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| 1. Econometrics is the branch of economics that \_\_\_\_\_.​

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| --- | --- | --- |
|   | 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 |

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| *ANSWER:* | b |
| *RATIONALE:* | FEEDBACK: Econometrics is the branch of economics that develops and uses statistical methods for estimating economic relationships. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic |
| *TOPICS:* | What is Econometrics? |
| *KEYWORDS:* | Bloom’s: Knowledge |

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| 2. Nonexperimental data is called \_\_\_\_\_.​

|  |  |  |
| --- | --- | --- |
|   | a.  | ​cross-sectional data |
|   | b.  | ​observational data |
|   | c.  | ​time series data |
|   | d.  | ​panel data |

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| *ANSWER:* | b |
| *RATIONALE:* | FEEDBACK: Nonexperimental data is called observational data. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic |
| *TOPICS:* | What is Econometrics? |
| *KEYWORDS:* | Bloom’s: Knowledge |

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| 3. Which of the following is true of experimental data?

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|   | 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. |

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| *ANSWER:* | a |
| *RATIONALE:* | FEEDBACK: Experimental data are collected in laboratory environments in the natural sciences. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic |
| *TOPICS:* | What is Econometrics? |
| *KEYWORDS:* | Bloom’s: Knowledge |

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| 4. An empirical analysis relies on \_\_\_\_\_ to test a theory.

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|   | a.  | common sense |
|   | b.  | ethical considerations |
|   | c.  | data |
|   | d.  | customs and conventions |

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| *ANSWER:* | c |
| *RATIONALE:* | FEEDBACK: An empirical analysis relies on data to test a theory. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic |
| *TOPICS:* | Steps in Empirical Economic Analysis |
| *KEYWORDS:* | Bloom’s: Knowledge |

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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 |

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| *ANSWER:* | a |
| *RATIONALE:* | FEEDBACK: The term *u* in an econometric model is called the error term or disturbance term. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic |
| *TOPICS:* | Steps in Empirical Economic Analysis |
| *KEYWORDS:* | Bloom’s: Knowledge |

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| 6. The constants of econometric models are referred to as \_\_\_\_\_.​

|  |  |  |
| --- | --- | --- |
|   | a.  | ​parameters |
|   | b.  | ​statistics |
|   | c.  | ​error terms |
|   | d.  | ​hypotheses |

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| *ANSWER:* | a |
| *RATIONALE:* | FEEDBACK: The constants of econometric models are referred to as parameters​. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic |
| *TOPICS:* | Steps in Empirical Economic Analysis |
| *KEYWORDS:* | Bloom's: Knowledge |

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| 7. The parameters of an econometric model \_\_\_\_\_.

|  |  |  |
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|   | 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 |

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| *ANSWER:* | a |
| *RATIONALE:* | FEEDBACK: The parameters of an econometric model describe the direction and strength of the relationship between the variable under study and the factors affecting it. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic |
| *TOPICS:* | Steps in Empirical Economic Analysis |
| *KEYWORDS:* | Bloom’s: Knowledge |

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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 |

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| *ANSWER:* | c |
| *RATIONALE:* | FEEDBACK: The first step in empirical economic analysis is the specification of the econometric model. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic |
| *TOPICS:* | Steps in Empirical Economic Analysis |
| *KEYWORDS:* | Bloom’s: Knowledge |

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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 |

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| --- | --- |
| *ANSWER:* | a |
| *RATIONALE:* | FEEDBACK: 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 cross-sectional data set. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic |
| *TOPICS:* | The Structure of Economic Data |
| *KEYWORDS:* | Bloom’s: Knowledge |

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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 |
| *RATIONALE:* | FEEDBACK: 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 cross-sectional data set. Therefore, data on the income of law graduates on a particular year are examples of cross-sectional data. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic |
| *TOPICS:* | The Structure of Economic Data |
| *KEYWORDS:* | Bloom’s: Application |

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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 |

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| --- | --- |
| *ANSWER:* | c |
| *RATIONALE:* | FEEDBACK: A time-series data set consists of observations on a variable or several variables over time. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic |
| *TOPICS:* | The Structure of Economic Data |
| *KEYWORDS:* | Bloom’s: Knowledge |

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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. |

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| *ANSWER:* | c |
| *RATIONALE:* | FEEDBACK: The chronological ordering of observations in a time series conveys potentially important information. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic |
| *TOPICS:* | The Structure of Economic Data |
| *KEYWORDS:* | Bloom’s: Knowledge |

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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. |

