

Name: _____

UIN: _____

ECMT 463: Short Quiz

Questions:

1. List three problems where the **error-term u** can be correlated with the regressor X :

2. Mention the two assumptions that a valid IV must satisfy

----- and -----

3. What is a good rule-of-thumb for checking if an IV is weak?

4. Assume Y = dependent variable, X = independent variable, Z = instrument and u =error, write down the **first stage** equation.

5. Which method can fully solve the problems of **omitted variables**?

[] Probit

[] Logit

[] Fixed Effects Panel approach

[] Random Effects Panel approach

[] Instrumental Variable approach