

Download the data file “EDearn.xls” from D2L. Import it into R.

Use R to answer the following questions. You will need to turn in a printout of your work in R and answers for each of the questions listed above.

1. Estimate the following models.

Model 1:

$$earn_i = \beta_0 + \beta_1 Exp_i + \beta_2 LTHS_i + \beta_3 BA_i + \beta_4 MA_i + \beta_5 PHD_i + \varepsilon_i$$

where:

$earn_i$ = earnings of person i

Exp_i = experience of person i

$LTHS_i$ = 1 if person i 's highest education is less than a high school degree; = 0 otherwise

BA_i = 1 if person i 's highest education is a bachelor's degree; = 0 otherwise

MA_i = 1 if person i 's highest education is a master's degree; = 0 otherwise

PHD_i = 1 if person i 's highest education is a doctorate degree; = 0 otherwise

Model 2:

$$earn_i = \beta_0 + \beta_1 Exp_i + \beta_2 LTHS_i + \beta_3 HS_i + \beta_4 MA_i + \beta_5 PHD_i + \varepsilon_i$$

where:

$earn_i$ = earnings of person i

Exp_i = experience of person i

$LTHS_i$ = 1 if person i 's highest education is less than a high school degree; = 0 otherwise

HS_i = 1 if person i 's highest education is a high school degree; = 0 otherwise

MA_i = 1 if person i 's highest education is a master's degree; = 0 otherwise

PHD_i = 1 if person i 's highest education is a doctorate degree; = 0 otherwise

2. Using your results for Model 1, interpret the coefficient on $LTHS_i$. Does this result make sense? Explain.
3. Using your results for Model 1, interpret the coefficient on BA_i . Does this result make sense? Explain.
4. Using your results for Model 2, interpret the coefficient on HS_i . Does this result make sense? Explain.
5. Using your results for Model 2, interpret the coefficient on MA_i . Does this result make sense? Explain.