Errata for Principles of Econometrics, 5e

First Printing

Page	Date	Correction
ii	30-May-18	Under the Title information, the university for Guay C. Lim should be University of Melbourne.
ix	26-Mar-18	The information concerning the supplement *Using R for Principles of Econometrics*, *Fifth Edition* is incorrect. It should read "Using R for Principles of Econometrics, Second Edition, by Constantin Colonescu. This supplementary book presents the R instructions required for most of the examples in Principles of Econometrics, 5th Edition in a clear and concise way. It contains many illustrations that are student friendly. It is useful not only for students and instructors who will be using this software as part of their econometrics course. It is available at Amazon.com."
45	12-Dec-17	In Exercise P.24, 2nd line, *pd* should be *pdf*.
96	24-Dec-17	In Exercise 2.24(d), *YEAR_SOLD* should be *YEARS_OLD*
135	2-Jan-18	In Exercise 3.8(e), the correct estimate of $E(ACA\,|\,FTESTU = 27.95)$ is 22.0907
168	8-Jan-18	In Figure 4.9, the right-side box, Sample 140 should be Sample 40.
184	9-Dec-17	In Exercise 4.17(f), refer to Exercise 4.15(a).
187	10-Dec-17	In Exercise 4.20(a), the question should ask to "find $E(y\,|\,\mathbf{x})$".
188	11-Dec-17	In Exercise 4.24(b) and 4.24(c) the actual value of *GROWTH* was 1.422.
280	28-Feb-18	In Example 6.13, the last two sentences should read: This assumption is required for the education coefficient to be given a causal interpretation. We note that the coefficient of the proxy variable *SCORE*, as well as those for *EXPER* and *EXPER*^{2}, cannot be given a causal interpretation. For the coefficients of *EXPER* and *EXPER*^{2}, as well as that for *EDUC*, to be given a causal interpretation, we require *E(ABILITY|EDUC, EXPER, SCORE)* = *E(ABILITY|SCORE)*.
287	9-May-18	In the first equation, $i = N_1 + 1, N_2 + 2, \ldots, N$ should be $i = N_1 + 1, N_1 + 2, \ldots, N$.
294	24-Dec-18	In Table 6.9, the DFFITS values should be of opposite sign. The correct values are -0.904, -0.560, and 0.511.
303	8-May-18	For Exercise 6.16(c)(i), $SSE_R = 0.0551$ should read $SSE_R = 0.06551$

303	9-May-18	In Exercise 6.17, the reference to Table 6.3 should be Table 6.4 (twice).
355	18-Dec-17	In Exercise 7.8(f), the estimated value β_1 is 1.756.
360	24-Dec-17	In Exercise 7.18(f), *MWHITE* should be *MRACE.*
363	4-Apr-18	In line 1, the definition of *DPER* should be "*DPER* =1 if democratic president running, -1 if republican president running, 0 otherwise" In line 2, the definition of DUR should be "*DUR* = 0 if **either** party has been in power for one term,…."
374	28-May-18	The left-hand side of equation (8.9) should be $\widehat{\text{var}}\left(b_2 \mid \mathbf{x}\right)$
392	22-May-18	In Exercise 8.2(c), $x_{i1}^{*} = 1 / \sqrt{h_i}$.
392	26-May-18	In Exercise 8.3, at the end of line 4, add the following: Assume farm i's production is statistically independent of any other farm's production. Furthermore, assume that on a given farm the random error e_{ij} is uncorrelated with e_{ik} where $k \neq j$, given **X**. (Remark: this rules out spatial correlation between acres that are adjacent, or near. The analysis of spatial correlation is, unfortunately, a topic that we do not address in this book.)
392	26-May-18	In Exercise 8.3(c), at the end of the second sentence add the following: Assume blight on any acre of land on one farm is conditionally, given **X**, uncorrelated with the possibility of blight on any other acre on farm i or any other farm.
392	26-May-18	After line 2 of Exercise 8.4, add the following: You can use a spreadsheet or your computer software to reduce tedious calculations.
394	13-Jun-18	In Exercise 8.8, part a, should be "Show that when $d_i = 0$, $v_i = 1/N_0$ and that …"
395	29-May-18	At the end of the second line insert: The data file used has $N = 500$ observations.
396	30-May-18	In Exercise 8.11 (d) , omit "(b) or".
397	30-May-18	In line 1, omit "(b) or".
403	13-Jun-18	In Exercise 8.21, part d, the data file *coke_grouped* was omitted from the initial POE5 data files. It can be found at the POE4 website, http://principlesofeconometrics.com/poe4/poe4.htm.
406	19-Jun-18	In Exercise 8.27, the data file *olympics5* is missing. It will be uploaded as soon as possible. It will be added to the remaining data files as soon as possible.
415	17-Jan-18	In Table 8E.1, rows 8-17 has some values misplaced. The values in those rows should be: 1.0007, 0.0415,1.0008, 0.0406, 0.0406, 1.0013, 0.0452, 1.0920, 0.0415, 0.0442.
466	15-Dec-17	In Table 9.11 $DIRATEt_{-2}$ should be $DIRATE_{t-2}$.

