## Quiz 2

Name: _____

1. Consider the following regression equation: $y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + u$. What does $\beta_1$ imply?

☐ It measures the ceteris paribus effect of $x_1$ on $x_2$ .
☐ It measures the ceteris paribus effect of $y$ on $x_1$
☐ It measures the ceteris paribus effect of $x_1$ on $y$
☐ It measures the ceteris paribus effect of $x_1$ on $u$

2. In econometrics, the general partialling out result is usually called the _____.

☐ Gauss-Markov assumption
☐ Best linear unbiased estimator
☐ Frisch-Waugh-Lovell theorem
☐ Gauss-Markov theorem

3. If an independent variable in a multiple linear regression model is an exact linear combination of other independent variables, the model suffers from the problem of _____.

☐ perfect collinearity
☐ homoskedasticity
☐ heteroskedasticty
☐ omitted variable bias

4. The term "linear" in a multiple linear regression model means that the equation is linear in parameters, not in terms of variables.

☐ True
☐ False

5. The coefficient of determination (R2) decreases when an independent variable is added to a multiple regression model.

☐ True
☐ False