Financial Econometrics
Shanghai Jiao Tong University
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Empirical Exercise 4B

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Reference: Stock, J.H. and Watson, M.W., Introduction to Econometrics (4th Edition)

Data: `Growth.csv` *(Malta excluded)*

Empirical Exercise 6.2. Using the data set `Growth` described in Empirical Exercise E4.1, but excluding the data for Malta, carry out the following exercises.

(a) Construct a table that shows the sample mean, standard deviation, and minimum and maximum values for the series *Growth*, *TradeShare*, *YearsSchool*, *Oil*, *Rev_Coups*, *Assassinations*, and *RGDP60*. Include the appropriate units for all entries.

(b) Run a regression of *Growth* on *TradeShare*, *YearsSchool*, *Rev_Coups*, *Assassinations*, and *RGDP60*. What is the value of the coefficient on *Rev_Coups*? Interpret the value of this coefficient. Is it large or small in a real-world sense?

(c) Use the regression to predict the average annual growth rate for a country that has average values for all regressors.

(d) Repeat (c), but now assume that the country's value for *TradeShare* is one standard deviation above the mean.

(e) Why is *Oil* omitted from the regression? What would happen if it were included?

Calculations performed using Stata. See accompanying `EE_4B_solution.do` *file.*