

Quantitative Methods II (PUPB 603-01)
William & Mary Program in Public Policy
The College of William & Mary
Spring 2022

Class meets Mondays & Wednesdays in Chancellors Hall, Rm. 217, 11:00-12:20 pm

Professor Peter Savelyev (pasavelyev@wm.edu)

About me My primary research interests are in the fields of health economics, applied econometrics, genoeconomics, and economics of human development. Prior to coming to William & Mary I worked at the University of Chicago and at Vanderbilt

Office Hours Tuesdays 2:30-5:00 and Wednesdays, 5-5:30; for the period of 02/02-03/11, 03/21-05/06, or by appointment

Office Location: Chancellors Hall, Rm. 232

About this course This course introduces students to multiple regression analysis and other tools of causal inference and program evaluation. We will focus on applying these tools to real data on various policy topics, drawing applications from a wide range of policy areas. After taking the class, students should be able to critically consume empirical research done by others and thoughtfully produce empirical research of their own.

Reading Required reading is *Introductory Econometrics, A Modern Approach* by Jeffrey Wooldridge, 6th edition. Older or newer editions of the same textbook may work as long as students make sure that they do the right homework questions. Plus, lecture slides include material not covered by the textbook and may provide somewhat different interpretation of theory and results than in the textbook. Students should also know formulas and charts that I presented on whiteboard in class and Stata codes (“do-files”) that we go over in class (all available on Blackboard).

Software This course relies heavily on Stata, a powerful and widely-used statistical package, a #1 statistical software choice for many social scientists. Three typical ways to access Stata:

- (1) On any W&M campus computer (find Stata software under “all programs/statistics” of the windows Start panel). A list of on-campus lab locations can be found here:
<http://www.wm.edu/offices/it/services/computerlabs/configuration/index.php>
- (2) Using your own computer and remote access to Stata at W&M (from any place with an access to the Internet including off-campus). See below a paragraph called “How to run W&M Stata remotely from home.”
- (3) Stata can be installed to your personal computer if you choose to purchase it (for 12 months or longer). The college is part of the Stata Grad Plan which offers discounted versions of Stata. More information on that can be found

here: <https://www.wm.edu/offices/it/services/software/licensedsoftware/mathstats/stata/index.php> and here: <http://www.stata.com/order/new/edu/gradplans/student-pricing/>

Please do not leave your empirical work to the last moment, especially if you depend on a public computer or do not have experience working in Stata remotely!

Stata users enjoy a wide range of resources online in addition to excellent and user-friendly documentation that comes with Stata. You can Google an answer to almost any technical Stata question that you may have while solving the homework. One free introduction to Stata is called “A brief introduction to Stata with 50+ commands.” https://pokrovka11.files.wordpress.com/2012/10/introduction_to_stata_with_50_basic_commands.pdf I will devote some time in the online class to learning Stata basics. That said, students are expected to get themselves familiar with the practical use of Stata by using material from class, from Stata help, and from web sources when needed.

Make sure you learn Stata well and add Stata skills to your CV. Not only you will be more successful in this course, you will also have better chances on the job market!

How to run W&M Stata remotely from Home

1. How to upload data to be used by Stata and how to start Stata remotely. (Note: remote Stata cannot use data files that are physically on your home computer. Instead, you need data files to be physically at W&M server.)
 - 1.1 Go to <https://vdesktop.wm.edu/>
 - 1.2. Select HTML access and go through W&M identification procedures (password etc.)
 - 1.3 Pick a computer lab from the list of available labs. If the chosen lab is busy, choose another lab.
 - 1.4 You will remotely see a screen of a W&M computer.
 - 1.5 Open a browser from the W&M virtual screen.
 - 1.6 Go to blackboard/econometrics/assignments and click on datasets_Stata_format.zip. This click will lead to downloading it and you will have an option to place data files to your folder at W&M (the H Drive, which is WM network storage).
 - 1.7 Go to the start menu and choose statistics/stata/stata. Stata window will open on your screen and you can start working. Open the data that you have put to your H-drive from Stata.
2. How to exchange files between work and home computers
 - 2.1 Do 1.1-1.5 as described above
 - 2.2 Connect to your favorite cloud storage to exchange files (e.g., Google Drive, One Drive, Box, Dropbox, iCloud). Now you can exchange files between cloud and W&M server. Therefore, you can move files from home to W&M and back through the cloud.

