Assignment #9

Due Friday 4/15/11 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. 332-334: #9.1, 9.4, 9.5

Wooldridge pp. 497-498: #14.5, 14.6