Quiz 2

Name:
1. Consider the following regression equation: $y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + u$. What does β_1 imply?
\square It measures the ceteris paribus effect of x_1 on x_2 . \square It measures the ceteris paribus effect of y on x_1 \square It measures the ceteris paribus effect of x_1 on y \square It measures the ceteris paribus effect of x_1 on y
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 □ heteroskedasticity □ 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