If these instructions do not lead to satisfactory remote connection, students should contact the Technology Support Center at support@wm.edu or by calling 221-HELP.

Some Useful Data Sources

Choosing, obtaining, and cleaning data takes remarkably long time, especially when you do so for the first time. Please do not leave your search of data to the last moment! Always choose public use data (unless you already have such data). You do not have the time to go through procedures to obtain the restricted data.

Here are some possible data sources in no specific order:

1. Integrated Public Use Microdata Series (IPUM): <http://usa.ipums.org/usa/> Cleaned data here include the American Community Survey (ACS), Census data, Current Population Survey (CPS), and National Health Interview Survey (NHIS).
2. Multiple datasets from the NBER web page: <http://www.nber.org/data/>
3. NLSY data: <https://www.nlsinfo.org/content/getting-started/accessing-data>
4. MIDUS data <http://midus.wisc.edu/data/index.php>
5. WLS data: <https://www.ssc.wisc.edu/wlsresearch/data/>
6. Add Health data: <https://addhealth.cpc.unc.edu/data/>
7. American State Administrators Project: <https://asap.wisc.edu/dataset/>
8. Data that come with your textbook (see blackboard for this class or google it online). Be careful that you do not use the same model that your textbook presents based on the same data. Such a paper will make no contribution. You need to show your independent work and demonstrate some contribution.

The full list of possible data sources would be too long. Students are expected to find data source based on their research interest. See handout 4 or Chapter 19 of the textbook about how to write an empirical paper and find data for it.

Group work Group work (or team work) is highly beneficial for learning since students learn from each other and get superior motivation. Moreover, group work creates skills that are essential for students' future careers: team work is a common work environment. I recommend students to form groups that consist of 2-4 people to work together on problem sets and the project.¹ Please answer the questionnaire on group formation in the end of this syllabus and submit it as specified in the list of important deadlines (see below). One group member submits the questionnaire for the whole group.

Students are free to change the group, split the group, or start working alone at any time (after giving other group members a notice a reasonable time ahead of the next deadline). Please view group work as your resource and learning opportunity, not a must.

Grading Weights

Homework (one work from each working group), 22%

Midterm exam, 23%

¹ All members of the group will share the same scores for home assignments and their original research presentation. It is up to the group how they divide the work. I allow groups to merge or split at any time. No approval is needed as long as new group does not exceed 4 students.

Term paper (one paper from each working group), 10%
In-class term paper presentation (one from each group), 10%
Cumulative final exam, 33%
Group work in class, 2%

Midterm and Final Exams During exams students are allowed to use printed but not electronic books, lecture notes, own notes, printed Stata codes, and copies of homework and group work assignments. Computers, tablets, smart phones, and any other devices with Web access are not allowed. Calculators without Web access are allowed and might be useful.

The midterm exam takes the duration of one class. The cumulative final exam takes two hours.

If your score for the final exam is higher than your score for the midterm, then I will automatically replace your midterm exam score with the final score. For instance, if you get 85% for the midterm and 95% for the final, I will automatically replace 85% with 95%. However, if you get 80% for the final, I will make no such adjustments so that you keep your midterm score of 85%. The aim of this policy is to encourage academic progress and give students a chance to improve their midterm scores.

