

# Lesson 4

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## 5 main properties

- Least Squares
- Highest R-square
- Unbiasedness
- Efficiency
- Consistent

Example: Smoking in Serbia

# More on Functional Forms

- Logarithmic functions
  - Example 1: housing price and pollution;
  - Example 2: drunk drivers and arrests
- Models with quadratics
  - Wage equation
- Models with interaction term

# Models with Qualitative Information (Binary or Dummy Variables)

- Example: Wage equation for women.
- How do we interpret estimators of dummy variables?
- How to interpret estimators with logs?