Economics 312 **Spring 2013**

Daily Problem #8 **Adjusted due date: Valentine's Day ♥**

1. Economic theory tells us that x should help to explain y. When we regress y on x we obtain an R^2 value of 0.7. When we regress y on $\ln(x)$ we get an R^2 of 0.6. On this basis, what, if any, conclusions can we draw about the relative performance of the linear vs. the linear-log model?
2. Suppose that we then regress $\ln(y)$ on x and get an R^2 of 0.75. What, if anything, can we conclude from this?