Group work in class This work provides up to 2% of points for the semester-long effort. I can assign group work during any class, with no prior notification. The group work may be based on new material from the same class or any previous material. For the best results, students are encouraged to keep clean class notes, make sheets with formulas and definitions for quick reference, pay attention in class, and ask questions in class or during office hours if things are unclear. This policy encourages class participation and incentivizes students to pay attention in class and to stay on top of the material. Plus, students learn from each other while doing the class assignment.

Reward for active class participation Students who provide both useful and regular contributions to class discussions, ask good questions, and provide answers to questions that I ask the class during lectures will be rewarded by a higher grade in marginal cases (e.g, a B+ that is close enough to an A- will translate to A- for such student).

Homework Students will have weekly homework assignments, the majority of which involves computer work and interpretation of the results. Expect eight homework assignments (changes possible).

Please submit hard copies. Typing answers is encouraged. Handwritten formulas and charts are OK as long as your handwriting is clear. Unreadable answer will be considered as no answer.

If your homework requires Stata work, then print-outs of .do and .log files must be attached; points will be taken off if they are missing.

Unless announced otherwise, hard copies of homework assignments are due on Wednesday in class (see the list of important deadlines below). Groups have one week to complete homework (the homework is typically posted on Wednesday evening and

announced by e-mail). Each group is allowed to submit one late homework to cover unexpected circumstances (skip the Wednesday deadline and submit it next Monday in class).

I will drop your lowest homework score to boost your average and total homework score.

Copying answers from other groups or any other source constitutes a honor code violation.

On each homework, please list the names of all group members who deserve credit for preparing that homework.

Term Paper (Project) and its Abstract The goal of this course is for you to gain the ability to conduct and critique empirical work in policy, economics, and related fields. A testimony to whether you have achieved this goal is to implement an empirical project. You will ask a research question, find relevant data, carry out empirical analysis, and write up a short term paper with other members of your group (I need one paper from each group).

You need to submit a short description (abstract) of your project by the deadline specified below in the list of important dates. Submit one printed abstract from each group. I will return it to you with my written comments. Please, limit the abstract to one paragraph. Motivate your project and mention which methods you plan to use, which data you plan to process, which results you expect, and which policy implications you may derive. I encourage students to discuss their topic with me any time when it is productive (before or after the abstract is due). The abstract will not be graded and is needed for the first feedback. Students are free to change their initial plan of work if needed upon a discussion with the professor.

The following source can serve as a useful guide on how to write a research paper:
<http://faculty.wcas.northwestern.edu/~mdo738/teaching/cochrane.pdf>.

There is also a useful writing resource on campus. The Writing Resources Center, located on the first floor of Swem Library, is a free service provided to W&M students. Trained consultants offer individual assistance with writing, presentation, and other communication assignments at any stage, from generating ideas to polishing a final product, and across disciplines. To make an appointment, visit the WRC webpage www.wm.edu/wrc.

Your project should contain the following parts:

- 1) Introduction: motivate your question of interest, shortly summarize which methods you used and which results you obtained
- 2) Data: Briefly describe your data. Define the outcome and main explanatory variables. Show a summary statistic table and, if needed, graphs summarizing important variables
- 3) Methodology: How do you answer the question raised in the introduction? Which econometrics method are you applying? What are the underlying assumptions? (For

example, if you use a difference-in-differences estimator, clearly describe your control and treatment groups, and the assumptions which make such estimation valid.) Admit limitations of your methodology. For instance, unless you have data from a randomized experiment, a simple OLS model will likely fail to give you estimates that can be interpreted as causal under realistic assumptions. Estimates based on simple OLS are still fine for this course but you need to note the limitations and view your results as associations.

4) Results: Present your results in well-formatted tables and figures. Place notes behind tables and figures to make them self-explanatory. Every table and figure should have a clear title. Interpret your results. Mention limitations of your results related to limitations of methodology that you discussed above (for example, if you suspect your analysis suffers from omitted-variable bias but cannot do anything about it, acknowledge it, and, if possible, discuss the direction of the bias. Admitting limitations improves the quality of your project). Discuss both the economic and statistical significance.

