Economics 312 Spring 2020
Daily Problem #5 February 5

In the Monte Carlo example of Appendix 2G of the Hill, Griffiths, and Lim text:

1. How do we interpret the result that the means in the first two rows of Table 2G.1 are close to 100 and 10, respectively?
2. According to Section 2G.3, the theoretical variance of b_2 (HGL's estimator, what Wooldridge calls $\hat{\beta}_1$) is 2.50. What number is Table 2G.1 would you compare to 2.50 and why? How does it compare?
3. The authors do not give you any information about the standard errors from their 1000 regressions. What would you expect the mean of the 1000 standard errors of b_2 to be if the model is valid? Why?