Econometrics ECON 662D1
Assignment 1

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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 disturbacne term.

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

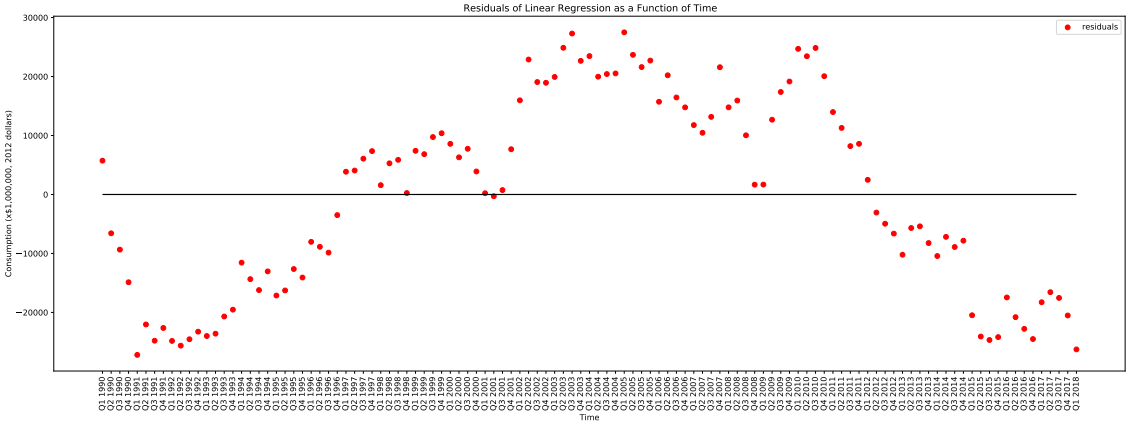

Figure 1: Residuals of the Linear Regression as a Function of Time

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.

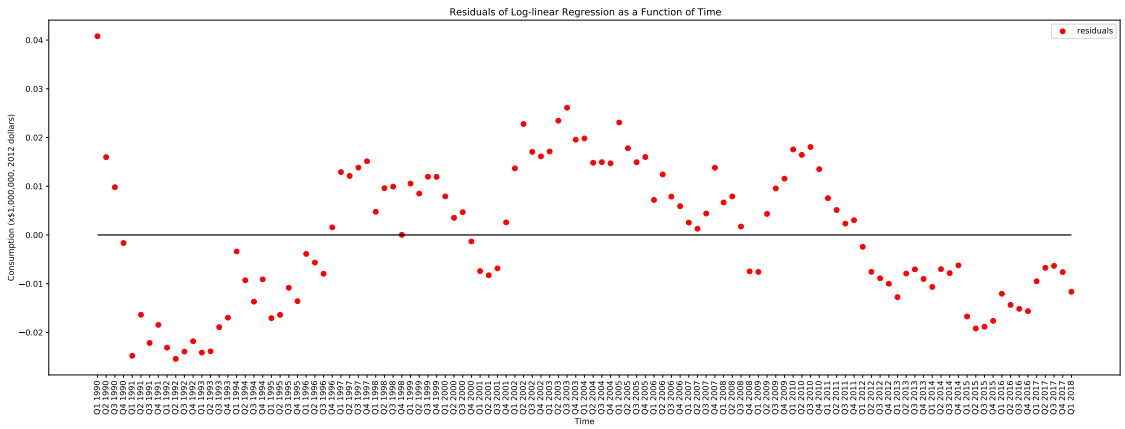

Figure 2: Residuals of the Log-linear Regression as a Function of Time