

## Question 2

Use the data set FRINGE.RAW for this question.

- (a) Estimate a linear model by OLS relating  $hrbens$  to  $exper$ ,  $age$ ,  $educ$ ,  $tenure$ ,  $married$ ,  $male$ ,  $white$ ,  $nrtheast$ ,  $nrthcen$ ,  $south$ , and  $union$ .
- (b) Estimate a Tobit model relating the same variables from part (a). Why do you suppose the OLS and Tobit estimates are so similar?
- (c) Add  $exper^2$  and  $tenure^2$  to the Tobit model from part (b). Should these be included?
- (d) Are there significant differences in hourly benefits across industry, holding the other factors fixed?