**Dead Line: 20.04.2021**

**Assignment:**

**The aim of this assignment is to build a model to explain consumption behaviour and to discuss the policy implications arising from this model using STATA software. The assignment tasks are to:**

1. Retrieve country level data from the OECD statistics portal (<https://data.oecd.org/hha/household-disposable-income.htm#indicator-chart>).

**Use 10 or more countries including UK and USA and 6 or more variables including Income (GDP), inflation, interest rate for period 2010 to 2020 as deem possible.**

1. Build and estimate an econometric model to explain consumption levels.
2. Discuss the policy implications arising from your estimation.
3. Discuss the strengths and possible shortcomings of your methodology.

**The assignment structure should be:**

1. **Introduction with brief literature review (150 words)**
2. **Methodology (300 words)**
3. **Results and analysis (350 words)**
4. **Policy Recommendations (200 words)**

**The Methodology should contain a description of the econometric methodology and a justification of why this method was chosen. You should also provide details of the dataset you are using.**

**The Results section should contain the estimation results and a discussion of these results. The Policy recommendation section should contain your policy recommendations and a discussion on the limitations of data/methods used.**

**Appendix:**

**An Appendix should be attached at the end of the dissertation that will contain the Stata commands used to obtain the results. The Appendix does not count towards the word limit.**

Word Limit:

The word limit is 1000 words. Figures do not count towards the word limit. Each Table counts 100 words. Copying and pasting Stata output (except for graphs and figures) is not acceptable. You should create properly formatted tables.

Related literature:

1) Thomas, J. J. (1989). The Early Econometric History of the Consumption Function. Oxford Economic Papers New Series, Vol. 41, No. 1, pages 131-149.

<https://www.jstor.org/stable/2663186?seq=1#metadata_info_tab_contents>

2) Fernandes-Corugedo, Santiago (2004). Consumption Theory. Handbooks in Central Banking, Centre for Central Banking Studies, Bank of England, No 23.

<https://core.ac.uk/download/pdf/6961909.pdf>

**Grading Criteria:**

* Addresses the question that was set
* Possesses a clear argument
* Made good use of evidence
* Was well structured
* Made appropriate use of the relevant literature

**Additional info required:**

1. **Required to attach a “do file” with all the commands used in STATA to do this assignment with correct sequence of order along with the data file and assignment.**
2. **Data file**