also a violation of the honor code.

You must show your work. I will not give any partial credit if you just turn in answers.

Quizzes: I will give quizzes on some Mondays. Many of the quiz questions will be similar to homework problems that are worked in class on the preceding Friday. Each Quiz and homework will carry equal weight and will make up 25% of your grade.

I may occasionally give pop quizzes for bonus points.

The honor code applies to quizzes as well as all other assignments in this class.

Final Exam (25%):

Due At the beginning of Exam week (A specific deadline will be set at a later time). The take home final exam is worth 25% of your final grade. I will hand out most of it at least one week before the end of classes so that you can try to finish it before exams even start. It will take you a number of hours to complete, so plan accordingly (don't wait until exam week to do it).

You can use any non-human aid such as your book, notes, on-line help, etc. You may not discuss the test with anyone except me. You will turn this assignment in electronically via the in-box in my faculty folder.

The honor code applies to this test as well as all other assignments in this class.

Grading Scale:

I will round your grade to the nearest percentage and assign grades according to the scale below:

	A 93% and above	A- 90% to 92%
B+ 87% to 89%	B 83% to 86%	B- 80% to 82%
C+ 77% to 79%	C 73% to 76%	C- 70% to 72%
D+ 67% to 69%	D 63% to 66%	D- 60% to 62%
F below 60%		

I do not give any extra credit assignments.

Once again, the distribution of points is :

Homework & Quizzes:	25%
Exam 1:	25%
Exam 2:	25%
Final Exam:	25%

Prerequisites

This is a 400 level course so I expect you to know a lot coming into the class.

- 1) You should have taken at least Math 115. Read the math review in Appendix A to refresh your memory.
- 2) Most of you took Econ 290 from me. Over the first few lectures we will be doing a review of statistics and probability but it will be a theoretical review. We will do lots of proof and derivations. I expect you to know the basics from 290. You should know all the terms and concepts from that class. If I were to give you a copy of any of my old 290 exams from you should be able to work them with relative ease.
- 3) Regression analysis from Econ 290 (Chapters 14 & 15 in your stats book). You should know the basics of OLS inside and out by the time we begin Chapter 2. Throughout they first few chapters we will do lots

**Course
Outline:**

of proof and derivations, if you don't understand the basics (From Econ 290) you will be lost.
Introduction (Chapter 1)
Statistics Review (Appendix B and C)
Simple Regression Model (Chapter 2)
Multiple Regression (Chapters 3-4)

Ideally Exam 1 Falls here

Introduction to Stata
More on Multiple Regression (Chapters 5-9)

- Functional Form
 - Logarithmic functions
 - Quadratics
- Dummy Variables
- Heteroskedasticity
- Other Misspecifications

Ideally Exam 2 Falls here

Binary Dependent Variables (Chapter 17)
Time Series Regressions (Chapters 10-12)
Panel Regressions (Chapters 13, 14)
Two Stage Least Squares (Chapter 15)

Exam 3

This is simply an outline. Some topics may get pushed up or down. Most of the material after Exam 1 will be considerably more applied and will often involve Stata assignments. We will cover as much of the material as we can, but I doubt we will get through all of it. I will let you know exactly what is covered on each test when the time comes.

Use the text book to supplement your notes. Keep in mind that the text doesn't necessarily cover all the same topics in the same order that I will in my lectures.