1. The following simple model is used to determine the annual savings of an individual on the basis of his annual income and education.

The variable *Edu* takes a value of 1 if the person is educated and the variable *Inc* measures the income of the individual.

Refer to the model above. The benchmark group in this model is

1. the group of educated people
2. the group of uneducated people
3. the group of individuals with a high income
4. the group of individuals with a low income
5. The income of an individual in Budopia depends on his ethnicity and several other factors which can be measured quantitatively. If there are 5 ethnic groups in Budopia, how many dummy variables should be included in the regression equation for income determination in Budopia?
6. 2
7. 3
8. 4
9. 5
10. The quarterly increase in an employee’s salary depends on the rating of his work by his employer and several other factors as shown in the model below:

The variable *Rating* is a(n)

1. dependent variable
2. ordinal variable
3. continuous variable
4. None of the above
5. The model: is an example of a(n):
6. static model
7. autoregressive model of order 1
8. finite distributed lag model of order 1
9. infinite distributed lag model
10. Consider the following equation:

What is the percentage increase in *y* given a permanent 1% increase in *x*?

1. 1.2
2. 1.8
3. 2.5
4. 0.5
5. Under the assumptions of time series regression, which of the following statements will be true of the following model:
6. *u*t can be correlated with past and future values of *x*.
7. Changes in the error term cannot cause future changes in *x*.
8. Changes in *x* cannot cause changes in *y* at the same point of time.
9. More than one of the above are true.
10. Supposed that you are interested in estimating country-level maternal mortality rate (*mmr*t) based just on the gross domestic product per capita (*gdppc*t) and literacy rate (*lr*t) and you find that countries that have unusually high (for the given levels of *gdppc* and *lr*) *mmr* in one period also have unusually high *mmr* in the next period. Which of the following assumption for time series analysis does not hold?
11. No perfect collinearity.
12. Zero conditional mean.
13. Homoskedasticity.
14. No serial correlation.
15. A stochastic process with a finite second moment is covariance stationary if:
16. is variable, is variable, and for any depends only on *h* and not on *t*.
17. is variable, is variable, and for any depends only on *t* and not on *h*.
18. is constant, is constant, and for any depends only on *h* and not on *t*.
19. is constant, is constant, and for any depends only on *t* and not on *h*.
20. Consider the model: . Under weak dependence, the condition sufficient for consistency of OLS is:
21. The systematic differences between the control and treatment groups can be controlled by taking two years data,​
22. ​one treatment group before policy change and one after the change
23. one before the policy change and one after the change
24. one control group and one treatment group
25. one control group before policy change and one after the change
26. Which of the following assumptions is needed for the usual standard errors to be valid when differencing with more than two time periods?
27. The regression model exhibits heteroskedasticty.
28. The differenced idiosyncratic error or is uncorrelated over time.
29. The unobserved factors affecting the dependent variable are time-constant.
30. The regression model includes a lagged independent variable.
31. Which of the following types of variables will disappear after first differencing of a fixed effects model?
32. Dummy variable
33. Discrete dependent variable
34. Time-varying dependent variable
35. Time-constant independent variable
36. What can we conclude about the endogeneity of an explanatory variable if the OLS and 2SLS estimates are significantly different? Assume that the instrument used was exogenous.
37. The explanatory variable is not endogenous and therefore using 2SLS is ill-advised.
38. The explanatory variable is not endogenous and therefore OLS should be used.
39. The explanatory variable is endogenous and therefore using 2SLS should be considered.
40. The explanatory variable is endogenous and therefore OLS should be used.
41. Consider the following simple regression model . Suppose , , and . Then, the IV estimator has a(n)
42. downward bias
43. zero bias
44. upward bias
45. ​substantial bias
46. Consider the following simple regression model . Suppose *z* is an instrument for *x*. Which of the following statements is true?
47. The condition can be tested statistically.
48. The condition cannot be tested statistically.
49. The instrumental variables estimator is always biased if .
50. The ordinary least squares estimator is unbiased if .

Answer:

1-5: B C B A B

6-10: B D C C B

11-15: B D C A C