

Econometrics

Lecture 13: Multiple Regression Analysis: Inference (continuation) & Functional Forms; Introduction to Dummy Variables

Solutions

1. Mention the name of the test applied to choose between Linear and Log-linear Regression Models.
MWD Test (*MacKinnon, White and Davidson*)
2. In the Cobb–Douglas production function, specified as $Y_i = \beta_1 X_i^{\beta_2} X_i^{\beta_3} e^{U_i}$. In this production function, if the sum $\beta_2 + \beta_3 = 1$, indicate the returns to scale is **constant**.
3. What type of econometric model would capture first the declining and then the increasing nature of marginal cost?
MC curve represents a parabola.
4. ‘S’ shape of the total cost curve can be captured by a cubic or third-degree polynomial. **True** / False
5. **Theoretical discussion is not useful when we examine the empirical results. True / False**