ECON 303301: Econometrics
Spring 2010
Department of Economics and Econometrics
University of Notre Dame

Time: Tuesday/Thursday 3:30pm – 4:45pm
Classroom: 102 DeBartolo

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Class web page: http://www.nd.ed/~wevans1/econ30331.html

Textbook:


Along with this book, I will assign mandatory readings of academic articles. The readings are available for download in PDF format from the class web page. To comply with copyright laws, the web page is password protected and your NetId/password will provide you access to the articles.

Office Hours: Mondays, 1:30pm – 3:30pm, Tuesdays 9:00am – 11:00am, and by appointment.

I am never far from email. If you have a question, please feel free to contact me at wevans1@nd.edu.

Course rationale, objective and theme:
What separates economics from most other social sciences is that our discipline begins with a few basic assumptions and utilizes these as building blocks for extensive models of the real world. Models are only useful if they can be tested with data and economists have developed extensive statistical models that are used to test their theories. The workhorse statistical model in the social sciences is the ordinary least squares (OLS) regression. The bulk of the course will be outlining the theory behind and the properties of the OLS model. The course will however not just be an abstract exercise. For each topic, I will first present a standard textbook treatment of the topic. Next, we will read some academic papers that used the techniques outlined in class. Students will be expected to read the assigned papers and be able to discuss not only the econometric techniques used but also the economic issues as well. Finally, I will provide sample code that illustrates how one would obtain estimates given appropriate data.

The class will use the STATA statistical software package. STATA is a fast and versatile program that was written by economists so it is more intuitive for people in our field. STATA is also the program of choice for applied micro economists. Knowledge of STATA will greatly enhance your ability to get a job after graduation.
STATA is available in all Windows-based machines in computer clusters and classrooms on campus. STATA is not available on the MAC machines in the clusters. If you want your own copy of STATA, a one-year site license for STATA 10/IC can be purchased through the STATA Grad Purchase plan. The web site is http://www.stata.com/order/new/edu/gradplans/gp-campus.html and the cost is $95. This version of STATA is available for either Windows or MAC platforms. This is not required for class but if you want to use STATA on your own laptop/desktop, this is the only avenue available.

To help you get started with STATA, I have put together a 15-page tutorial that is available on the class web page. You are expected to go through the tutorial yourself and become familiar with the basics of STATA. You need to do this soon because we will begin to use STATA early on in the semester. I will run a 90 minute ‘get to know’ STATA session for anyone interested. The class is not required and if you ‘pick up’ programming quickly, you may want to skip it. The STATA review session is tentatively scheduled for Friday, January 15, 11:45am – 1:00pm. The classroom is TBD.

Prerequisites: ECON 30330 or a serious course in Mathematical Statistics. You are also expected to know some simple calculus.

I have put together a 20 page review of ECON 30330 and this is available on the class web page. This handout goes over most of the important concepts that will be used this semester such as expected values, covariance, correlation, linear combinations of random variables, test of hypothesis, testing the equality of means from two samples, etc. Please read over the handout. If the terms in that handout are foreign to you, you may need to review your ECON 30330 notes.

Expectations: Students are expected to attend class, be prepared for class, to NOT be late to class, to participate in classroom discussions, to hand in assignments when due, and to NOT engage in academic dishonesty.

Evaluations: Grades for the course will be based on 6 problem sets (20 percent of the course grade), a mid term examination (25 percent), an empirical project (20 percent) and a comprehensive final exam (35 percent).

Problem sets: Five to six problem sets will be assigned during the semester. These problem sets are designed to gauge your understanding of the concepts discussed in class. The problem sets will have two types of questions. The first are ‘pencil to paper’ where you are asked to prove a mathematical statement, calculate an estimate, derive an equation, etc. These questions are the type that will be asked on the exams. For the second type of question, you will given a data set and asked to generate and interpret statistical output. You can use any statistical software package to answer these questions but I will provide sample programs and support (i.e., I will answer questions) for STATA.

You are encouraged to work in groups on the problem sets but everyone must turn in their own copy of the answers. Problem set answers should be turned in at the beginning of class on the day they are due. I will not accept late problem sets.

The first problem set is on the class web page and is due at the start of class on Thursday, January 21st, and will cover the statistics you should have learned in ECON 30330.
Examinations: The mid-term examination will be held Thursday, March 4th. The final exam will be held in the classroom on Wednesday, May 5th from 10:30am – 12:30pm.

Exams will be a mix of problems like those from the problem sets, and discussion-type questions.

Makeup exams will only be given for students who have a valid University excuse, applied for in writing and adequately documented. I must receive documentation within 48 hours of the missed exam. Please familiarize yourself with student responsibilities concerning missed exams, missed assignments, etc.

Paper: A group research project is due at the start of class, Tuesday, April 27th, which is the last day of class. More information about the project will be given later in the semester but in a nutshell, I will provide you will a data set and a fairly narrow research question and you will be expected to review the relevant literature, estimate models to answer the particular question, and write up the results as if this were an academic paper. The assignment will be distributed on the first class after Spring Break (Tuesday, March 16th). You will work in groups of two or three and you must identify your group by Tuesday, March 23rd. It is assumed that if your name is one the paper, you make equal contributions to the project. Grades on the paper will be based on the quality of the writing (grammar counts), the justification for the model you estimate, and the accuracy with which you interpret your statistical models.

Please familiarize yourself with the Undergraduate Academic Code of Honor: http://www.nd.edu/~hnrcode/docs/handbook.htm.

**Brief Outline, ECON 30331**  
**Spring 2010**

I. **Moving from correlation to causation**  
   Chapter 1, Wooldridge

II. **The bivariate regression model**  
    Chapter 2, Wooldridge

III. **Multiple regression analysis: estimation**  
     Chapter 3, Wooldridge

IV. **Multiple regression analysis: inference**  
    Chapter 4, Wooldridge

V. **Dummy variables**  
   Chapter 7, Wooldridge

VI. **Applications – Some papers**  


VII. **OLS Asymptotics**  
Chapter 5, Wooldridge

VIII. **Time series data**  
Chapters 10 - 12, Wooldridge

I am not thrilled with the time series chapters in this book. I think they are overly complicated and as a result, they in some spots, unreadable. We will focus on the following sections

10.1 The Nature of Time Series Data  
10.4 Functional Form and Dummy Variables  
10.5 Trends and Seasonality

11.1 Stationary and Weakly Dependent Series  
11.3 Using Highly Persistent Time Series in Regression Analysis

12.1 Properties of OLS with Serially Correlated Errors  
12.2 Testing for Series Correlation  
12.3 Correcting for Serial Correlation


IX. **Panel Data Models**  
Chapters 13 and 13, Wooldridge

Meyer, B., “Natural and Quasi-experiments in Economics,” *Journal of Business and


X. Instrumental variables
Chapter 15, Wooldridge


XI. Regression discontinuity models

