

The University of Illinois at Chicago Economics 346: Econometrics

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Review Questions for the Midterm
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These questions are worth 5 points each.

1. What should the slope of a regression line through the residuals be?
2. True or false and explain: The correlation between 2 variables is the same as a regression between 2 variables.
3. You have run a regression, with 100 observations, on the relationship between prices paid and quantity bought, and the t-statistic on the slope coefficient is -5.86. What does this tell you?
4. How does the population regression function differ from the sample regression function?

These questions are each worth 10 points.

5. What is R^2 and what does it measure? (Include in your answer the relationship of R^2 to something else, as well.)
6. Why do we assume that the ordinary least squares estimators are normally distributed, and why do we care?
7. Discuss the 6 assumptions underlying the classical linear regression model, method of least squares.

Review also the problem set questions and the end of chapter questions.