Empirical Project

The goal of this class is to train you to answer economic questions using data, and 35% of your grade comes from this empirical project. Here is my suggestion, for how to do the project:

1. Familiarize yourself with a dataset, like ENEU (the Encuesta Nacional de Empleo Urbano). ENEU data for the years 1994-1999 are available in the library. Prof. David Kaplan’s webpage (http://ciep.itam.mx/~kaplan/AppliedEconometrics.htm) has information about how to use ENEU data. Alternatively, you may use some of the data from Jeff Wooldridge’s webpage (http://wooldridge.swcollege.com). Macro data can be found at the Penn World Tables (http://pwt.econ.upenn.edu).

2. Design some research question that could be answered using this data. (“Did the effects of education on earnings change after 1997?”) Discuss your question with me. Your question should imply some testable hypothesis. (In this case, an appropriate hypothesis is “the estimated returns to education are the same prior to 1997 as after 1997.”)

3. Answer the question using econometric analysis. Your technique should involve some sophistication (some technique from this class, for example: instrumental variables, fixed effects or random effects, adjusting for selection or censoring).

4. Summarize your results in a paper. Describe: your question, your data (the specific variables that you use, and the sample that you use), your estimation technique, your estimates, and the answer to your question. The paper will probably be 7-10 pages long. (However, I grade on completeness, not length.) In addition, you should submit your estimation program and the log file as an appendix to the paper.

The most important thing is to demonstrate that you know what econometric techniques to use, and when to use them.

By this Thursday, March 23, you should have looked at the available datasets and you should have a possible research question.