

Example 1

$$Y_i = \beta_1 + \beta_2 X_i + u_i$$

Where $Y_i = \text{Personal consumption expenditure (USD)}$

$X_i = \text{GDP (USD)}$

Interpret:

When GDP is zero USD, on average personal consumption expenditure is β_1 USD.

When GDP increases by 1 USD, on average personal consumption expenditure increases by β_2 USD.

Example 2

$$Y_i = \beta_1 + \beta_2 X_i + u_i$$

Where $Y_i = \text{Wages (USD)}$

$X_i = \text{Education (years)}$

Interpret:

When education is zero year, on average wages is β_1 USD.

When education increases by 1 year, on average wages increases by β_2 USD.

Exercise 1

$$Y_i = \beta_1 + \beta_2 X_i + u_i$$

Where $Y_i = \text{Number of cell phone subscribers per 100 persons}$

$X_i = \text{Per capita income (years)}$

Interpret: (Answers Chapter 3 Gujarati)

Exercise 2

$$Y_i = \beta_1 + \beta_2 X_i + u_i$$

Where $Y_i = \text{Expenditure on food (rupee)}$

$X_i = \text{Total expenditure (rupee)}$

Interpret: (Answers Chapter 3 Gujarati)

Exercise 3

$$Y_i = \beta_1 + \beta_2 X_i + u_i$$

Where Y_i = Mathematics SAY scores (point)

X_i = family income(USD)

Interpret: (Answers Chapter 2 Gujarati)

Exercise 4

$$Y_i = \beta_1 + \beta_2 X_i + u_i$$

Where Y_i = Excess returns (%) on an index of 104 stocks in the sector of cyclical consumer goods

X_i = excess returns (%) on the overall stock market index for the U.K. for the monthly data for the period 1980
– 1999

Interpret: (Answers Chapter 6 Gujarati)
