

Research Methods 2: Exam Paper 2005-6

Duration 2 hours

Answer two questions.

Question 1.

Either:

a) "Postmodernist interpretations of modern economics show it to be a blinkered, self referencing and ultimately empty". Critically evaluate this view.

or

b) Discuss the implications of the work of either Foucault or Derrida for the claims of economics to be a science.

Question 2

Either:

a) The arguments that economic methodology should be seen as "rhetoric" is simply a means of justifying the lack of realism of the excesses of the neoclassical paradigm" Discuss.

Or

b) "Critical realism transcends the limitations of the economics discipline". Assess this view critically.

Question 3.

"The use of survey data alongside econometric models by organisations such as the Bank of England is an expensive and unhelpful distraction from the valuable outputs of the models". Discuss.

Question 4

Explain the following and consider their implications for statistical analysis of survey data:

- i. Simple random sampling
- ii. clustering
- iii. stratification
- iv. unequal selection probabilities

Question 5

Consider a model with a dummy dependent variable which takes the value of 1 if something occurred and 0 if it did not, together with continuous and dummy explanatory variables.

- a) Explain the econometric issues if this model was estimated using OLS (20%)
- b) Outline two alternative methods of estimating this model. (30%)
- c) Explain how you would judge the goodness of fit of the estimated models in b). (10%)
- d) Briefly discuss the problems of forecasting using the models outlined in a) and b). (20%)
- e) How would you estimate the model if the dependent variable could take the value of zero or a positive value (eg individual labour supply) (20%)

Question 6

- a) Explain the law of proportionate effects and discuss how you would test it. (40%).
- b) Dunne and Hughes (1992) estimate a ‘law of proportionate effect’ model on data on UK quoted companies and find

$$\log S_{it} = 1.68 + 0.95 \log S_{it-1} - 0.12 \log A_i + e_i$$

(0.28) (0.03)

$R^2 = 0.82$ White F = 4.64

White standard errors in brackets

S_{it} is size of company i in 1985
 S_{it-1} is size of company i in 1980
 A_i is age of company i in 1980

Interpret the results and the possible econometric problems. Is the ‘law of proportionate effects’ supported by this evidence? (30%)

- c) Explain how you could deal with problems of sample attrition bias. (30%)

Question 7

- i. Why can panel data analyses based on household surveys be better than cross section analyses of the surveys. (20%)
- ii. Explain the problems of estimating the following model by OLS

$$y_{it} = \alpha + \beta x_{it} + \varepsilon_{it}$$
 where there are T time periods and n individuals and $n > T$. (20%)

- iii. Explain the fixed effects and random effects models and the differences between them. (20%)
- iv. What would the implications be for the parameter estimates if the fixed effects model was estimated but the random effects model was appropriate? (20%)
- v. Outline the main features of any test between the fixed and random effects models. (20%)