

**Empirical Labor Economics
Final Exam**

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Winter Semester 2021/22
60 Points

Note: Choose either **Part 1** or **Part 2**. If you answer both parts, we will only consider Part 1.

Part 1:

- 1.1. Discuss the two instrumental variables used to estimate the relationship between family size and schooling. *(30 points)*
- 1.2. Explain the two-stage least squares (2SLS) method. *(8 points)*
- 1.3. Explain the instrumental variable (IV) assumptions. *(7 points)*
- 1.4. Explain the difference in difference (DID) model and give an example using a graph. *(15 points)*

Part 2:

- 2.1. Discuss the two instrumental variables used to estimate the relationship between schooling and wages. *(30 points)*
- 2.2. Explain the difference between an instrumental variable and a proxy variable. *(8 points)*
- 2.3. Explain the assumptions for unbiasedness of a multiple regression. *(7 points)*
- 2.4. Explain the difference in difference (DID) model and give an example using a graph. *(15 points)*