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| --- | --- |
| *ANSWER:* | c |
| *RATIONALE:* | FEEDBACK: A time-series data set consists of observations on a variable or several variables over time. Therefore, data on the gross domestic product of a country over a period of 10 years is an example of time series data. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic |
| *TOPICS:* | The Structure of Economic Data |
| *KEYWORDS:* | Bloom’s: Application |

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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. |

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| *ANSWER:* | b |
| *RATIONALE:* | FEEDBACK: A panel data set consists of a time series for each cross-sectional member in the data set. Therefore, data on the birth rate, death rate and infant mortality rate in developing countries over a 10-year period refers to panel data. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic |
| *TOPICS:* | The Structure of Economic Data |
| *KEYWORDS:* | Bloom’s: Application |

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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. |

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| *ANSWER:* | b |
| *RATIONALE:* | FEEDBACK: 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 the same cross-sectional units over a given period of time. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic |
| *TOPICS:* | The Structure of Economic Data |
| *KEYWORDS:* | Bloom’s: Knowledge |

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| 16. \_\_\_\_\_ has a causal effect on \_\_\_\_\_.

|  |  |  |
| --- | --- | --- |
|   | a.  | Income; unemployment |
|   | b.  | Height; health |
|   | c.  | Income; consumption |
|   | d.  | Age; wage |

|  |  |
| --- | --- |
| *ANSWER:* | c |
| *RATIONALE:* | FEEDBACK: Income has a causal effect on consumption because an increase in income leads to an increase in consumption. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic |
| *TOPICS:* | Causality and the Notion of Ceteris Paribus in Econometric Analysis |
| *KEYWORDS:* | Bloom’s: Application |

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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. |

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| *ANSWER:* | b |
| *RATIONALE:* | FEEDBACK: The notion of ‘ceteris paribus’ plays an important role in causal analysis. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic |
| *TOPICS:* | Causality and the Notion of Ceteris Paribus in Econometric Analysis |
| *KEYWORDS:* | Bloom’s: Knowledge |

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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 |
| *RATIONALE:* | FEEDBACK: The association between two variables are measured by correlation.​ |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic |
| *TOPICS:* | Causality and the Notion of Ceteris Paribus in Econometric Analysis |
| *KEYWORDS:* | Bloom's: Comprehension |

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| 19. Experimental data are sometimes called retrospective data.

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|   | a.  | True |
|   | b.  | False |

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| *ANSWER:* | False |
| *RATIONALE:* | FEEDBACK: Nonexperimental data are sometimes called retrospective data. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic |
| *TOPICS:* | What is Econometrics? |
| *KEYWORDS:* | Bloom’s: Knowledge |

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| 20. ​Experimental data are easy to obtain in the social sciences.

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| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |
| *RATIONALE:* | FEEDBACK: ​Experimental data are more difficult to obtain in the social sciences. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic |
| *TOPICS:* | What is Econometrics? |
| *KEYWORDS:* | Bloom's: Knowledge |

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| 21. An economic model consists of mathematical equations that describe various relationships between economic variables.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| *ANSWER:* | True |
| *RATIONALE:* | FEEDBACK: An economic model consists of mathematical equations that describe various relationships between economic variables. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic |
| *TOPICS:* | Steps in Empirical Economic Analysis |
| *KEYWORDS:* | Bloom’s: Knowledge |

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| 22. ​Random sampling complicates the analysis of cross-sectional data.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | False |
| *RATIONALE:* | FEEDBACK: An important feature of cross-sectional data is that we can often assume that they have been obtained by random sampling from the underlying population and it simplifies the analysis of cross-sectional data. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic |
| *TOPICS:* | The Structure of Economic Data |
| *KEYWORDS:* | Bloom's: Knowledge |

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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 |
| *RATIONALE:* | FEEDBACK: A time series data set consists of observations on a variable or several variables over time. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic |
| *TOPICS:* | The Structure of Economic Data |
| *KEYWORDS:* | Bloom’s: Knowledge |

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| 24. A time series data is also called a longitudinal data set.

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|   | a.  | True |
|   | b.  | False |

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| *ANSWER:* | False |
| *RATIONALE:* | FEEDBACK: A panel data is also called a longitudinal data set. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic |
| *TOPICS:* | The Structure of Economic Data |
| *KEYWORDS:* | Bloom’s: Knowledge |

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| 25. The notion of ceteris paribus means “other factors being equal.”​

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|   | a.  | True |
|   | b.  | False |

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| *ANSWER:* | True |
| *RATIONALE:* | FEEDBACK: The notion of ceteris paribus means “other factors being equal.” |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic |
| *TOPICS:* | Causality and the Notion of Ceteris Paribus in Econometric Analysis |
| *KEYWORDS:* | Bloom’s: Knowledge |

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