Quiz # 7
Chapter 10
Suggested Answers
Group 3
Econometrics 06216

Name_____

- Choose the most correct answer
- You have 5 minutes to solve out this quiz

1. If the variance of the disturbances is $\sigma_i^2 = \sigma^2 X^{-2}$, how do you transform the data such that OLS is BLUE in the transformed DGP?
   a. Using Weighted Least Squares (WLS)
   b. Using White's heteroskedasticity-consistent standard errors
   c. Using White's Robust standard errors
   d. None of the above

2. If we are interested in know the form of the heteroskedasticity, we use:
   a. Golfeld-Quandt Test
   b. Weighted Least Squares (WLS)
   c. Breusch-Pagan Test
   d. White Test

3. If the error term is heteroskedastic, then the OLS estimators are:
   a. Inconsistent and efficient.
   b. Unbiased and inefficient.
   c. Consistent and biased.
   d. inconsistent and efficient.

4. If your dataset has heteroskedasticity, but you completely ignore the problem and use a plain OLS command, you will.
   a. get biased parameter estimates.
   b. get parameter standard error estimates that could be either too large or too small .
   c. get t-test statistics that make you overly optimistic about your parameters being statistically different from zero.
   d. get t-test statistics that make it look like your parameters are not different from zero when in fact they are

5. Suppose you have the next model: $Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \varepsilon_i$ and you find out that the p-value corresponding to the significance test of β_2 is 0.001. In presence of **no** homoskedasticity, you may conclude:
   a. β_2 is statistically significant.
   b. $\hat{Y}_i$ increases in $\hat{\beta}_2$ when X_{2i} increases in one unit.
   c. β_2 is not statistically significant.
   d. None of the above.