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**Special Topics in Applied Econometrics: Cross-Country Studies
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Hands-On Assignment 8:
Panel GMM

Please take out the following hands-on assignment in Matlab

1. Go to the website of Penn World Tables and download data in .csv format on real GDP per capita (rgdp), openness and investment share (the latter two in constant price form) for all countries for the time period 1970-2009. Import these data into an Excel spreadsheet which can subsequently be loaded into Matlab
2. Run the program „DataProg.m“ to process the data into a balanced data set of quinquennial data, containing the growth rate of real GDP per capita between t and $t-1$ as well as the log of real GDP per capita
3. Following slide 3.12 estimate a pooled panel with the growth rate of real gdp as dependent variable and the remainder variables as well as a constant as explanatory variables in a panel GMM framework. Take one lag of each explanatory variable as instrument.
4. Calculate t-statistics for all explanatory variables and interpret the effect of significant explanatory variables.