

EC3017 APPLIED ECONOMETRICS - RESIT 2

Instructions: The coursework consists of a computer exercise (100 marks). The weight of this coursework in your final mark is 20%. You have to work on the coursework by yourself. You have to submit ONE PDF file. All your answers must be written up here, accompanied by the computer code you used to generate them. Do not put the code in an appendix. Rather, you have to make it part of your answer. Present all your results in a legible and intelligible fashion. **You will lose marks if tables are misaligned, graphs not displayed, etc.** For tables and graphs, do not use snapshots of your screen. Rather, create your own tables and import any graphs that you use into your document. Tables and graphs should be self-explanatory. For example, variables in your table should not be named “x” or “VSHRISL94”. Where necessary, accompany graphs and tables by notes at the bottom of the table or graph. **DEADLINE: See Moodle submission point.**

Assessment: I will assess your submission according to the following criteria.

1. Empirical strategy to answer the question (30%)
2. Correct interpretation of results (30%)
3. Correct execution and data manipulation (20%)
4. Style of presentation and write-up (20%)

SASS now operates a formal late policy which operates as follows: 1) Work submitted on time – student receives the full mark they achieved, 2) work submitted within one minute of the deadline – as above, 3) work submitted within 24 hours + one minute of the original deadline – student receives a capped mark (40%), 4) work submitted more than 24 hours + one minute late – student receives a mark of zero.

I strongly advise you to submit whatever you have put together well before the submission deadline, and to overwrite any existing submissions every time you finish another part of the coursework. That way, you will insure yourself against last minute IT problems.

Formatting Use Arial 11pt, and one and half or double line spacing. Leave a half-inch left side margin. Your coursework must not exceed 750 words, excluding tables, formulas, etc, and computer code.

And what is the point of this? People are judged by appearances, and this can have consequences in all aspects of life, such as hiring decisions, loan applications, etc. Can we

infer economic characteristics from how people's appearances? The question in this exercise is: are people who have tattoos more present-oriented than people who do not have tattoos?

Advice: You have a very comprehensive Stata manual at your disposal on Moodle. If you need further help, there is almost no question (regarding the use of Stata) which cannot be answered by a quick google search...

1 Overview

The question we will be addressing in this exercise is whether people with tattoos are more willing to forego a higher payment in the future for a smaller payment in the present.

1.1 Background

This is based on a choice experiment. Participants were asked whether they would rather receive £1 in 18 hours, or £ x in 3 weeks. The question was asked 10 times to all participants, where the amount x was varied according to the below table:

Table 1: Choice experiment

Pair	Option 1	Option 2
1	£1 in 18 h	£1 in 3 weeks
2	£1 in 18 h	£1.05 in 3 weeks
3	£1 in 18 h	£1.10 in 3 weeks
4	£1 in 18 h	£1.20 in 3 weeks
5	£1 in 18 h	£1.30 in 3 weeks
6	£1 in 18 h	£1.45 in 3 weeks
7	£1 in 18 h	£1.65 in 3 weeks
8	£1 in 18 h	£1.90 in 3 weeks
9	£1 in 18 h	£2.20 in 3 weeks
10	£1 in 18 h	£2.50 in 3 weeks

For example, someone who switches from Option 1 to Option 2 at pair 5 is willing to defer their payout only if the amount to be paid out is at least £1.30 or more. They would rather have the pound in 18 hours for any amount less than that.

2 Data and Variables

You will be using the data sets `ResitCourseworkData` (a Stata file). You have information on whether and where the participant has a tattoo. The variable `visible` indicates whether the participant has a tattoo which cannot easily be disguised by clothing. The variables starting with `bodypart` are all dummy variables equal to one if the participant has a tattoo on the body part as described in the variable label. The variables starting with `pair` indicate which answer the participant has chosen for each of the ten choices described above.

3 Exercise

Using both a graphical and a statistical/econometric analysis, answer the question whether having a tattoo is indicative of being more present-oriented.

To answer the question, you should distinguish three types of people: those without any tattoo, those who have (a) tattoo(s), but it can easily be disguised, and finally those who have a tattoo which cannot be easily disguised. Your analysis should exclude people who switch back and forth between option 1 and 2, but also people who, for example, would prefer to have a pound in three weeks rather than 18 hours (option 2 in Pair 1), but who would prefer to have a pound in 18 hours rather than £1.05 in three weeks (option 1 in Pair 2). I hope you can see the weirdness in this pair of choices...