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Problem Set 9

1. Greene, Chapter 15, Exercise 1
2. Levitt uses law suits filed by the ACLU as an instrument for prison population. Suits to reduce crowding in prisons have the effect of reducing the prison population through increased parole. The variables Y_* represent different indicators of the status of these lawsuits in different states. Levitt uses these as instrumental variables to predict the size of the prison population. Using the data distributed estimate the differenced model and the differenced model with indicators of lawsuits as instrumental variables. Choose an appropriate specification, and report the IV and panel results.