

EPPS 6316 : Recitation Session #6

Oct. 19. 2012

Questions?

- You learned :
- Additive dummy variables
- Multiplicative dummy variables
- Interactive dummy variables
- etc.

Problem 1

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reg realrinc educ age female married white femage femedu femalemarried
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Source	SS	df	MS	Number of obs =	1941
Model	1.9309e+11	8	2.4137e+10	F(8, 1932) =	86.16
Residual	5.4120e+11	1932	280125777	Prob > F =	0.0000
				R-squared =	0.2630
				Adj R-squared =	0.2599
Total	7.3430e+11	1940	378502579	Root MSE =	16737

realrinc	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
educ	3099.178	197.9623	15.66	0.000	2710.936	3487.42
age	406.0277	42.58114	9.54	0.000	322.5179	489.5376
female	15489.91	4703.047	3.29	0.001	6266.328	24713.49
married	5469.593	1103.49	4.96	0.000	3305.438	7633.749
white	643.3327	994.1187	0.65	0.518	-1306.326	2592.991
femage	-181.0588	61.17309	-2.96	0.003	-301.031	-61.08654
femeduc	-1089.988	285.0856	-3.82	0.000	-1649.095	-530.8797
femalemarr~d	-5221.796	1543	-3.38	0.001	-8247.915	-2195.677
_cons	-36511.18	3283.073	-11.12	0.000	-42949.92	-30072.44

Our model is :

$$\begin{aligned} \text{realincome} = & \beta_0 + \beta_1 \text{educ} + \beta_2 \text{age} + \beta_3 \text{female} + \beta_4 \text{married} + \beta_5 \text{white} \\ & + \beta_6 \text{female} * \text{age} + \beta_7 \text{female} * \text{educ} + \beta_8 \text{female} * \text{married} \end{aligned}$$

1. Interpret the effect of White on real income
2. Ignore all β , except $\beta_0, \beta_1, \beta_3, \beta_7$ and interpret them.
3. Interpret β_8
4. Interpret the effect of age on real income