COURSE OBJECTIVES AND PREREQUISITES

This course is an introduction to econometrics. The goal is to develop the skills necessary to conduct empirical research in economics. Another important goal is to acquire the necessary background to read and critically evaluate published research in professional journals. At the end of this course you should be able to read and understand most of the empirical papers in journals like the American Economic Review and the Journal of Political Economy.

The only essential prerequisites are (at least) one course in statistics and (at least) one calculus course. Linear algebra is not required. Of course, since applications will focus primarily on testing economic theories and evaluating economic policies, some knowledge of economic theory is assumed throughout.

COURSE STRUCTURE

The course is divided into three main parts. The first part covers Least Squares Regression with cross-sectional data. This is a convenient starting point, since cross-sectional data (usually) require the least sophisticated statistical methods. The second part of the course focuses on time series regression. Time series data often violate the classical statistical assumptions, and therefore require special attention. Finally, the third part of the course covers a range of special topics, including panel data methods, instrumental variables, limited and qualitative-dependent variable models, and maximum likelihood estimation.

COURSE EVALUATION

<table>
<thead>
<tr>
<th>Weight in Grade</th>
<th>Problem Sets</th>
<th>40%</th>
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<tbody>
<tr>
<td>Midterm exam (Tuesday, February 18)</td>
<td>25%</td>
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<tr>
<td>Final exam (date to be arranged)</td>
<td>35%</td>
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Learning econometrics is like learning how to ride a bike. You can’t do it by just reading a book. You actually have to get out there and try it (and occasionally fall down). Thus, an integral part of the course is a sequence of weekly computer assignments. The data for the assignments are available on the class website. Students can use whatever statistical package they want, although I recommend EViews, since it is powerful, easy-to-use, and readily available on the SFU computing network. The problem sets are available as PDF files on the class website.
COURSE MATERIALS

There is one required book for this course:


   I also highly recommend:


   Kennedy’s book provides an intuitive and conceptual approach to econometrics. As such, it provides a nice complement to the often rather technical material in Wooldridge’s textbook. (However, be forewarned that at times Kennedy’s book is more advanced than Wooldridge’s).

   Both books are available at the campus bookstore and on reserve at the library.

COURSE OUTLINE AND READINGS

I. REGRESSION ANALYSIS WITH CROSS-SECTIONAL DATA (13 lectures)

Jan. 2 – Introduction and Course Overview  
Wooldridge, Chpt. 1

Jan. 7 – Simple Two-Variable Regression/The Mechanics of OLS  
Wooldridge, Chpt. 2 (pgs. 21-47)

Jan. 9 – Simple Two-Variable Regression/The Mean & Variance of OLS Estimators  
Wooldridge, Chpt. 2 (pgs. 47-61)  
Kennedy, Chpts. 1 and 2

Jan. 14 – Multiple Regression/Mechanics and Interpretation  
Wooldridge, Chpt. 3 (pgs. 68-84)  
Kennedy, Chpt. 3 (pgs. 42-50)  
Problem Set 1 due in class

Jan. 16 – Multiple Regression/The Gauss-Markov Theorem  
Wooldridge, Chpt. 3 (pgs. 84-102)

Jan. 21 – Statistics Review/Sampling Distributions and Hypothesis Testing  
Wooldridge, Appendix C (pgs. 731-740, 745-769)  
Kennedy, Appendix A  
Problem Set 2 due in class
Jan. 23 – Statistical Inference / t-Statistics and Confidence Intervals
Wooldridge, Chpt. 4 (pgs. 116-139)

Jan. 28 – Statistical Inference / Testing Linear Restrictions
Wooldridge, Chpt. 4 (pgs. 139-157)
Kennedy, Chpt. 4
Problem Set 3 due in class

Jan. 30 – OLS Asymptotics / Probability Limits and Consistency
Wooldridge, Chpt. 5, Appendix C (section C.3)
Kennedy, Appendix C

Feb. 4 – Scaling, Functional Forms, and Prediction / Dummy Variables
Wooldridge, Chpt. 6, Chpt. 7 (pgs. 218-232)
Kennedy, Chpt. 14 (pgs. 221-224, 228)
Problem Set 4 due in class

Feb. 6 – More on Dummy Variables / Chow Tests
Wooldridge, Chpt. 7 (pgs. 232-249)
Kennedy, Chpt. 14 (pgs. 225-226, 229-230)

Feb. 11 – Heteroskedasticity / Weighted Least Squares
Wooldridge, Chpt. 8
Kennedy, Chpt. 8 (pgs. 116-121, 127-129, 134)
Problem Set 5 due in class

Feb. 13 – Specification Analysis / Measurement Error, Proxy Variables, and Outliers
Wooldridge, Chpt. 9
Kennedy, Chpt. 5, Chpt. 6 (pgs. 94-99, 101-107), Chpt. 19 (pgs. 299, 304-305)

Feb. 18 – Midterm Exam (Closed Book)

Feb. 20 – No Class (Spring Break)

II. REGRESSION ANALYSIS WITH TIME SERIES DATA (4 lectures)

Feb. 25 – OLS with Time Series Data / Strict Exogeneity
Wooldridge, Chpt. 10 (pgs. 323-337)
Problem Set 6 due in class
Feb. 27 – Trends and Seasonality
Wooldridge, Chpt. 10 (pgs. 337-355)

March 4 – OLS Asymptotics with Time Series Data/Weak Dependence
Wooldridge, Chpt. 11 (pgs. 360-372)

March 6 – Serial Correlation and Dynamic Specification Analysis
Wooldridge, Chpt. 12 (pgs. 391-409)
Kennedy, Chpt. 7 (pgs. 121-126, 129-131, 135-136)
Problem Set 7 due in class

III. SPECIAL TOPICS (6 lectures)

March 11 – Panel Data/Pooling
Wooldridge, Chpt. 13

March 13 – Panel Data/Fixed and Random Effects
Wooldridge, Chpt. 14 (pgs. 461-473)
Kennedy, Chpt. 14 (pgs. 226-228, 231-232)
Problem Set 8 due in class

March 18 – Instrumental Variables/Endogenous Regressors
Wooldridge, Chpt. 15 (pgs. 484-499)
Kennedy, Chpt. 9 (pgs. 139-140, 151-153)

March 20 – Two-Stage Least Squares
Wooldridge, Chpt. 15 (pgs. 499-514)
Problem Set 9 due in class

March 25 – Qualitative Dependent Variables/Logit and Probit Models
Wooldridge, Chpt. 17 (pgs. 553-565)
Kennedy, Chpt. 15 (pgs. 233-235, 237-240, 243-244)

March 27 – Limited Dependent Variables/Tobit and Heckit Models
Wooldridge, Chpt. 17 (pgs. 565-573, 585-591)
Kennedy, Chpt. 16 (pgs. 249-252)
Problem Set 10 due in class

April 1 & 3 – Review

April 7-17 – FINAL EXAM (exact date not yet decided)