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| 1. Econometrics is the branch of economics that \_\_\_\_\_.​   |  |  |  | | --- | --- | --- | |  | a. | ​studies the behavior of individual economic agents in making economic decisions | |  | b. | ​develops and uses statistical methods for estimating economic relationships | |  | c. | ​deals with the performance, structure, behavior, and decision-making of an economy as a whole | |  | d. | ​applies mathematical methods to represent economic theories and solve economic problems |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 2. Nonexperimental data is called \_\_\_\_\_.​   |  |  |  | | --- | --- | --- | |  | a. | ​cross-sectional data | |  | b. | ​observational data | |  | c. | ​time series data | |  | d. | ​panel data |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 3. Which of the following is true of experimental data?   |  |  |  | | --- | --- | --- | |  | a. | Experimental data are collected in laboratory environments in the natural sciences. | |  | b. | Experimental data cannot be collected in a controlled environment. | |  | c. | Experimental data is sometimes called observational data. | |  | d. | Experimental data is sometimes called retrospective data. |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 4. An empirical analysis relies on \_\_\_\_\_ to test a theory.   |  |  |  | | --- | --- | --- | |  | a. | common sense | |  | b. | ethical considerations | |  | c. | data | |  | d. | customs and conventions |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 5. The term ‘*u’* in an econometric model is usually referred to as the \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | error term | |  | b. | parameter | |  | c. | hypothesis | |  | d. | dependent variable |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 6. The constants of econometric models are referred to as \_\_\_\_\_.​   |  |  |  | | --- | --- | --- | |  | a. | ​parameters | |  | b. | ​statistics | |  | c. | ​error terms | |  | d. | ​hypotheses |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 7. The parameters of an econometric model \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | include all unobserved factors affecting the variable being studied | |  | b. | describe the strength of the relationship between the variable under study and the factors affecting it | |  | c. | refer to the explanatory variables included in the model | |  | d. | refer to the predictions that can be made using the model |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 8. Which of the following is the first step in empirical economic analysis?   |  |  |  | | --- | --- | --- | |  | a. | Collection of data | |  | b. | Statement of hypotheses | |  | c. | Specification of an econometric model | |  | d. | Testing of hypotheses |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 9. A data set that consists of a sample of individuals, households, firms, cities, states, countries, or a variety of other units, taken at a given point in time, is called a(n) \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | cross-sectional data set | |  | b. | longitudinal data set | |  | c. | time series data set | |  | d. | experimental data set |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 10. Data on the income of law graduates collected at different times during the same year is \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | panel data | |  | b. | experimental data | |  | c. | time series data | |  | d. | cross-sectional data |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 11. A data set that consists of observations on a variable or several variables over time is called a \_\_\_\_\_ data set.   |  |  |  | | --- | --- | --- | |  | a. | binary | |  | b. | cross-sectional | |  | c. | time series | |  | d. | experimental |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 12. ​Which of the following is true of time series data?   |  |  |  | | --- | --- | --- | |  | a. | ​The time series data is easier to analyze than cross-sectional data. | |  | b. | ​The time series data are independent across time. | |  | c. | ​The chronological ordering of observations in a time series conveys potentially important information. | |  | d. | ​A time series data set consists of observations on a variable or several variables at a given time. |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 13. Which of the following is an example of time series data?   |  |  |  | | --- | --- | --- | |  | a. | Data on the unemployment rates in different parts of a country during a year. | |  | b. | Data on the consumption of wheat by 200 households during a year. | |  | c. | Data on the gross domestic product of a country over a period of 10 years. | |  | d. | Data on the number of vacancies in various departments of an organization on a particular month. |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 14. Which of the following refers to panel data?   |  |  |  | | --- | --- | --- | |  | a. | Data on the unemployment rate in a country over a 5-year period | |  | b. | Data on the birth rate, death rate and population growth rate in developing countries over a 10-year period. | |  | c. | Data on the income of 5 members of a family on a particular year. | |  | d. | Data on the price of a company’s share during a year. |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 15. Which of the following is a difference between panel and pooled cross-sectional data?   |  |  |  | | --- | --- | --- | |  | a. | A panel data set consists of data on different cross-sectional units over a given period of time while a pooled data set consists of data on the same cross-sectional units over a given period of time. | |  | b. | A panel data set consists of data on the same cross-sectional units over a given period of time while a pooled data set consists of data on different cross-sectional units over a given period of time | |  | c. | A panel data consists of data on a single variable measured at a given point in time while a pooled data set consists of data on the same cross-sectional units over a given period of time. | |  | d. | A panel data set consists of data on a single variable measured at a given point in time while a pooled data set consists of data on more than one variable at a given point in time. |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 16. \_\_\_\_\_ has a causal effect on \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | Income; unemployment | |  | b. | Height; health | |  | c. | Income; consumption | |  | d. | Age; wage |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 17. Which of the following is true?   |  |  |  | | --- | --- | --- | |  | a. | A variable has a causal effect on another variable if both variables increase or decrease simultaneously. | |  | b. | The notion of ‘ceteris paribus’ plays an important role in causal analysis. | |  | c. | Difficulty in inferring causality disappears when studying data at fairly high levels of aggregation. | |  | d. | The problem of inferring causality arises if experimental data is used for analysis. |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 18. Which of the following terms measures the association between two variables?   |  |  |  | | --- | --- | --- | |  | a. | Casual effect | |  | b. | ​Independence | |  | c. | ​Average | |  | d. | ​Correlation |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 19. Experimental data are sometimes called retrospective data.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

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| 20. ​Experimental data are easy to obtain in the social sciences.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

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| 21. An economic model consists of mathematical equations that describe various relationships between economic variables.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| 22. ​Random sampling complicates the analysis of cross-sectional data.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

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| 23. A cross-sectional data set consists of observations on a variable or several variables over time.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

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| 24. A time series data is also called a longitudinal data set.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

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| 25. The notion of ceteris paribus means “other factors being equal.”​   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| 26. In the following econometric model, *wage = β0+ β1educ + u* , which of the following factors would **not** be contained in the term *u* ?     |  |  |  | | --- | --- | --- | |  | a. | Experience (*exper*) | |  | b. | Family background (*fback*) | |  | c. | Innate ability (*abil*) | |  | d. | Education (*educ*) |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 27. Given the following econometric model, *wage = β0+ β1educ + u*, can we eliminate the error term *u* entirely?   |  |  |  | | --- | --- | --- | |  | a. | Yes, by including other observable factors, such as experience, that can also influence wage.  ​ | |  | b. | Yes, by ensuring that everyone reports wage accurately and truthfully. | |  | c. | No, because education is not always reported accurately. | |  | d. | No, because many factors affect wage, that we cannot even list, let alone observe. |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 28. Why do labor economists often find it difficult to estimate the ceteris paribus return to education, in terms of wage, using non-experimental data?   |  |  |  | | --- | --- | --- | |  | a. | Education level in non-experimental data is probably dependent on other omitted factors that also affect wage. | |  | b. | In a non-experimental setting, education level is often difficult to measure. | |  | c. | Wage is often reported unreliably and inaccurately. | |  | d. | Experience, another factor that also affects wage, is generally difficult to measure. |  |  |  | | --- | --- | | *ANSWER:* | a | |