467	16-Dec-17	In Exercise 9.13, part (c) should be included as part of part (b). Parts (d) and (e) should be relabeled as parts (c) and (d), respectively.
470	30-Jul-18	In Exercise 9.25(c), $\sum_{t=2016Q1}^{2016Q3}\left(\hat{C}_t - C_t\right)^2$ should be $$\sum_{t=2016Q1}^{2016Q3}\left(\hat{C}_t - C_t\right)^2 \Big/ 3 \ .$$
473	2-Aug-18	The error term in the equation in Exercise 9.32(a) should be e_t not v_t .
501	1-Aug-18	Exercise 10.17 (e) should read "Show that $\hat{\theta}_1^2 \sum RMOM_i^2 = \sum REDUC_i^2$ "
516	28-Jul-18	In Exercise 10.15, part (c), the last sentence should be "Compare the ratio to the IV estimate using only the instrument *MOTHEREDUC.*"
521	27-Jul-18	In Exercise 10.6, part (f), the final term should be $N_0 N_1 \left(\overline{x}_1 - \overline{x}_0\right)/N$
521	19-Jan-18	On page 521, equation (10A.1) should be $$\text{Cragg-Donald } F = \left[(N - L - G)/L\right] \times \left[r_B^2 \big/ \left(1 - r_B^2\right)\right]$$
526	19-Jan-18	In line 4 of the second paragraph, $\rho_{xe} = 0.6$
529	19-Jan-18	In Table 10B.1, in the third row, $\overline{F} = 2.02$
553	13-Aug-18	In Exercise 11.21 the final variable should have coefficient β_5 . So the equation should be $$\ln\left(QPROD_t\right) = \beta_1 + \beta_2 \ln\left(P_t\right) + \beta_3 \ln\left(PF_t\right) + \beta_4 TIME_t + \beta_5 \ln\left(QPROD_{t-1}\right) + e_t^s$$
553	13-Aug-18	In Exercise 11.22 the second equation, differencing the data, has the order of the variables wrong and omits one variable. The first difference form should be $$\ln\left(Q_t\right) = \alpha_1 + \alpha_2 \ln\left(P_t\right) + \alpha_3 \ln\left(Y_t\right) + \alpha_4 \ln\left(PB_t\right) + \alpha_5 POPGRO_t + e_t^d$$ $$\underline{-\ln\left(Q_{t-1}\right) = \alpha_1 + \alpha_2 \ln\left(P_{t-1}\right) + \alpha_3 \ln\left(Y_{t-1}\right) + \alpha_4 \ln\left(PB_{t-1}\right) + \alpha_5 POPGRO_{t-1} + e_{t-1}^d}$$ $$\Delta\ln\left(Q_t\right) = \alpha_2 \Delta\ln\left(P_t\right) + \alpha_3 \Delta\ln\left(Y_t\right) + \alpha_4 \Delta\ln\left(PB_t\right) + \alpha_5 \Delta POPGRO_t + v_t^d$$
593	8-Aug-18	In Exercise 12.13(i), $\Delta LCONS_t$ and ΔINC_t should be $\Delta LCONS_t^*$ and ΔINC_t^* .
596	17-Aug-18	In Exercise 12.28(d), add the sentence "To obtain the residuals, use *FRANCE* as the left-hand side variable."
596	17-Aug-18	In Exercise 12.28(e), change the question to "…equation relating **France's** current exchange rate…"
625	24-Aug_18	The reference to Exercise 14.8, two lines above Section 14.4.4, should be Exercise 14.11.
631	24-Aug-18	In Exercise 14.11(b), the estimated equations should be $$\hat{r}_t = -3.440 + 0.219\sqrt{h_t} \qquad \hat{h}_t = 1.482 + 0.722\hat{e}_{t-1}^2 + 0.249\hat{h}_{t-1}$$ $$(t) \qquad\qquad (2.960) \qquad\qquad\qquad (6.333) \quad\ (4.612)$$
631	24-Aug-18	In Exercise 14.11(b), the estimated equations should be $$\hat{y}_t = -0.396 + 1.951\sqrt{h_t} \quad \hat{h}_t = 0.022 + \left(0.2146 - 0.2247d_{t-1}\right)\hat{e}_{t-1}^2 + 0.78\hat{h}_t$$ $$(t) \qquad\qquad (5.222) \qquad\qquad (8.907)\ (-8.681) \qquad\quad (27.21)$$

