

EE325 STATA Autocorrelation

Table 10.7 U.S. consumption expenditure for the period 1947-2000

$$\ln \text{Consumption}_t = \beta_1 + \beta_2 \ln \text{income}_t + \beta_3 \ln \text{wealth}_t + \beta_4 \text{Interest}_t + u_t$$

- a) Interpret the results
- b) Obtain the residuals and standardized residuals from the preceding regression. What can you surmise about the presence of autocorrelation in these residuals?
- c) Estimate the Durbin-Watson d statistics and comment on the nature of autocorrelation present in the data.