Empirical Labor Economics
Final Exam

Prof. Dr. Uwe Jirjahn
M. Sc. Mehrzad B. Baktash

Winter Semester 2022/23
60 Points

Note: Choose <u>either</u> **Part 1** <u>or</u> **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 positive selection bias and its consequence. *(10 points)*
1.3. Explain the difference in difference (DID) model and give an example using a graph. *(20 points)*

Part 2:

2.1. Discuss the two instrumental variables used to estimate the relationship between schooling and wages. *(30 points)*
2.2. Explain negative selection bias and its consequence. *(10 points)*
2.3. Explain the Two-Stage Least Squares (2SLS) and the instrumental variable assumptions. *(20 points)*