Quiz # 11
Chapter 14
Suggested Answers

Name______________________________

- Choose the **MOST CORRECT** answer
- You have 5 minutes to solve out this quiz

1. In presence of simultaneity bias, one of the next assumptions is not hold:
   a. $E(\varepsilon_i) = 0$
   b. $Var(\varepsilon_i) = \sigma_i^2$
   c. $Var(\varepsilon_i) = \sigma^2 I$
   d. Regressors are not stochastic.
   e. None of the above

2. The simultaneity bias problem consists in:

   a. Regressors correlated with disturbances.
   b. Regressors correlated with other regresors.
   c. Correlated disturbances.
   d. All of the above.
   e. None of the above.

3. Variables that are determined inside the system are:
   a. Instrumental variables.
   b. Independent variables.
   c. Latent variables.
   d. Exogenous variables.
   e. None of the above.

4. If we want to know the effect of an exogenous variable in the equilibrium of an endogenous variable, and we have a model with simultaneity bias we:
   a. Use structural form equations.
   b. Use reduced form equations.
   c. Can use structural or reduced form equations, but to use the reduced form equations is quicker.
   d. Can use structural or reduced form equations, but to use the structural form equations is quicker.
   e. None of the above.

5. If the equation is _____________ we can't estimate it.
   a. Over identified
   b. Under-identified
   c. Exactly identified.
   d. b or C
   e. a or c