**Chapter 1: The nature of econometrics and economic data**

1. Econometrics is the branch of economics that:

|  |  |
| --- | --- |
| A | studies the behaviour of individual economic agents in making economic decisions. |
| B | develops and uses statistical methods for estimating economic relationships. |
| C | deals with the performance, structure, behaviour and decision-making of an economy as a whole. |
| D | applies mathematical methods to represent economic theories and solve economic problems. |

ANS: B PTS: 1 DIF: Easy TOP: What is econometrics?

2. What is nonexperimental data is called?

|  |  |
| --- | --- |
| A | Cross-sectional data |
| B | Time series data |
| C | Observational data |
| D | Panel data |

ANS: C PTS: 1 DIF: Easy TOP: What is econometrics?

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. |

ANS: A PTS: 1 DIF: Easy TOP: What is econometrics?

4. An empirical analysis relies on which of the following options to test a theory?

|  |  |
| --- | --- |
| A | Common sense |
| B | Ethical considerations |
| C | Data |
| D | Customs and conventions |

ANS: C PTS: 1 DIF: Easy TOP: Steps in empirical economic analysis

Answer: c

5. The term ‘*u’* in an econometric model is usually referred to as the:

|  |  |
| --- | --- |
| A | error term |
| B | parameter |
| C | hypothesis |
| D | dependent variable |

ANS: A PTS: 1 DIF: Easy TOP: Steps in empirical economic analysis

6. 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. |

ANS: B PTS: 1 DIF: Easy TOP: Steps in empirical economic analysis

7. 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 |

ANS: C PTS: 1 DIF: Easy TOP: Steps in empirical economic analysis

8. Which of the following options is a data set that consists of a sample of individuals, households, organisations, cities, states, countries, or a variety of other units, taken at a given point in time?

|  |  |
| --- | --- |
| A | Cross-sectional data set |
| B | Longitudinal data set |
| C | Time series data set |
| D | Experimental data set |

ANS: A PTS: 1 DIF: Easy TOP: The structure of economic data

9. 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 |

ANS: D PTS: 1 DIF: Easy TOP: The structure of economic data

10. 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 |

ANS: C PTS: 1 DIF: Easy TOP: The structure of economic data

11. 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 organisation in a particular month. |

ANS: C PTS: 1 DIF: Easy TOP: The structure of economic data

12. 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 five members of a family on a particular year. |
| D | Data on the price of a company’s share during a year. |

ANS: B PTS: 1 DIF: Easy TOP: The structure of economic data

13. 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. |

ANS: B PTS: 1 DIF: Easy TOP: The structure of economic data

14. \_\_\_\_\_ has a causal effect on \_\_\_\_\_.

|  |  |
| --- | --- |
| A | Income; unemployment |
| B | Height; health |
| C | Income; consumption |
| D | Age; wage |

ANS: C PTS: 1 DIF: Moderate TOP: Causality and the notion of ceteris paribus in econometric analysis

15. 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. |

ANS: B PTS: 1 DIF: Moderate TOP: Causality and the notion of ceteris paribus in econometric analysis

16. Experimental data are sometimes called retrospective data.

ANS: F PTS: 1 DIF: Easy TOP: What is econometrics?

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

ANS: T PTS: 1 DIF: Easy TOP: Steps in empirical economic analysis

18. A cross-sectional data set consists of observations on a variable or several variables over time.

ANS: F PTS: 1 DIF: Easy TOP: The structure of economic data

19. Time series data is also called a longitudinal data set.

ANS: F PTS: 1 DIF: Easy TOP: The structure of economic data

20. The notion of ceteris paribus means ‘other factors being equal’.

ANS: T PTS: 1 DIF: Easy TOP: Causality and the notion of ceteris paribus in econometric analysis