Practice Exercise #4

Practice Problem

Let *kids* denote the number of children ever born to a woman, and let *educ* denote years of education for the woman. A simple model relating fertility to years of education is:

$$kids = \beta_0 + \beta_1 educ + u$$

where u is the unobserveed error.

1. What kind of factors are contained in u?

2. Give an example of one factor that is positively correlated with *educ*, one that is negatively correlated with *educ*, and one that is not correlated with *educ*.