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| 1. Econometrics is the branch of economics that \_\_\_\_\_.​

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|   | a.  | ​studies the behavior of individual economic agents in making economic decisions |
|   | b.  | ​develops and uses statistical methods for estimating economic relationships |
|   | c.  | ​deals with the performance, structure, behavior, and decision-making of an economy as a whole |
|   | d.  | ​applies mathematical methods to represent economic theories and solve economic problems |

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| *ANSWER:* | b |

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| 2. Nonexperimental data is called \_\_\_\_\_.​

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|   | a.  | ​cross-sectional data |
|   | b.  | ​observational data |
|   | c.  | ​time series data |
|   | d.  | ​panel data |

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| *ANSWER:* | b |

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| 3. Which of the following is true of experimental data?

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|   | a.  | Experimental data are collected in laboratory environments in the natural sciences. |
|   | b.  | Experimental data cannot be collected in a controlled environment. |
|   | c.  | Experimental data is sometimes called observational data. |
|   | d.  | Experimental data is sometimes called retrospective data. |

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| *ANSWER:* | a |

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| 4. An empirical analysis relies on \_\_\_\_\_ to test a theory.

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|   | a.  | common sense |
|   | b.  | ethical considerations |
|   | c.  | data |
|   | d.  | customs and conventions |

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| *ANSWER:* | c |

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| 5. The term ‘*u’* in an econometric model is usually referred to as the \_\_\_\_\_.

|  |  |  |
| --- | --- | --- |
|   | a.  | error term |
|   | b.  | parameter |
|   | c.  | hypothesis |
|   | d.  | dependent variable |

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| *ANSWER:* | a |

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| 6. The constants of econometric models are referred to as \_\_\_\_\_.​

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|   | a.  | ​parameters |
|   | b.  | ​statistics |
|   | c.  | ​error terms |
|   | d.  | ​hypotheses |

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| *ANSWER:* | a |

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| 7. The parameters of an econometric model \_\_\_\_\_.

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|   | a.  | include all unobserved factors affecting the variable being studied |
|   | b.  | describe the strength of the relationship between the variable under study and the factors affecting it |
|   | c.  | refer to the explanatory variables included in the model |
|   | d.  | refer to the predictions that can be made using the model |

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| *ANSWER:* | b |

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| 8. Which of the following is the first step in empirical economic analysis?

|  |  |  |
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|   | a.  | Collection of data |
|   | b.  | Statement of hypotheses |
|   | c.  | Specification of an econometric model |
|   | d.  | Testing of hypotheses |

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| *ANSWER:* | c |

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| 9. A data set that consists of a sample of individuals, households, firms, cities, states, countries, or a variety of other units, taken at a given point in time, is called a(n) \_\_\_\_\_.

|  |  |  |
| --- | --- | --- |
|   | a.  | cross-sectional data set |
|   | b.  | longitudinal data set |
|   | c.  | time series data set |
|   | d.  | experimental data set |

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| *ANSWER:* | a |

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| 10. Data on the income of law graduates collected at different times during the same year is \_\_\_\_\_.

|  |  |  |
| --- | --- | --- |
|   | a.  | panel data |
|   | b.  | experimental data |
|   | c.  | time series data |
|   | d.  | cross-sectional data |

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| *ANSWER:* | d |

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| 11. A data set that consists of observations on a variable or several variables over time is called a \_\_\_\_\_ data set.

|  |  |  |
| --- | --- | --- |
|   | a.  | binary |
|   | b.  | cross-sectional |
|   | c.  | time series |
|   | d.  | experimental |

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| *ANSWER:* | c |

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| 12. ​Which of the following is true of time series data?

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|   | a.  | ​The time series data is easier to analyze than cross-sectional data. |
|   | b.  | ​The time series data are independent across time. |
|   | c.  | ​The chronological ordering of observations in a time series conveys potentially important information. |
|   | d.  | ​A time series data set consists of observations on a variable or several variables at a given time. |

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| *ANSWER:* | c |

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| 13. Which of the following is an example of time series data?

|  |  |  |
| --- | --- | --- |
|   | a.  | Data on the unemployment rates in different parts of a country during a year. |
|   | b.  | Data on the consumption of wheat by 200 households during a year. |
|   | c.  | Data on the gross domestic product of a country over a period of 10 years. |
|   | d.  | Data on the number of vacancies in various departments of an organization on a particular month. |

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| *ANSWER:* | c |

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| 14. Which of the following refers to panel data?

