Second Problem set in Special Topics of Business Economics

The excel file named RegData.xls reports the output and the input levels of thirty-eight regions for Germany in the 2000-2009 period. The output is measured by Gross Domestic Product (million euros) while the two inputs are Labor (measured by thousands of employees) and Capital (million euros). Capital has been estimated using the Perpetual Inventory Method (PIM) to create a consistent measure.

1. Estimate a Cobb-Douglas production function for all the period and present your results.

2. Estimate a Translog production function for all the period and present your results.

3. Use a proper test to decide for the appropriate model that fits to your dataset.

Please use the above estimations to create a report (in Latex) which will describe your answers in 1-3 questions (no more than 2000 words).