632	25-Aug-18	In Exercise 14.15(d), Change "have an effect of zero" to "have a nonzero effect".
642	10-May-18	In line 2 of second column, there is no data set *nls_panel2* . Replace the sentence starting "Using the data file…." with "Using the last two years in the data file *nls_panel*, …"
691	19-Aug-18	In example 16.3, $\tilde{\beta}_2 = 1.8916$
691	19-Aug-18	In the last line of the example the value shown is the log of the likelihood function, $\ln L\left(\tilde{\beta}_1, \tilde{\beta}_2 \mid \mathbf{y}, \mathbf{x}\right) = -1.5940$.
728	20-Aug-18	In Exercise 16.9, part (d), assume $FAMINC = 50$
733	25-Aug-18	For Exercise 16.18, the data file *lasvegas* is from POE4. It can be found at http://principlesofeconometrics.com/poe4/poe4.htm
735	25-Aug-18	For Exercise 16.20, the data file *lasvegas* is from POE4. It can be found at http://principlesofeconometrics.com/poe4/poe4.htm
747	25-Jan-18	In Table 16D.2, the headings "Standard Error" and "Standard Deviation" are reversed. That is, columns 2 and 5 should have heading "Standard Deviation" and columns 3 and 6 should have heading "Standard Error".
764	5-Jan-18	In Exercise A.2, the intercept for equation (2) should be 1500, not 1400.
766	9-Jan-18	In Exercise A.17(d), GDP_A should be GDP_P .
810	25-Jul-18	In Exercise B.25(c), $P\left(\lvert U - 0.5\rvert > 2\sigma\right)$ should be $P\left(\lvert U - 0.5\rvert \geq 2\sigma\right)$.
810	25-Jul-18	In Exercise B.25(d), $P\left(\lvert Y - \mu\rvert > 2\sigma\right)$ should be $P\left(\lvert Y - \mu\rvert \geq 2\sigma\right)$.
811	13-Jun-18	In Exercise B.30(b), $f(y) = \ln(y)$ should be $f(y) = -\ln(y)$.
855	27-Aug-18	In Exercise C.11(a), delete "as shown in (C.9).
857	30-Aug-18	In Exercise C.16, 2nd line: $\overline{Y} = 48$ should be $\overline{Y}_1 = 48$.
857	1-Sep-18	In Exercise C.17(e), the standard deviations for the two normal distributions should be 20 not 100.
861	5-Sep-18	In Exercise C.30(c), delete "If the number of children and broken homes are unrelated, we should expect 176.167 of 1057 households with each of the six possible outcomes." And replace it with "Here, the test is based on a comparison of the observed number of households in each of the six possible categories with the expected number in each category, assuming number of children and broken homes are unrelated. To obtain the expected number in each category, say, broken homes with 2 children, we multiply the number of two-children households by the number of broken households, and divide by the total number of households."