

Econometrics ECON 662D1

Assignment 1

Jean-Sébastien Matte

09/29/2020

Linear Regression

The consumption model we are regressing is expressed as:

$$C_t = \beta_1 + \beta_2 \cdot Y_t + u_t$$

where t refers to the time an observation was made (each quarter), and u_t corresponds to the disturbance term.

Figure 1 below presents the residuals of the log-linear regression as a function of time.

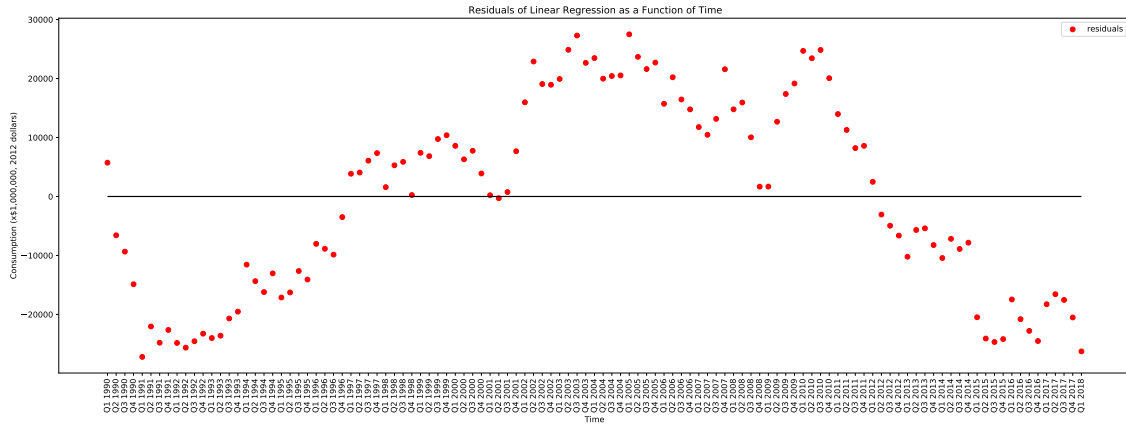


Figure 1: Residuals of the Linear Regression as a Function of Time

Log-linear Regression

Here, the consumption model we are regressing is expressed as:

$$\log C_t = \beta_1 + \beta_2 \cdot \log Y_t + u_t$$

Figure 2 below presents the residuals of the log-linear regression as a function of time.

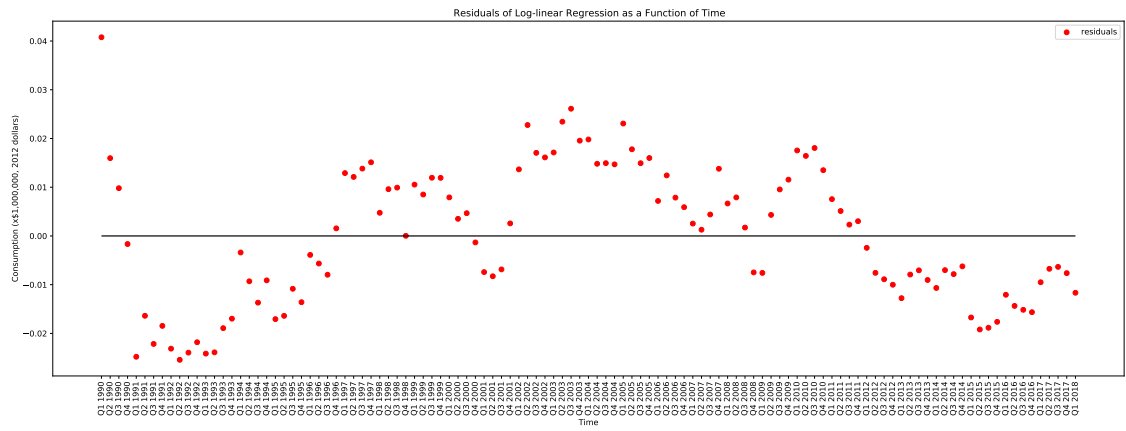


Figure 2: Residuals of the Log-linear Regression as a Function of Time