Week 9 Assignment

Applied Econometrics

1. Limitation of Anderson-Hsiao Model of Estimation for Dynamic Panel data model is
   a. We consider all the orthogonal or moment conditions available to estimate the model.
   b. We do not consider all the orthogonal or moment conditions available to estimate the model.
   c. We consider only one lag orthogonal or moment conditions available to estimate the model.
   d. We consider only two lag orthogonal or moment conditions available to estimate the model.
   e. We do not consider any orthogonal or moment conditions available to estimate the model.
2. Which of the following is used as the Instruments in Difference GMM model?
   a. Lag of the dependent variable in level
   b. First difference of the dependent variable.
   c. Lag of the exogenous variables in level
   d. First difference of the exogenous variables
   e. Second lag of the dependent variable in level.
3. Which of the following is the limitation of Arellano-Bond model (1991)?
   a. We use lag of level as IV for the variable which are first differenced which is actually a poor instrument for differenced variable.
   b. We use double lag of level as IV for the variable which are first differenced which is actually a poor instrument for differenced variable.
   c. We use lag of exogenous variable as IV for the variable which are first differenced which is actually a poor instrument for differenced variable.
   d. We use double lag of exogenous variable as IV for the variable which are first differenced which is actually a poor instrument for differenced variable.
   e. We use lag of level and lag of exogenous variable as IV for the variable which are first differenced which is actually a poor instrument for differenced variable.
4. What are the post estimations check-ups we should carry out after estimating Dynamic Panel Data Model?
   a. There should be AR (1) in the model but not AR (2) or any higher order autocorrelation
   b. Overidentifying restrictions should be valid for each of the instrument.
   c. Overidentifying restrictions should not be valid for each of the instrument.
   d. Both A & B
   e. Both A & C.
5. In Forward Orthogonal Deviation for first differenced Unbalanced Dynamic Panel data model;
   a. We will subtract the mode of all the future observations available to minimize the gap of the missing observation.

b. We will subtract the median of all the future observations available to minimize the gap of the missing observation.
c. We will subtract the average of all the future observations available to minimize the gap of the missing observation.
d. We will add the average of all the future observations available to minimize the gap of the missing observation.
e. We will add the median of all the future observations available to minimize the gap of the missing observation.

6. Which of the following is/are used as the instruments of System GMM Model?
   a. Lag of the dependent variable in level
   b. Lag of differenced dependent variable.
   c. Lag of the exogenous variables
   d. Both A & B
   e. Both B & C