

Stata Tutorial: Session IV

Exercise:

- 1) Use "Fleck&Kilby panel data.dta" data set.
- 2) Create a panel identifier using the country names and define panel and time variables using `xtset` command. Solve any problems that arise.
- 3) Run Regression with and without clustering for following specification. Create variables as needed.

$$\ln USaid_{it} = \beta_0 + \beta_1 \ln GDP_{it-1} + \beta_2 \ln Pop_{it-1} + \beta_3 President_t + \beta_4 Congress_t + \beta_5 WOT_t + \varepsilon_{it}$$

where WOT_t is a dummy variable for the War on Terror period (2002+)

- 4) Run a Fixed Effects Regression for the specification above.
- 5) Figure out what the F-Test for pooled vs. FE tells us.
- 6) Run Random Effects Regression for the specification above.
- 7) Perform the Hausman test. What conclusion do you draw?