Chapter 10. Econometrics

1. Using the data provided in Figure 10.5, you can estimate the following two models:

   \[ Q_t = \alpha_0 + \alpha_1 UR_t + \varepsilon_t \]

   where \( Q_t \) is the quit rate per month, \( UR_t \) is the unemployment rate, and \( \varepsilon_t \) is the error term for month \( t \). Given the data, what are the hypothesized signs of the slope coefficients?

2. Theoretically, the skill level of immigrants choosing to relocate to the U.S. is a function of the distribution (i.e., inequality) of earnings in the country from which the immigrants arrive (relative to the income distribution in the U.S.). If you had data on the skill level of incoming immigrants and the home country from which the immigrants left, what econometric model could you use to test this theoretical prediction?