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ECONOMETRIC THEORY
REVIEW QUESTIONS

Confidence sets

1. Discuss the relationship between hypothesis tests and confidence sets. In particular, the following points should be covered:

   (a) How can a confidence set be derived from a family of tests ?

   (b) How can a test be derived from a confidence set ?

   (c) If a confidence set for a parameter θ is derived from a family of tests with level α, what is the level of this confidence set ? Justify your answer.