

## ECONOMETRICS II, FALL 2024

### Homework 3. Due Wednesday September 11

Use the posted Matlab panel data program. (By the way, if you are ahead of the game, by all means use your own data. I am not updating the data because the main issue here is for you to focus on the econometrics tools. You could also use your own program, but not a program like Stata where the formulas are hidden.)

- (a) Interpret the regression results (excess sensitivity and excess smoothness), although we won't subtract points for this because I am not sure what all of you know about the consumption model.
- (b) Try and add lagged consumption and more lags of disposable income and interpret the results. It is often not so obvious what lags to include.
- (c) Try (in a separate regression) to include state fixed effects—are the results sensitive to this?