

Quiz # 6
Chapter 8
Suggested Answers
Group 3
Econometrics 06216

Name _____

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

1. Superfluous explanators may:

- a. Cause biased estimates of the other variables
- b. Cause multicollinearity problems
- c. Improve efficiency
- e. None of the above.

2. Dummy variables are used to:

- a. Explain shifts in the curves.
- b. Explain the causes of the changes.
- c. Answers (a) and (b) are correct.
- d. None of the above.

3. Omitting relevant variables may cause:

- a. Unbiased but inefficient OLS estimates
- b. Biased but still efficient OLS estimates
- c. Unbiased and inefficient OLS estimates.
- d. There is no consequence

4. What does the dummy variable trap imply:

- a. Multicollinearity when all categorical dummies and an intercept term are included in a regression
- b. Multicollinearity when just a few dummies and no intercept term are included in a regression
- c. Omitted variable bias when not all the dummies are included in a regression
- d. All of the above

5. Which one of the following problems *cannot* be solved with dummy variables:

- a. Difference in the variability of econometrics score, between man and woman.
- b. Difference in the variability of the behavior of financial market according to the hour and day.
- c. Difference in the variability of the preference of blacks and Caucasian for some kind of desserts.
- d. All of the above can be solved.