

## Empirical Exercises for Chapter 7

In this exercise you will investigate the relationship between a worker's age and earnings.

On the Web site you will find the data file **CPS92\_98** (in Excel and Stata formats). This file contains an extended version of the dataset for 1992 and 1998 used in Table 3.1 of the text. It contains data on full-time, full-year workers, age 25-34, with a high school diploma or B.A./B.S. as their highest degree. A detailed description is given in **CPS92\_98 \_Description**, available on the Web site.

Use these data to answer the following questions.

1. Using the data for 1998, summarize the relationship between age and earnings after controlling for gender and education. (This is the same as the final question in the empirical exercises for Chapter 6. If you have not completed the Chapter 6 exercises, you should. Doing so will allow you to give a complete answer to this question.)
2. Use the data from 1992 to evaluate the external validity of your answer to (1). (To adjust for inflation between 1992 and 1998, you should multiply the 1992 earnings by  $(163/140.3)$ , which is the ratio of the value of the Consumer Price Index (CPI) in 1998 to its value in 1992.)