

**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. In which case omitting relevant explanators causes bias?
    - a. **When the omitted variable is correlated with the included variables**
    - b. When the omitted variable is perfectly uncorrelated with the included variables
    - c. When the interest is in forecasting Y, and some relevant variables are not observed.
    - d. When analysts are not interested in cases in which one variable is manipulated while all other things remain equal.
  2. When explanators are collinear?
    - a. When the educations of children's fathers and mothers are very similar within families
    - b. When explanators vary closely together
    - c. When two explanators move in similar lock step with one another
    - d. **All of the above**
  3. Dummy variables are used to:
    - a. **Explain shifts in the curves.**
    - b. Explain the causes of the changes.
    - c. a. and b.
    - d. None of the above.
  4. 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.**
  5. Consider the model  $Y_i = \beta_0 + \beta_1 D_1 + \beta_2 D_2 + \varepsilon_i$ , where  $Y_i$  is the earnings and  $D_1$  takes the value of 1 if the individual is a college graduate and 0 otherwise.  $\beta_1$  is:
    - a. The ceteris paribus change in Y.
    - b. The percentage of college earnings.
    - c. **The difference in the average earnings for a college graduate**
    - d. b. and c.