Chapter 1

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
Difficulty: Easy
Bloom's: Knowledge
A-Head: What is Econometrics?
BUSPROG:
Feedback: Econometrics is the branch of economics that develops and uses statistical methods for estimating economic relationships.

2. Nonexperimental data is called _____.
a. cross-sectional data
b. time series data
c. observational data
d. panel data

Answer: b
Difficulty: Easy
Bloom's: Knowledge
A-Head: What is Econometrics?
BUSPROG:
Feedback:

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
Difficulty: Easy
Bloom's: Knowledge
A-Head: What is Econometrics?
BUSPROG:
Feedback:

4. An empirical analysis relies on _____ to test a theory.
a. common sense
b. ethical considerations
c. data
d. customs and conventions

Answer: c
Difficulty: Easy
Bloom's: Knowledge
A-Head: Steps in Empirical Economic Analysis
BUSPROG:
Feedback: An empirical analysis relies on data to test a theory.

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
Difficulty: Easy
Bloom's: Knowledge
A-Head: Steps in Empirical Economic Analysis
BUSPROG:
Feedback: The term u in an econometric model is called the error term or disturbance term.

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

Answer: b
Difficulty: Easy
Bloom's: Knowledge
A-Head: Steps in Empirical Economic Analysis
BUSPROG:
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.

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

Answer: c

Difficulty: Easy

Bloom's: Knowledge

A-Head: Steps in Empirical Economic Analysis

BUSPROG:

Feedback: The first step in empirical economic analysis is the specification of the econometric model.

8. 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

Difficulty: Easy

Bloom's: Knowledge

A-Head: The Structure of Economic Data

BUSPROG:

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.

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

Answer: d

Difficulty: Easy

Bloom's: Application

A-Head: The Structure of Economic Data

BUSPROG: Analytic

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.

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

Answer: c

Difficulty: Easy

Bloom's: Knowledge

A-Head: The Structure of Economic Data

BUSPROG:

Feedback: A time-series data set consists of observations on a variable or several variables over time.

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 organization on a particular month.

Answer: c

Difficulty: Easy

Bloom's: Application

A-Head: The Structure of Economic Data

BUSPROG: Analytic

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.

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 5 members of a family on a particular year.

d. Data on the price of a company's share during a year.

Answer: b

Difficulty: Easy

Bloom's: Application

A-Head: The Structure of Economic Data

BUSPROG: Analytic

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.

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.

Answer: b
Difficulty: Easy
Bloom's: Knowledge
A-Head: The Structure of Economic Data
BUSPROG:
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.

14. _____ has a causal effect on _____.
a. Income; unemployment
b. Height; health
c. Income; consumption
d. Age; wage

Answer: c
Difficulty: Moderate
Bloom's: Application
A-Head: Causality and the Notion of Ceteris Paribus in Econometric Analysis
BUSPROG: Analytic
Feedback: Income has a causal effect on consumption because an increase in income leads to an increase in consumption.

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.

Answer: b

Difficulty: Moderate

Bloom's: Knowledge

A-Head: Causality and the Notion of Ceteris Paribus in Econometric Analysis

BUSPROG:

Feedback: The notion of 'ceteris paribus' plays an important role in causal analysis.

16. Experimental data are sometimes called retrospective data.

Answer: False

Difficulty: Easy

Bloom's: Knowledge

A-Head: What is Econometrics?

BUSPROG:

Feedback: Nonexperimental data are sometimes called retrospective data.

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

Answer: True

Difficulty: Easy

Bloom's: Knowledge

A-Head: Steps in Empirical Economic Analysis

BUSPROG:

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

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

Answer: False

Difficulty: Easy

Bloom's: Knowledge

A-Head: The Structure of Economic Data

BUSPROG:

Feedback: A time series data set consists of observations on a variable or several variables over time.

19. A time series data is also called a longitudinal data set.

Answer: False
Difficulty: Easy
Bloom's: Knowledge
A-Head: The Structure of Economic Data
BUSPROG:
Feedback: A time series data is also called a longitudinal data set.

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

Answer: True
Difficulty: Easy
Bloom's: Knowledge
A-Head: Causality and the Notion of Ceteris Paribus in Econometric Analysis
BUSPROG:
Feedback: The notion of ceteris paribus means "other factors being equal."