

Assignment #9

Due Friday 4/17/15 by 6 p.m.

Always explain and show the calculations used to arrive at your answers.

- 1) Explain whether the following statements are true or false, and give an explanation:
  - a) In multiple regression, a high correlation in the sample among the regressors (multicollinearity) implies that the least squares estimators of the coefficients are biased.
  - b) Whether or not multicollinearity is a problem cannot be decided by just looking at the intercorrelations between the explanatory variables.
  - c) If the coefficient estimates in an equation have high standard errors, this is evidence of high multicollinearity.
  - d) The relevant question to ask if there is high multicollinearity is not what variables to drop but what other information will help.

Wooldridge pp. 335-337: #1, 4, 5

Wooldridge p. 503: #5, 6