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**Special Topics in Applied Econometrics: Cross-Country Studies
Summer Term 2012**

Hands-On Assignment 4: Hausman Test

Please take out the following hands-on assignment in Matlab

1. Make a Hausmann test to test whether the RE or the FE models from Hands-On projects 1.2 or 1.3 should be used for estimation.
The Hausmann test-statistic can be computed by hand and equals 13.07.
2. Compare and interpret results.
The 5% critical chi-square value at 1 degree of freedom equals 3.84. Hence the FE model should be used for estimation