

Consider the original regression

$$y = \hat{\beta}_0 + \hat{\beta}_1 x_1 + \hat{\beta}_2 x_2 + e, \quad (1)$$

where  $e$  is the residual from this regression.

Johan wanted two regressions

$$x_1 = \hat{\gamma}_0 + \hat{\gamma}_1 x_2 + g, \quad (2)$$

$$y = \hat{\delta}_0 + \hat{\delta}_1 g + h, \quad (3)$$

and wanted you to show  $\hat{\delta}_1 = \hat{\beta}_1$ .

From [Equation \(2\)](#), we have

$$g = x_1 - \hat{\gamma}_0 - \hat{\gamma}_1 x_2. \quad (4)$$

Substitute [Equation \(4\)](#) into [Equation \(3\)](#):

$$\begin{aligned} y &= \hat{\delta}_0 + \hat{\delta}_1(x_1 - \hat{\gamma}_0 - \hat{\gamma}_1 x_2) + h \\ &= \hat{\delta}_0 + \hat{\delta}_1 x_1 - \hat{\delta}_1 \hat{\gamma}_0 - \hat{\delta}_1 \hat{\gamma}_1 x_2 + h \\ &= (\hat{\delta}_0 - \hat{\delta}_1 \hat{\gamma}_0) + \hat{\delta}_1 x_1 + (-\hat{\delta}_1 \hat{\gamma}_1) x_2 + h. \end{aligned} \quad (5)$$

Compare [Equation \(5\)](#) with [Equation \(1\)](#), we see that  $\hat{\delta}_1 = \hat{\beta}_1$ , which is what Johan wanted.