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| --- | --- | --- |
|   | a.  | Data on the unemployment rate in a country over a 5-year period |
|   | b.  | Data on the birth rate, death rate and population growth rate in developing countries over a 10-year period. |
|   | c.  | Data on the income of 5 members of a family on a particular year. |
|   | d.  | Data on the price of a company’s share during a year. |

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| *ANSWER:* | b |

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| 15. Which of the following is a difference between panel and pooled cross-sectional data?

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| --- | --- | --- |
|   | a.  | A panel data set consists of data on different cross-sectional units over a given period of time while a pooled data set consists of data on the same cross-sectional units over a given period of time. |
|   | b.  | A panel data set consists of data on the same cross-sectional units over a given period of time while a pooled data set consists of data on different cross-sectional units over a given period of time |
|   | c.  | A panel data consists of data on a single variable measured at a given point in time while a pooled data set consists of data on the same cross-sectional units over a given period of time. |
|   | d.  | A panel data set consists of data on a single variable measured at a given point in time while a pooled data set consists of data on more than one variable at a given point in time. |

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| *ANSWER:* | b |

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| 16. \_\_\_\_\_ has a causal effect on \_\_\_\_\_.

|  |  |  |
| --- | --- | --- |
|   | a.  | Income; unemployment |
|   | b.  | Height; health |
|   | c.  | Income; consumption |
|   | d.  | Age; wage |

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| --- | --- |
| *ANSWER:* | c |

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| 17. Which of the following is true?

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| --- | --- | --- |
|   | a.  | A variable has a causal effect on another variable if both variables increase or decrease simultaneously. |
|   | b.  | The notion of ‘ceteris paribus’ plays an important role in causal analysis. |
|   | c.  | Difficulty in inferring causality disappears when studying data at fairly high levels of aggregation. |
|   | d.  | The problem of inferring causality arises if experimental data is used for analysis. |

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| *ANSWER:* | b |

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| 18. Which of the following terms measures the association between two variables?

|  |  |  |
| --- | --- | --- |
|   | a.  | Casual effect |
|   | b.  | ​Independence |
|   | c.  | ​Average |
|   | d.  | ​Correlation |

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| *ANSWER:* | d |

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| 19. Experimental data are sometimes called retrospective data.

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| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| *ANSWER:* | False |

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| 20. ​Experimental data are easy to obtain in the social sciences.

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|   | a.  | True |
|   | b.  | False |

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| *ANSWER:* | False |

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| 21. An economic model consists of mathematical equations that describe various relationships between economic variables.

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| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | True |

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| 22. ​Random sampling complicates the analysis of cross-sectional data.

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|   | a.  | True |
|   | b.  | False |

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| *ANSWER:* | False |

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| 23. A cross-sectional data set consists of observations on a variable or several variables over time.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| *ANSWER:* | False |

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| 24. A time series data is also called a longitudinal data set.

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|   | a.  | True |
|   | b.  | False |

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| *ANSWER:* | False |

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| 25. The notion of ceteris paribus means “other factors being equal.”​

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| *ANSWER:* | True |

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| 26. In the following econometric model, *wage = β0+ β1educ + u* , which of the following factors would **not** be contained in the term *u* ?

|  |  |  |
| --- | --- | --- |
|   | a.  | Experience (*exper*) |
|   | b.  | Family background (*fback*) |
|   | c.  | Innate ability (*abil*) |
|   | d.  | Education (*educ*) |

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| *ANSWER:* | d |

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| 27. Given the following econometric model, *wage = β0+ β1educ + u*, can we eliminate the error term *u* entirely?

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|   | a.  | Yes, by including other observable factors, such as experience, that can also influence wage. ​ |
|   | b.  | Yes, by ensuring that everyone reports wage accurately and truthfully. |
|   | c.  | No, because education is not always reported accurately. |
|   | d.  | No, because many factors affect wage, that we cannot even list, let alone observe. |

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| *ANSWER:* | d |

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| 28. Why do labor economists often find it difficult to estimate the ceteris paribus return to education, in terms of wage, using non-experimental data?

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| --- | --- | --- |
|   | a.  | Education level in non-experimental data is probably dependent on other omitted factors that also affect wage. |
|   | b.  | In a non-experimental setting, education level is often difficult to measure.  |
|   | c.  | Wage is often reported unreliably and inaccurately. |
|   | d.  | Experience, another factor that also affects wage, is generally difficult to measure. |

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| *ANSWER:* | a |

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