Chapter 10

10.1. As mentioned in Example 10.1, Vella & Veerbeck (1998) included 16 variables plus a set of dummies in their analysis. Download an extract from their data (WagepanX), and

a) Go through the variables and for each variable: write down how you think it relates to other variables (including whether the relation is positive or negative). Substantiate your answers.

b) Based on your answers to (a) formulate a model and estimate its parameters.

Vella, F., & Veerbek, M. (1998). Whoose wages do unions raise?A dynamic model of unionism and wage rate determinination for young men. *Journal of Applied Econometrics, 61*, 783-820.

Variables in the data set are:

exper   years of labor market experience
hours   annual hours worked
married   = 1 if married
union   = 1 if in union
lwage   log wage
$exper^2$

black   = 1 if black
hisp   =1 if Hispanic
educ   years of schooling