

Problem Set #9 Answer Key

Economics 435: Quantitative Methods

Fall 2011

1 Public sector unionization and the size of government: Part VI

Please see the file <http://www.sfu.ca/~bkrauth/econ435/restricted/psu6.pdf>. The R code used to generate these results is available at <http://www.sfu.ca/~bkrauth/econ435/restricted/qunionization6.r>

2 An alternative to the IV estimator

a) You can use:

$$\hat{\beta}_1 = \frac{\hat{\gamma}_{yz}}{\hat{\gamma}_{xz}}$$

b) It is identical to the IV estimator.