5) Conclusions: Summarize what the paper is about and your findings. Discuss policy implications if any exist. Mention possible steps you may want to undertake in the future to move this research forward.

6) An appendix showing a do-file and a log-file that produce results of this paper including data cleaning and results calculations.

The main text of the project report should be no more than 10 pages double-spaced using 12-point font (figures, tables, and an appendix with a do-file and a log-file are excluded from this restriction). Smaller fonts and different line spacing can be used for tables, figures, and the appendix.

Examples of projects in the past please find below examples of paper titles that were submitted for this class in the near past (all topics originated from students). Note that titles are very specific, and so these papers deeply study a specific research question. Your group can pick any specific topic including topic related to examples listed below.

- The Impact of State Economic Environment on the Quality of A State Public Education System
- Stress and Alcohol Abuse: Another Gender Gap
- Will Higher Levels of Education Help Prevent Firearm Crimes?
- Economic and Development Indicators of Country-Level Happiness
- PSAT Score and School Quality by State
- United States Food Security Policy: The Relationship between the 2015 Food Insecurity Nutrition Incentive Grant Program and Food Security

Avoid a typical mistake of picking a topic that is too broad for a paper. For instance title “The Effects of Education, Experience, and IQ on Wages, Health, and Happiness” is way too broad for a paper. You will not be able to answer all these questions in enough detail in a single paper. In contrast, title “The Effect of Education on Mental Health in the US” is well-focused.

In-Class Peer Presentation Two classes at the end of the semester are expected to be devoted to project presentations. The timing of presentations will be announced closed to the event and will depend on the number of projects to be presented.

Important Dates

- 1/26: the first class
- 1/31: group formation questionnaire due in class
- 2/09, 2/16, 2/23, 3/2, 3/30, 4/6, 4/13, 4/20: home assignments due in class (assignments will be posted on the Blackboard a week ahead of the deadline)
- 3/9: midterm exam in class
- 3/12-3/20: spring break
- 3/23: title and abstract of the term paper due in class
- 4/27 and 5/2: group presentations in class
- 5/4: the last class
- 5/5: pdf of the paper due by 10pm to a designated Blackboard folder.
- 5/16, 10am-noon (we are formally allocated the time from 9am to noon, but we start at 10am for convenience): a two-hour cumulative final exam in the same room as the class. Note: this time and date is set by the college and subject to change by the college. The most updated official date of the exam can be checked [here](#).

Topics by class number Numbers of chapters refer to Wooldridge's textbook, 6th ed., as the main source for this course. Other sources will supplement the textbook when preparing lectures but Wooldridge is the only required textbook. "HD#" refers to numbered handouts (which are lecture presentation slides) available on Blackboard. Topics include theory, Stata coding, and possible in-class work including exam preparation activities. Dates are expected ones and subject to changes.

1. Introduction (syllabus, HD0), class 1
2. Nature of Econometrics and Economic Data (Ch. 1, HD1), class 2
3. Multiple Linear Regression (MLR): Estimation (Ch. 2–3, HD 2); Introduction to Stata coding. OLS estimation and Monte-Carlo simulation in Stata, classes 3–7
4. MLR: Statistical Inference, related Stata options, and midterm preparation (Ch. 4, HD 3), classes 9–12

[Midterm exam during class 13 covering all topics so far]

5. Carrying out an Empirical Project (Ch. 19, HD4), class 14
6. MLR: Large Sample Properties (Ch. 5, HD5), class 14
7. MLR: Further Issues: Functional Form, Goodness of Fit and Model Selection, Prediction and Residual Analysis (Ch. 6, HD6), classes 15–16
8. MLR with Qualitative Information and the Linear Probability Model and related Stata options (Ch. 7, HD7), classes 17–18
9. MLR: Heteroskedasticity and related Stata options (Ch. 8, HD8), class 18
10. More specification and data issues in MLR: Functional Form Misspecification, Proxy Variables, Model with Random Slopes, Measurement Error (Ch. 9, HD9) classes 19–20
11. Simple Panel Data Estimation and related Stata options (Ch. 13, HD10), classes 21–22

