# WWS 508b
# Precept 7

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# midterm

Questions on the midterm?

# last week's problem set?

Questions on last week's problem set?

# this week's problem set

## one less subquestion to do!

For Question C9.1, skip subquestion (ii).

# this week's problem set

## non-linear terms

Consider this:

$$\log(wage) = \beta_0 + \beta_1 educ + \beta_2 exper + \beta_3 exper^2 + u$$

We can approximate:

$$\%\Delta\widehat{wage} \approx 100(\hat{\beta}_2 + 2\hat{\beta}_3 exper)\Delta exper$$

What does this tell us about how wages change with experience?

# this week's problem set

## testing multiple linear restrictions

$$F \equiv \frac{(\text{SSR}_r - \text{SSR}_{ur})/q}{\text{SSR}_{ur}/(n-k-1)}$$

# this week's problem set

## RESET

Regression Specification Error Test (RESET)

$$y = \beta_0 + \beta_1 x_1 + ... + \beta_k x_k + \delta_1 \hat{y}^2 + \delta_2 \hat{y}^3 + u$$

$H_0 : \delta_1 = 0, \delta_2 = 0$
$H_1$ $H_0$ is not true.