Homework Question 2

Consider the linear regression model ln Yi = β0 +β1X1i +β2X2i +vi After running the regression we find V IF1 = V IF2 = 2.25. This implies that the R-squared from a regression of X1 on X2 is approximately,

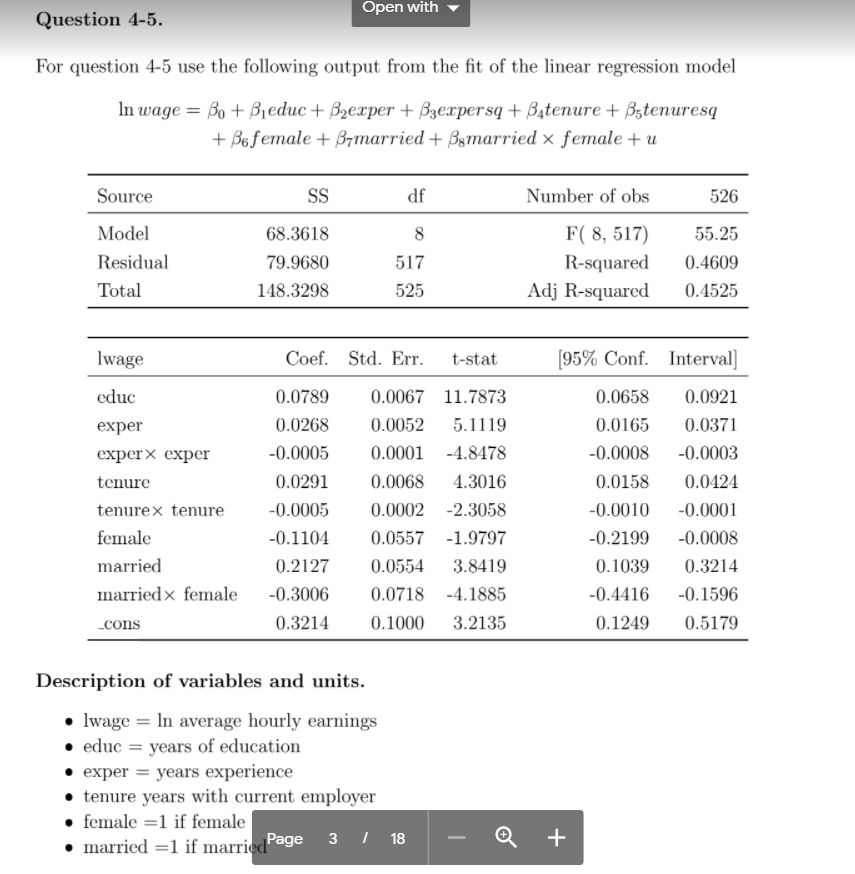
(a) 0.44

(b) 0.56

(c) 0.67

(d) 0.75

Table for Question 4-5



**Question 4:**

The results suggest a diminishing return to years of experience; captured by the negative sign on the squared term. In fact, this diminishing effect is so strong that after approximately years, expected earnings actually fall.

(a) 25

(b) 35

(c) 50

(d) Not enough information.

**Question 5**

The results suggest that the expected earnings of married woman:

(a) are approximately 19% less than their married male counterpart, ceteris paribus.

(b) are approximately 30% less than their married male counterpart, ceteris paribus.

(c) are approximately 41% less than their married male counterpart, ceteris paribus.

(d) depend on years of tenure and therefore cannot be determined.