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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  $\theta$  is derived from a family of tests with level  $\alpha$ , what is the level of this confidence set ? Justify your answer.