

Lesson 2

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Introduction to Applied Econometrics

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OLS Statistics

- Remember graphical explanation of the OLS estimates?

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- Examples:
 - CEO salary and return to equity;
 - Wage and education

Algebraic Properties of OLS Statistics

- The three most important assumptions?
- Goodness-of-fit

Incorporating non-linearities in Simple Regression Models

- Why do we need to consider non-linearities (ref. wage example)?
- Constant elasticity models.

Multiple Regression Analysis

- Examples;
- How to interpret the OLS regression equation?

The Expected Values of the OLS Estimators

- Gaus-Markov Assumptions

Examples

- Example 1: Trade off between sleeping and working
- Example 2: Productivity and training
- Example 3: Housing prices and pollution