Economics 468

Assignment 1

Obtain data from the Statistics Canada website

https://www150.statcan.gc.ca/

for

1. Household final consumption expenditure (series 36-10-0107-01); and

2. Household income (series 36-10-0435-01)

for the period from the first quarter of 1990 until the first quarter of 2018, that being the latest quarter for which the income series is available, for a total of 113 observations. Denote the consumption expenditure by C, and the income by Y.

Run the regression for the simplest consumption-function model, that is, regress C on a constant and Y. Plot a graph of the residuals from the regression as a function of time.

Run the log-linear regression in which the dependent variable is $\log C$, and the regressors are the constant and $\log Y$. Once more plot a graph of the residuals as a function of time.