

**FIGURE 7.1** 95% Confidence Set for Coefficients on *STR* and *Expn* from Equation (7.6)

The 95% confidence set for the coefficients on *STR* ( $\beta_1$ ) and *Expn* ( $\beta_2$ ) is an ellipse. The ellipse contains the pairs of values of  $\beta_1$  and  $\beta_2$  that cannot be rejected using the *F*-statistic at the 5% significance level. The point  $(\beta_1, \beta_2) = (0, 0)$  is not contained in the confidence set, so the null hypothesis  $H_0: \beta_1 = 0$  and  $\beta_2 = 0$  is rejected at the 5% significance level.