12. Advanced Panel Data Estimation and related Stata options (Ch. 14, HD11), classes 22–24
13. Instrumental Variable Estimation (Ch. 15, HD12), related Stata options, final exam preparation, and group presentations: classes 24–27
14. Limited Dependent Variables and Sample Selection (Ch. 17, HD13)—if time permits

Material from appendices A, B, C, D, E, and G will also be used throughout the course.

Feedback I highly encourage students to provide me with feedback on how to further improve this course. I also conduct an informal and anonymous survey during the semester to seek feedback.

Computer policy I allow the use of laptop computers and other electronic devices in class, but only for course-related purposes such as making notes or reading electronic handouts. I do not allow the use of computers and other devices with Internet access during the exam.

Honor Code The College Honor Code will be observed. In particular, it is not acceptable to copy homework answers from other groups or from any other sources. Term papers should be original, cite all sources of data and ideas, and provide a do-file and a log-file in the appendix as additional evidence of your original coding.

Disability Service William & Mary accommodates students with disabilities in accordance with federal laws and university policy. Any student who feels he/she may need an accommodation based on the impact of a learning, psychiatric, physical, or chronic health diagnosis should contact Student Accessibility Services staff at 757-221-2509 or at sas@wm.edu to determine if accommodations are warranted and to obtain an official letter of accommodation. For more information, please see www.wm.edu/sas.

Required and Suggested Reading

Notation:

*– required reading

No asterisk – suggested reading for those who wish to learn more than is required to pass the course with an A. Also, suggested reading may help you with your project.

*All lecture slides, all writing on the graphic pen tablet/whiteboard, and all Stata codes discussed in class (slides and codes should be available on Blackboard)

*Wooldridge, J.M.. *Introductory Econometrics. A Modern Approach. Sixth Edition.* Cengage Learning. 2016.

Angrist, J. and Pischke J-S. 2009. *Mostly Harmless Econometrics: An Empiricist's Companion.*

Cameron, A. C. and Trivedi, P. *Microeconometrics. Methods and Applications.* Cambridge University Press, 2005.

Cameron, A. C. and Trivedi, P. Microeconometrics using Stata. Revised Edition. Stata Press, 2009.

Greene, W. Econometric Analysis. Pearson; 7 edition, February 13, 2011.

Little, R. J. A and Rubin, D. B., 2002. Statistical Analysis with Missing Data 2nd Edition. Wiley-Interscience; 2d edition.

Maddala, G.S., 1986. Limited-Dependent and Qualitative Variables in Econometrics. Econometric Society Monographs. Cambridge University Press; Revised ed. Edition, June.

Peter A. Savelyev, Benjamin Ward, Robert Krueger and Matt McGue. Health Endowments, Schooling Allocation in the Family, and Longevity: Evidence from US Twins. *Journal of Health Economics*, 81 (2022) 102554. Working paper almost identical to the published version: [HCEO](#).

Wasserman, L. All of Statistics. Springer. 2003.

I reserve the right to alter the form and content of the course in order to adjust to the needs and level of students enrolled in the class.

Group Formation Questionnaire

(I need one form filled from each group.

Plus, I need one from each student, who has no group.)

1. Your name:
2. Have you formed a group of 2–4 students (including you) enrolled in this class?
(Yes/No) [If no, please skip to question 5]
3. Please list names of your group members (excluding you):
 - (1)
 - (2)
 - (3)
4. Is your group open to admitting more members among those who found no group
(to be assigned to your team by the Professor)? (Yes /No) [skip to question 6]
5. Would you like to be assigned to a group by the Professor? Yes / No
6. Your comments or suggestions (if any):