

Quiz # 6

Chapter 8

Suggested Answers

Econometrics 06216

Name: _____

- Choose the **MOST CORRECT** answer
 - You have 5 minutes to solve out this quiz
1. If you have the following regression model $Y_i = \beta_0 + \beta_1 D_1 + \beta_2 D_2 + \varepsilon_i$, where Y_i is the earnings, $D_{1,i}$ takes the value of 1 if the individual is a college graduate and 0 otherwise and D_2 takes the value of 1 if the individual is a female and 0 otherwise. β_1 is:
 - a. The ceteris paribus change in Y_i .
 - b. The percentage of college earnings.
 - c. **The difference in the average earnings for a college graduate.**
 - d. b and c
 - e. None of the above.
 2. We use dummy variables to:
 - a. Include categorical variables in the regression.
 - b. Determine if there are differences between groups in the regression.
 - c. Make inference about discrimination.
 - d. **All of the above**
 - e. None of the above
 3. In a regression model a dummy variable can be used to find the difference between males and females in:
 - a. The slopes
 - b. The intercept.
 - c. The variance of the error for both groups
 - d. **a. and b.**
 - e. All of the above.
 4. Include dummy variables in an OLS model, causes:
 - a. Parameter estimators that are no longer BLUE.
 - b. Parameter estimators that are no longer consistent.
 - c. Parameter estimators that are no longer efficient.
 - d. Parameter estimators that are no longer unbiased.
 - e. **None of the above.**
 5. In the regression model $Y_i = \alpha_0 + \alpha_1 D + \alpha_2 X_1 + \varepsilon_i$, where D is a dummy variable:
 - a. The dummy modifies the slope of the regression line.
 - b. The dummy modifies the intercept with axis X of the regression line.
 - c. The dummy rotates some degrees the regression line.
 - d. All of the above
 - e. **None of the above.**