

ECO 721 Spring 2009
Homework #2
(Assigned 4/06/09, Due 4/13/09)

From the extract of longitudinal food consumption and other data from the Panel Study of Income Dynamics and using the example program *lab3_long_cons_refe.do* as a template, write a program that

1. constructs measures of
 - a. the one-year change in log real family food consumption (note: variable *dlrfdcon* does this),
 - b. the one-year change in log real family food needs (*dlrfdstd* does this),
 - c. an estimate of the previous year's real average weekly earnings divided by 1000 ($= tvhdanne[_n-1] / (52000 * tcpi[_n-1])$), and
 - d. previous year's real hourly earnings
2. constructs a binary 0/1 indicator (*unemptr*) of whether the head transitioned from employment last year to unemployment this year
3. keeps observations if
 - a. an unemployment transition is made (*unemptr==1*),
 - b. the one-year change in log real family food needs is non-missing (*dlrfdstd<.*), and
 - c. the head's education status is reported (*tvhdeduc<9*)
4. run a multivariate OLS regression with the change in log real food consumption as the dependent variable and all of the following as independent variables:
 - a. previous year's real average weekly earnings,
 - b. the head's age,
 - c. whether the head is female,
 - d. whether the head is currently married,
 - e. whether the head is white,
 - f. whether the head is black,
 - g. the head's categorical education (*tvhdeduc*),
 - h. the change in log real food needs,
 - i. the number of children, and
 - j. dummy variables for all of the years
5. run a multivariate OLS regression similar to the one specified in #4 **BUT** using the previous year's real hourly earnings in place of weekly earnings
6. discuss how and why your results differ from Gruber's (1997) results in Table 1, column 1