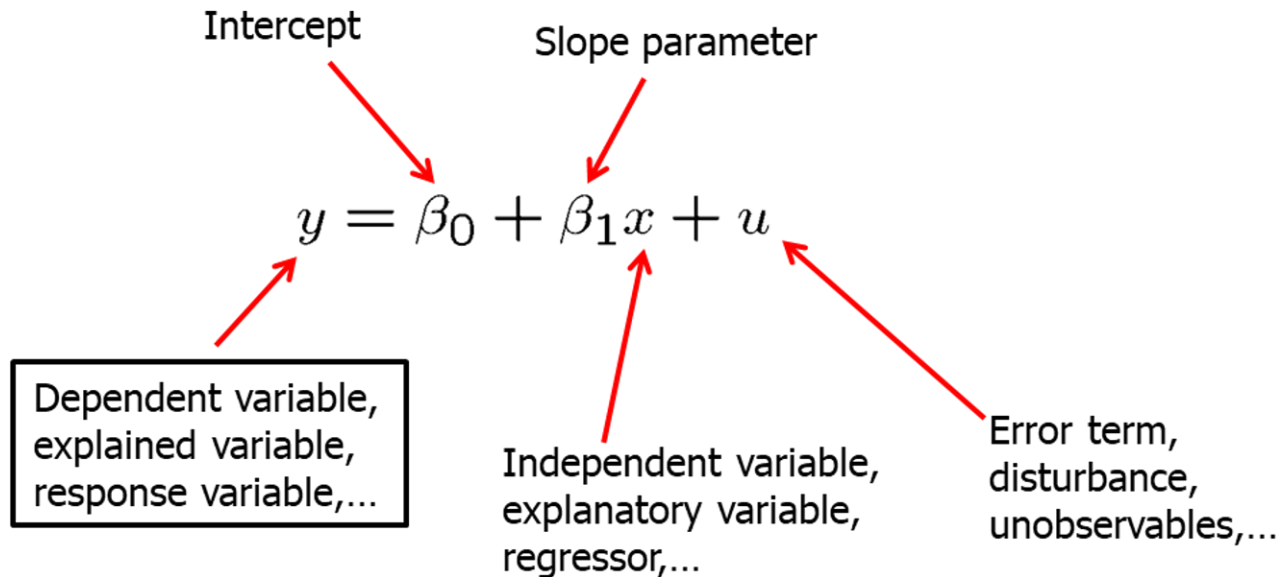


Chapter 2. The Simple Regression Model

Andra Hiriscu

2.1 Definition of the Simple Regression Model

“Explains variable y in terms of variable x ”



Definition of the Simple Regression Model

By how much does the dependent variable change if the independent variable is increased by one unit?

$$\frac{\Delta y}{\Delta x} = \beta_1$$

Interpretation only correct if all other things remain equal when the independent variable is increased by one unit.

$$\frac{\Delta u}{\Delta x} = 0$$

